

THIS DOCUMENT IS IMPORTANT. If you are in any doubt about the contents of this document, you are recommended immediately to seek your own financial advice from your stockbroker, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document comprises a prospectus drawn up in accordance with the requirements of the Public Offers of Securities Regulations 1995 (the "POS Regulations") and the AIM Rules. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations. This document has been issued in connection with the application for Admission to trading of the Ordinary Shares on AIM.

The Directors of Property Recycling Group plc, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the whole of the issued and to be issued ordinary share capital of Property Recycling Group plc to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Furthermore, the London Stock Exchange has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

It is expected that the Ordinary Shares of Property Recycling Group plc will be admitted to trading on AIM and that dealings will commence on 16 June 2005.

Property Recycling Group plc

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered number 5409619)

Placing of up to 17,400,000 Ordinary Shares of 5p at 50p per share and Admission to trading on AIM

Nominated Adviser and Broker

Marshall Securities Limited

The Ordinary Shares now being placed will rank *pari passu* in all respects with the existing issued Ordinary Shares including the right to receive all dividends or other distributions hereafter declared, made or paid on the Ordinary Share.

Marshall Securities Limited, which is regulated by The Financial Services Authority and a member of the London Stock Exchange, is acting exclusively for Property Recycling Group plc and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Marshall Securities Limited or for providing advice in relation to the contents of this document. In particular, Marshall Securities Limited, as nominated adviser to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company, the Directors or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this document. No liability is accepted by Marshall Securities Limited for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document for which Property Recycling Group plc and the Directors are primarily responsible.

This document does not constitute any offer to buy or subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or the benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or any national, resident or citizen of Canada, Australia or Japan. The distribution of this document in other jurisdictions may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this document may not be distributed, directly or indirectly, in or into the United States, Canada, Australia or Japan.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) from the date hereof until one month after Admission from the offices of Marshall Securities Limited, Crusader House, 145-147 St John Street, London EC1V 4RE and from the registered office of the Company.

The whole of the text of this document should be read. Your attention is drawn to the section entitled "Risk Factors" set out in pages 2 to 3 of this document.

RISK FACTORS

The Board believes that an investment in the Ordinary Shares may be subject to a number of risks. Investors and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list. Investors and prospective investors should consider carefully whether investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

Liquidity of Ordinary Shares

The future success of AIM and the liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid and, therefore, the Ordinary Shares may be or may become difficult to sell. Admission to AIM does not imply that there will always be a liquid market for the Ordinary Shares.

Stock market perception

The market perception of securities related to the recycling of previously developed land ("PDL") may change and accordingly the value of the Ordinary Shares may fluctuate or decline.

Economic and business cycle

The Directors believe that the requirement for development land will continue to increase in the long term to meet the demand for both residential and commercial property sites. The Directors expect that, as a consequence and given the planning issues and local opposition to the development on "greenbelt" land, demand for PDL will increase over the longer term. However, the demand for sites for development is affected by the economic cycle and, therefore, may be subject to short term fluctuations.

Dependence on key personnel

The Company has a small executive management team. It is intended that, following Admission, a further executive will be recruited. Following such recruitment, the Company will still be reliant on a small team to identify sites with potential and having secured such sites to enhance value through remediation and planning gains.

Remediation costs and environmental liabilities

The sites acquired and to be acquired by the Group are previously developed land and, accordingly, may require remediation and may include contaminated land. The Group undertakes examination of sites prior to acquisition to determine to the best of its ability the nature of environmental liabilities and the extent to which remediation is required and the costs of such work. It is often the case that vendors of PDL give no or limited environmental warranties and require the purchaser to take over full liability for environmental liabilities relating to a site. These factors are taken into account by the Group in determining whether to make an offer for a site and the price to be offered. The extent of environmental liabilities and the level of remediation actually required may be greater than the Group's estimates and the costs of remediation may be greater than estimated.

Acquisition of existing sites

The Group has acquired the five existing sites through the Reorganisation under which the Company has acquired the share capitals of five property owning companies from Paul Rackham's family interests. Under the terms of the acquisitions the Company has received warranties and indemnities from Paul Rackham, Paul Rackham Jnr and Mrs S Rackham capped at £10.5 million. In relation to environmental matters, the warranties and indemnities are limited to the actual knowledge of the warrantors. In order for the Company to bring a successful claim for either breach of the environmental warranties contained in the warranty deed, or under the deed of environmental indemnity, it will be necessary to show the warrantors had actual knowledge of the issue and did not disclose it to the Company.

Planning

The Group often expects to enhance value through improved planning permissions for the sites it acquires. The timing and success of planning applications may vary. Government may change planning rules and procedures and may vary fiscal incentives.

This document contains forward looking statements that relate to the Company's prospective financial condition, results of operations and its business plan, strategies, forecasts, prospective competitive position and growth opportunities. This document also contains forward looking statements that relate to the market, financial and regulatory environments in which the Company operates, the plans and objectives of the Company's management and various other matters. These forward looking statements are identifiable by words such as "anticipate", "estimate", "project", "plan", "intend", "expect", "believe", "forecast" and similar expressions, and are located throughout this document. Prospective investors should be aware that these statements are estimates, reflecting the judgment of the Company's management and prospective investors should not place reliance on any forward looking statements. Actual results and events may differ materially from those contemplated by these forward looking statements.

The investment opportunity offered in this document may not be suitable for all recipients of this document. Prospective investors are therefore strongly recommended to consult an independent financial adviser authorised under the FSMA who specialises in advising upon investments of this nature before making their decision to invest.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2005</i>
Admission effective and trading in Ordinary Shares expected to commence	16 June
CREST accounts credited on	16 June
Share certificates despatched by	23 June

DIRECTORS, SECRETARY AND ADVISERS

Directors	Paul Anthony Rackham (<i>Executive Chairman</i>) Paul Anthony Rackham Jnr (<i>Operations Director</i>) Stephen Russell Stuteley (<i>Finance Director</i>) Samuel Alan Wauchope (<i>Non-executive director</i>) all of Manor Farm, Bridgham, Norwich NR16 2RX
Secretary and Registered Office	David Cunningham Manor Farm Bridgham Norwich NR16 2RX
Nominated Adviser and stockbroker	Marshall Securities Limited Crusader House 145-157 St John Street London EC1V 4RE
Solicitors to the Company	Mayer, Brown, Rowe & Maw LLP 11 Pilgrim Street London EC4V 6RW Kester Cunningham John Ingram House Meridian Way Norwich Norfolk NR7 0TA
Auditors and Reporting Accountants	Deloitte & Touche LLP City House 126-130 Hills Road Cambridge CB2 1RY
Property Valuers	Savills (L&P) Limited 8/10 Upper King Street Norwich Norfolk NR3 1HB
Market consultants	White Young Green Empress House 12 Empress Road Lyndhurst Hampshire SO43 7AE
Registrars	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Ordinary Shares (issued and to be issued pursuant to the Placing) to trading on AIM and such admission becoming effective in accordance with paragraph 6 of the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules of AIM as published by the London Stock Exchange
“Certificated” or “Certificated Form”	not in Uncertificated Form
“Combined Code”	the Principals of Good Governance and Code of Best Practice set out in the Listing Rules published by the United Kingdom Listing Authority
“CREST”	the system for paperless settlement of trades and the holding of Uncertificated Securities administered by CRESTCo. Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“Directors” or “Board”	the directors of the Company as at the date of this document, whose names appear on page 5 of this document
“FSMA”	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto
“Group”	the Company and its subsidiaries
“London Stock Exchange”	London Stock Exchange plc
“Marshall”	Marshall Securities Limited
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company
“PDL”	previously developed land, that is land which has been used or developed in the past and such use or development is now ceased
“Property Recycling” or “the Company”	Property Recycling Group plc
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the agreement dated 27 May 2005, details of which are set out in paragraph 6 of Part VI of this document
“Placing Shares”	up to 15,000,000 new Ordinary Shares being placed on behalf of the Company and the 2,400,000 Ordinary Shares being placed on behalf of the Vendors pursuant to the Placing Agreement
“PRL”	Paul Rackham Limited
“Reorganisation”	the acquisition by the Company of Rossfleet Limited, Rossfleet Investments Limited, Rossfleet Brigg Limited, Hensby Composts Limited and Railroad Terminal Limited to form the Group as described in Part V of this document
“Shareholders”	the holders of Ordinary Shares
“UK”	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 FSMA
“Uncertificated” or “Uncertificated Form”	recorded on the Company’s share register as being held in uncertificated form, title to which, by virtue of the CREST Regulations, is to be transferred by means of CREST

“Vendors”

the trustees of the Rachel Rackham Settlement, the Jane Williams Settlement, the Sara Pearson Settlement and the Paul Rackham Jnr Settlement

SUMMARY OF KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived. Your attention is also drawn to the risk factors set out in pages 2 to 3 of this document. Unless the context otherwise requires, this document has been prepared on the basis that the Reorganisation has become effective.

The business

Property Recycling identifies and acquires previously developed land (“PDL”), often referred to as “brownfield sites”, where it can see the opportunity to improve the valuation significantly through remediation and planning gain. As this process can take some time to bring to fruition, Property Recycling seeks to generate income from letting part or all of the property while the process is undertaken. The Group particularly seeks complex sites which require demolition of existing structures and treatment of contaminated land. Improvements include site remediation and optimisation of potential value through planning approval. The Group is not a property developer but will sell to, or enter into agreements with, such developers and other purchasers. It may also retain residual elements of sites where attractive income can be earned or longer term planning potential exists.

The market

There is increasing pressure for land for residential and commercial development, particularly in the South East and the East of England. The targets for new houses to be built in these areas recently published by the Office of the Deputy Prime Minister illustrate the enormous pressure for new land for housing. Around growing commercial hubs, such as airports and motorway intersections, there is significant development of commercial properties. The Directors believe that the use of brownfield sites (mostly former industrial sites) is more likely to gain local acceptance than the development of greenfield sites. There are a large number of such sites which need remediation and planning approvals before they can be brought into use.

The existing business

The companies which comprise the Group have over a number of years acquired a portfolio of PDL sites in the East of England and have undertaken remediation, resolved planning issues and found potential developers to acquire the sites and oversee their development. Property Recycling’s management has considerable experience of the management and improvement of such sites. The Group currently owns five freehold sites in the East of England with a total area of 264 hectares. These are in varying stages of improvement and produced income of over £0.4m in the year ended 31 December 2004. The properties had a market value of £16.6m as at 30 April 2005.

The management

Property Recycling is led by Paul Rackham who has over 40 years experience of property investment, management and development. He also has significant experience of the use of former industrial sites and quarries and waste management sites having founded in 1983 the business which became Waste Recycling Group plc. Under Paul Rackham’s leadership, Waste Recycling Group plc became the UK’s largest independent listed waste management company before being sold to Terra Firma Investments (GP) 2 Limited in 2003 with an enterprise value of approximately £531m. The executive team includes Paul Rackham Junior and Stephen Stuteley who were directors of Waste Recycling Group plc from 1994 to 1999. The Company has appointed Sam Wauchope as non-executive director and will appoint another non-executive director in due course.

Placing and Admission to AIM

Property Recycling is a new holding company which has been created to combine the various PDL interests of Paul Rackham and his family. Marshall has agreed to use reasonable endeavours to place up to 15,000,000 new Ordinary Shares at 50p per share to raise £7.5m before expenses (net proceeds £6.9m after expenses) for expansion of the Group and to provide working capital. In addition, Marshall has agreed to use reasonable endeavours to place 2,400,000 Ordinary Shares at 50p per share on behalf of certain trusts of the Rackham family.

Prospects

The Directors believe that the demand for building land in England will continue to grow and that the complexities of bringing undeveloped land into use, such as planning and infrastructure problems and public objections, will increase the attractiveness of PDL as an alternative source of building land. The Directors expect that these factors will lead to further government incentives and assistance for the recycling of PDL.

PART I

INFORMATION ON PROPERTY RECYCLING

1. Introduction

Property Recycling identifies and acquires previously developed land (“PDL”), often referred to as “brownfield sites”, where it can see the opportunity to improve the valuation significantly through remediation and planning gain. As this process can take some time to bring to fruition, Property Recycling seeks to generate income from letting part or all of the property while the process is undertaken. The Group particularly seeks complex sites which require demolition of existing structures and treatment of contaminated land. Improvements include site remediation and optimisation of potential value through planning approval. The Group is not a property developer but will sell to, or enter into agreements with, such developers and other purchasers. It may also hold residual elements of sites where attractive income can be earned or longer term planning potential exists.

With increasing demand for building land in England, the Directors expect that the pressure for the use of PDL will increase. The development of PDL provides both an attractive alternative to building on the diminishing quantity of greenfield land and the prospect of significant amenity improvement through the utilisation of derelict land which often detracts from the surrounding locality.

The companies which comprise the Group have over a number of years acquired a portfolio of PDL sites in the East of England and have undertaken remediation and resolved planning issues to enhance value and enable development. The Group’s management has considerable experience of the management and improvement of such sites over many years.

2. PDL

PDL includes sites which have been used by commercial and industrial enterprises. Sites targeted by the Group may or may not include contaminated land. Under the environmental protection legislation there are legal obligations where land is designated as contaminated. The Group has considerable experience of dealing with contaminated land and with land which is not contaminated but requires remediation.

English Partnerships, the national agency for regeneration in England, estimated in its National Brownfield Strategy paper published in September 2003 that in England alone there were 65,500 hectares of previously developed land in 2001. The most recent statistics published by the government show that in 2003 there were 65,760 hectares of PDL.

Much of the supply of PDL has arisen from the decline in manufacturing industry in England and the closure of industrial sites as companies seek to rationalise their operations.

3. The demand for PDL

There is a well documented demand for land for new housing throughout the UK and particularly in the South East and the East of England driven by social and demographic changes, in particular in household size. In addition, there has been a continued and steady demand for retail, commercial and industrial development. Significant areas are covered by protective designations that limit the opportunity for planned development. Brownfield sites or PDL offer an opportunity to meet government targets and market demand.

Demand for housing land has been documented in Government commissioned reports, including a recent Cambridge University report which predicted annual demand in the South East for 31,000 houses per annum to 2011, rising to 36,000 per annum in the period to 2021.

Government analysis divides PDL into three categories:

- (a) Sites that have commercial value and do not require public sector intervention to come to market and be regenerated;
- (b) Sites that can be brought to market and regenerated by a combination of public sector and private sector effort; and
- (c) Sites that require major public sector funding and intervention to avoid dereliction.

The Group focuses on sites which fall into category (a) above.

4. The business

The Group identifies and acquires PDL where it can see the opportunity to improve the valuation significantly through remediation and planning gain. The Group particularly seeks complex sites which require demolition of existing structures and which may also require the treatment of contaminated land. The acquisition process is led by Paul Rackham who has more than forty years experience of property acquisition and development. Potential sites are brought to the Group's attention through a network of contacts with property agents and other intermediaries. Potential sites are subject to an initial desktop review to establish the scope for the Group to add value. The management then visits the site and carries out a preliminary review of the opportunity. If a decision is taken to proceed, the Group reviews the site evaluation, the scope for improvements and the level of risks involved. Improvements include site remediation and optimisation of potential value through planning approval. Outside professionals including valuers, solicitors, environmental consultants and planning consultants are engaged as appropriate to assist in evaluating sites. The evaluation includes desktop analysis, physical inspection and examination of third party evidence such as planning and environmental records.

Vendors of former industrial sites often give no environmental indemnity or warranty and require the acquiror to indemnify them against any environmental issues which might affect former owners. The environmental exposures and nature of the site are taken into account in determining the scope of the pre-acquisition investigation by the Group, and once such investigation is complete, the price the Group is prepared pay for a potential site.

If the outcome of the investigation is favourable, the Group will make a bid for the site which may be subject to further due diligence.

The Group establishes a plan for the improvement and realisation of each site. In the near term this will often involve securing short term tenants to provide a rental income while detailed plans are established for remediation and improvement. In some cases the Group will seek to identify developers or purchasers to whom the site may be sold once the improvements are made and work with such parties in gaining planning approvals and agreeing remediation work. In other cases the Group will seek to carry out such improvements with a view to selling the site either in its entirety or piecemeal. The Group is not a property developer but may sell or enter into agreements with such developers or purchasers. It may also retain residual elements of sites where attractive income can be earned or longer term planning potential exists.

The Directors believe that purchasers of PDL who have a good understanding of assessing and managing risks and uncertainties related to PDL are well placed to assess the potential for enhancement and the risks of a particular site. The perception of brownfield sites includes an element of uncertainty and risk regarding time and cost. However, uncertainty can be reduced through careful assessment and proper investigation.

5. Existing property portfolio

The Group currently owns five freehold sites with a total area of 264 hectares. These are in varying stages of improvement and generated income of over £0.4m in the year ended 31 December 2004. The properties, which are described in full in Part II of this document, comprise:

Saddlebow, King's Lynn. This former site of a sugar beet processing factory was acquired in 1998. The site comprises approximately 51 hectares of land zoned for industrial and commercial development. It has road and river connections with potential for a rail link. The majority of the existing buildings (approximately 7,084 sq m) are let to a number of short term tenants. This site is under option to a developer. The option expires at the end of June 2005.

Stanton, Bury St Edmunds. This former airfield is located close to the A143 and comprises approximately 38 hectares with planning approval for industrial and commercial use. The site is under option to a major retailer for the development of a substantial distribution centre. The option expires in December 2007.

Hensby near Huntingdon. This site which was acquired in 2003 was used by a mushroom composting business for many years. It comprises approximately 16 hectares of land zoned for industrial and commercial use which has the benefit of a waste management licence for composting. This area is let to Adas Consulting Limited for use as a compost trials location. A further 2 hectares were acquired recently which are currently unlet.

Brigg, near Scunthorpe. This former site of a sugar beet processing factory was acquired in 2002. The site comprises approximately 50 hectares. It includes 21 hectares of land zoned for industrial and commercial use (on which there is warehousing and offices of 9,634 sq m in total), 4 hectares of agricultural land part of which is currently let on a farm business tenancy, a 2 hectare site of a former sports ground which may be suitable for residential development in the longer term and approximately 17 hectares of further agricultural land which may be used for surface water drainage and to provide amenity land.

Fornham Park near Bury St Edmunds. Previously a country estate and grounds owned by the Duke of Norfolk adjacent to the River Lark, the site comprises approximately 107 hectares. The site of the former hall has planning permission for a residential development of four executive homes and planning will be sought for one executive home on another part of the site. The balance of the estate of approximately 89 hectares has planning approval for an 18 hole golf course and a 9 hole golf course.

The Group's properties are located in the East of England where its office is located. The management has a detailed knowledge of the area and contacts within that area. In seeking properties to expand the portfolio, the Group will not restrict itself to the East of England, though it is likely that a significant proportion of sites will be located there. The principles which the Group has applied in improving its existing portfolio can be applied to PDL throughout the UK.

6. Valuation

The Group's properties, other than Hensby, are classified in the financial statements as development land and are included within stocks and work in progress. Accordingly they are shown in the financial statements at the lower of cost and net realisable value. The property at Hensby is classified as an investment property and is included in the financial statements at the Directors' valuation.

The Directors estimate, that based on advice received from Savills (L&P) Limited, the aggregate market value of the five properties at 30 April 2005 was £16.6 million. This amount is stated before taxation, estimated to be approximately £2.9 million, which would arise on the sale of the properties at such valuation. Further details of the properties are set out in Part II of this document.

7. Property Recycling

Property Recycling is a newly incorporated company which was formed to acquire five companies which own the existing properties. Two of the companies — Hensby Composts Limited and Railroad Terminal Limited — were wholly owned subsidiaries of PRL, a company controlled by Paul Rackham and Paul Rackham Jnr. The remaining companies were owned by trusts established for the benefit of each of Paul Rackham's four children. Under the terms of the Reorganisation, Property Recycling acquired the entire issued share capital of each of the five companies. Further details of the Reorganisation are set out in Part V of this document.

8. Strategy

The Directors intend to use the increased resources generated by the Placing to expand the Group's portfolio of PDL. The Group will use bank borrowings to leverage acquisitions but the Directors intend to limit the Group's gearing so that interest payments are covered by rental income. Based on the existing assets and the Group's experience, the Directors expect that target sites will include a number of former commercial and industrial sites which will be acquired in their entirety without any significant environmental or other warranties by vendors. With the additional capital base from the Placing, the Directors intend to expand the portfolio and to increase the level of activity. It is the Board's intention that properties will only be held whilst there is enhancement of value to be achieved.

9. Financial information

An accountants' report on the Group for the three years ended 31 December 2004 is set out in section 2 of Part III. During that period, the companies which now form the subsidiaries of Property Recycling were operated as the family interests of Paul Rackham and accordingly included a number of activities which are not relevant to the Company. Such activities and the related net assets were transferred to PRL, Paul Rackham's family investment and holding company, prior to the Reorganisation. The results of such activities are classified as discontinued activities in the accountants' report. The report has been prepared by combining the financial statements of the companies referred to above.

During the three years ended 31 December 2004 the Group was financed by loans from PRL, on which interest was charged. Following the Reorganisation the Group is financed by two secured loans totalling approximately £3.6m, an overdraft and shareholders' funds. Following Admission the Group will have the benefit of the net proceeds of the Placing, of which approximately £0.2m will be used to repay the overdraft.

10. Current trading and prospects

The Directors believe that the demand for building land in England will continue to grow and that the complexities of bringing greenfield land into use, such as planning and infrastructure problems and public objections, will increase the attractiveness of PDL as an alternative source of building land. The Directors expect that these factors will lead to further government incentives and assistance for the recycling of PDL. The current stable interest rates in the UK provide a good background for demand from property developers and end users. The Directors consider that the prospects of the Company for the current financial year are good.

11. Directors and management

The directors of the Company are:

Paul Rackham, aged 68, is Executive Chairman of the Company. Paul has been involved in the development and operation of businesses in the property and waste management sectors since 1960. In 1983 he started a business to provide facilities for waste transfer and recycling in East Anglia. In 1994 that business was floated as Waste Recycling Group plc ("WRG") with Paul as managing director. The business grew through organic development and acquisition to become the largest independent listed waste management company in the UK. Paul led WRG as managing director, executive deputy chairman and then chairman until May 2002 when he became a non-executive director. In 2003 WRG was acquired by Terra Firma Investments (GP) 2 Limited with an enterprise value of approximately £531m. Since 2002 Paul has expanded and developed his family property assets.

Paul Rackham Jnr, aged 39, is Operations Director of the Company. Having worked in the business of WRG for many years he joined the board on flotation and remained operations director until January 1999 when he stepped down from the main board on completion of the merger with the waste interests of Kelda Group plc. Paul Rackham Jnr left WRG in September 1999 since when he has been responsible for the day to day operations of the properties owned by the Group.

Stephen Stuteley aged 49, is Finance Director of the Company. Following five years with a firm of accountants he spent 12 years as company accountant for an engineering business before joining the business of WRG in 1990 where he was responsible for financial and administrative systems and later for negotiations with local authorities and commercial customers. He was appointed commercial director of WRG on flotation until January 1999 when he stepped down from the main board on completion of the merger with the waste interests of Kelda Group plc. Stephen Stuteley left WRG in September 1999 since when he has been responsible for the financial and administration affairs of the five property companies which have been acquired by Property Recycling.

Sam Wauchope, aged 53, is a non-executive director of the Company. He is a chartered accountant. His executive career has involved CEO or Executive Chairman positions in a number of UK listed companies: Acorn Computer Group plc, Oceonics Group plc and Ultrasis plc. He has also served as a non-executive director on the boards of other UK listed companies, including WRG and Gall Thomson Environmental plc. Mr. Wauchope is a non-executive director of Plant Health Care plc, a leading company in the emerging field of products for natural plant growth which was admitted to AIM in 2004, and of Progressive European Markets Limited and Progressive Developing Markets Limited, two regulated investment management businesses.

The Company intends to appoint another non-executive director in due course.

The day to day operations of the Group are carried out by the executive Directors supported by a small administration function. The Group employs external consultants and advisers as needed to supplement its resources. Following Admission the Group may recruit an additional executive but it is the Directors' intention to keep overheads under tight control and to continue to employ outside consultants.

12. Corporate governance

The Company has appointed Sam Wauchope and, as noted above, intends to appoint another non-executive director in due course. Sam Wauchope is independent of management and will bring an independent view to bear at the Board proceedings.

The Board has established an audit committee and a remuneration and nomination committee, each comprised of Sam Wauchope (who is chairman of both committees) and, until the appointment of the second non-executive director, Paul Rackham.

The audit committee will receive and review reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems of the Company. The audit committee will have unrestricted access to the Company's external auditors.

The remuneration and nomination committee will review the scale and structure of the executive Directors' remuneration and the terms of their employment or engagement. The remuneration and terms and conditions of appointment of the non-executive Directors will be set by the whole Board. The committee will also be responsible for identifying and appointing new members of the Board.

The Directors recognise the importance of a reliable system of internal controls and reporting. The Directors have confirmed to Marshall that such controls and procedures are in place.

13. Relationship between Property Recycling and PRL

The five property companies have been operated as part of the family businesses of Paul Rackham. Paul Rackham's farming, property and investment company, PRL, provided accommodation, administration and staff to the property companies. The Company will operate from premises owned by PRL which will also provide administration services. The terms of the agreements for the accommodation and administration services are summarised in paragraph 8(m) of Part VI of this document and have been reviewed and approved by Sam Wauchope, the non-executive director.

14. The Placing

Marshall has agreed, conditional on Admission, to place up to 15,000,000 new Ordinary Shares on behalf the Company at 50p per share and to place 2,400,000 Ordinary Shares at 50p per share on behalf of the Vendors. A summary of the Placing Agreement is set out in paragraph 6 of Part VI of this document. The net proceeds of the Placing, which are estimated to amount to £6.9m, will be used to repay an overdraft which is expected to amount to approximately £0.2m at Admission and to provide funds for expansion of the portfolio and for working capital.

All of the Ordinary Shares will rank in full for all dividends and other distributions hereafter declared, paid or made on such Ordinary Shares.

Immediately following the Placing, Paul Rackham, Paul Rackham Jnr and their family interests will be interested in 18,600,000 Ordinary Shares representing 51.4 per cent. of the Ordinary Shares in issue at that time assuming that all the Placing Shares are subscribed. Those parties have given undertakings that, save in the event of death, an intervening court order, a takeover becoming or being declared unconditional (which they may give an irrevocable undertaking to accept), they will not dispose of the number of Ordinary Shares they hold for a period of 12 months from the date of Admission and, for a further period of 12 months thereafter, only to make disposals in an orderly market through the broker to the Company. Details of the undertakings are set out in paragraph 8(n) of Part VI of this document.

15. Dividend policy

As the Company's focus will be on capital growth, any dividends will be modest. The Directors intend to commence the payment of dividends when it becomes both possible and commercially prudent to do so, subject to the availability of distributable reserves and the need to retain funds to finance the requirements of the Company.

16. Admission, settlement and dealings

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 16 June 2005.

Application has been made to permit the Ordinary Shares to be settled through CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced

otherwise than by a certificate and transferred other than by written instrument. The Company's articles permit the holding of Ordinary Shares in Uncertificated Form under the CREST system. It is expected that CREST accounts will be credited on 16 June 2005 and share certificates despatched at the holders' risk by 23 June 2005.

17. Taxation

The attention of prospective investors is drawn to paragraph 12 of Part VI of this document.

18. Additional information

The attention of prospective investors is drawn to Parts II to VI of this document, which provide additional information on the matters detailed above.

PART II

DETAILS OF PROPERTY PORTFOLIO OF THE GROUP

The following tables set out the details of the properties owned by the Group. All of the properties are freehold and the tables provide details of leases granted by the Group over parts of the properties.

Saddlebow, Kings Lynn, Norfolk

<i>NO</i>	<i>DESCRIPTION</i>	<i>AREA</i>	<i>LEASE TERMS</i>
	Saddlebow is the site of a former British Sugar factory and is situated to the south west of Kings Lynn, adjacent to the A47 trunk road. There is no direct access from the A47 onto the estate. Kings Lynn is situated in west Norfolk and has access to the A47 and the A10.		The site is under option to a developer. The option expires on 30 June 2005.
1.	<p>This area has been developed over the years and the buildings and yards are described below. The properties are grouped in relation to the lease terms.</p> <p>An industrial unit which is multi-occupied. It is of older style construction but is in reasonable condition.</p> <p>A 3 storey brick office. The ground floor is unlettable in its current state but the upper floors are in better condition and are subdivided.</p> <p>Industrial units of varying ages, construction and condition.</p> <p>Offices.</p> <p>Two concrete yards.</p> <p>Two brick stores.</p> <p>A terrace of four garages.</p>	<p>11.05 ha</p> <p>360.2 sq m</p> <p>947.83 sq m</p> <p>2,266.28 sq m</p> <p>428.69 sq m</p> <p>0.36 ha</p> <p>1,262.75 sq m</p> <p>199.02 sq m</p>	<p>This part of Saddlebow is subject to a number of leases which have been summarised below. All leases have been excluded from the Security of Tenure Provisions contained within the Landlord & Tenant Act 1954, and there is a requirement for all tenants to contribute a fair proportion to the general maintenance and upkeep of the site.</p> <p>Vacant possession.</p> <p>Vacant possession.</p> <p>These parts are all let on relatively short term leases with unexpired terms of between 1 and 6 years. The leases are all on full repairing and insuring ("FRI") terms.</p>

<i>NO</i>	<i>DESCRIPTION</i>	<i>AREA</i>	<i>LEASE TERMS</i>
	<p>A yard is operated as a waste transfer station and comprises two large industrial units set within a concrete yard. The demised area benefits from a Waste Management Licence and includes an area with consent for inert recycling. The demised area also includes the control of the main site weighbridge.</p> <p>A building is occupied under a ground rent for the construction of salt barns and ancillary weighbridge.</p>	<p>2,376.9 sq m</p> <p>3.46 ha</p> <p>0.43 ha</p>	<p>This is held on a 25 year lease from 8 July 2004 on FRI terms. Current rent is based on royalty payments per tonne.</p> <p>This area is subject to a lease of 20 years from 30 October 2001. This is on FRI terms and the rent is reviewable 5 yearly on an upwards only basis. There is an option to renew.</p>
2.	This area is open land which is unserviced and requires significant works in respect of access. It is currently unutilised.	39.53 ha	
3.	This area comprises a large concreted haulage yard with workshops and ancillary offices. The unit is of steel framed construction with a mix of asbestos and profiled sheet cladding. This site has a separate right of access off Saddlebow Road	<p>1.02 ha</p> <p>620.12 sq m</p> <p>Office</p> <p>83.61 sq m</p>	This site is let on a 10 year lease from 30 May 2003 on a FRI basis. The lease is subject to 5 yearly upward only rent reviews. 0.35 ha including the main buildings of the original demise has since been sublet to Volvo Truck and Bus (Southern England) Ltd for a term to expire 6 months prior to the termination of the head lease.

Stanton, Bury St Edmunds

<i>NO</i>	<i>DESCRIPTION</i>	<i>AREA</i>	<i>LEASE TERMS</i>
1.	<p>The site is situated to the south of the A143 Bury Road on the east side of Stanton, which is a large village lying about 8 miles to the north east of Bury St Edmunds.</p> <p>The site is part of a former World War II airfield and remnants of runways, concrete hardstanding and some derelict buildings remain. In more recent times, it has been occupied for use as a concrete batching plant and then a roof tile works. It has been vacant since the late 1980s with the exception of the informal letting.</p>	38.02 ha	<p>There is an informal arrangement in place for storage. This can be terminated by either party at any time.</p> <p>There is an option agreement in place in favour of Ikea Properties Investments Ltd. The original agreement was dated 11 September 2001 but a new agreement was completed on 16 December 2004 which extends the option period to 31 December 2007. The option relates to a planning application for a distribution warehouse.</p>

Hensby, Near Huntingdon

<i>NO</i>	<i>DESCRIPTION</i>	<i>AREA</i>	<i>LEASE TERMS</i>
	The main site was formerly the site of a composting business. The property is located at Hensby to the north east of Huntingdon.		
1.	<p>This area is leased and comprises a specialist composting facility, house and additional open land. The composting element is made up of 22 permanent buildings interlinked by concrete yards and 25 composting tunnels plus ancillary office accommodation. The majority of the buildings are of concrete portal framed construction with pitched roofs and clad with profiled cement fibre sheets. All have concrete floors and many are open fronted to allow access to the composting tunnels to the rear. The offices are former dwellings and have been converted to a basic specification. There is a vacant two storey house to the southwest corner of the site but there are plans for this to be used as a research/learning centre for green waste. The site benefits from 5 entrances. There are a number of derelict asbestos buildings which are to be removed.</p> <p>Heath Top is an extended two storey 4 bed dwelling and is of brick and wooden clapboard construction under a concrete tiled roof. It has a large garden and triple garage.</p> <p>A strip of agricultural land lies to the east of the main site.</p> <p>The area of the compost facility is the subject of a waste management licence.</p>	16.24 ha	<p>This part of the site is the subject of a lease to Adas Consulting Ltd for a term of 10 years from 4 August 2004 with an option to extend for two further periods of 10 years. The lease is on FRI terms but the repairs are limited by a schedule of condition. The rent is subject to five yearly upward only rent reviews, which are based on RPI but capped at an average of 3.25% per annum.</p> <p>The options to extend provide for the rent to be at current rental value with 5 yearly upward only open market value reviews.</p> <p>Heath Top forms part of the above lease but is sub-let by Adas Consulting Ltd and occupied under an Assured Shorthold Tenancy. This is permitted under the head lease.</p>
2.	An adjoining parcel of agricultural land was purchased during March 2004. It lies to the north of the site and is currently redundant.	1.86 ha	Vacant Possession

Brigg, Near Scunthorpe, N Lincolnshire

<i>NO</i>	<i>DESCRIPTION</i>	<i>AREA</i>	<i>LEASE TERMS</i>
	Brigg is the site of a former British Sugar factory and is situated on the edge of Brigg, to the south east of Scunthorpe. The site is close to the M180.		
1.	<p>This area is allocated as being suitable for B1, B2 and B8 development and is the site of a sugar beet factory which has since been demolished. Some buildings have however been retained and these include the main warehouse with covered loading area, a former packing hall, offices and ancillary buildings. In total the existing accommodation extends to 9,633.61 sq m although some of the accommodation would require extensive refurbishment prior to occupation.</p> <p>The surface water from this site is pumped directly to the River Humber under a licence dated 19 August 2002. The maintenance and running of the pump are the responsibility of the site occupier.</p>	20.91 ha	Vacant Possession
2.	<p>This land lies within the development boundary of the town and is deemed suitable for residential development. This land is currently a sports ground although it is not operational.</p> <p>This site lies within a flood plain and has been affected by flooding in the past. The re-routing of a drainage ditch to the southern boundary of the site may alleviate this problem.</p>	2.45 ha	Vacant Possession
3.	This area is open land and was formally used for dumping sugar beet tops. The site has been restored and capped and may be suitable for use as a sports ground if 2 above is to be developed residentially. The occupier is responsible for gas monitoring.	8.19 ha	Vacant Possession

<i>NO</i>	<i>DESCRIPTION</i>	<i>AREA</i>	<i>LEASE TERMS</i>
4.	This area comprises agricultural land.	9.31 ha	Part of this land is the subject of a Agricultural Tenancy Agreement dated 3 December 2004. It is for a term of 3 years from 1 October 2001. Tenancy may be terminated at any time on not less than 12 months notice for non agricultural purposes.
5.	The remainder of the site comprises the former settling ponds to the factory, which have been filled with sugar beet waste. This area is outside the development boundary and is not therefore suitable for development. The land has been restored and is suitable for agricultural use.	8.84 ha	Vacant Possession

Fornham Park, near Bury St Edmunds

<i>NO</i>	<i>DESCRIPTION</i>	<i>AREA</i>	<i>LEASE TERMS</i>
	<p>Fornham Park lies about 2 miles to the north of Bury St Edmunds between the villages of Fornham All Saints and Fornham St Martin.</p> <p>The overall estate primarily comprises farmland, woods and lakes and lies within the picturesque setting of the River Lark Valley. The farm is Grade II agricultural land with light soil. The land is currently set-aside but there are plans to put it to grass under the Country Stewardship Scheme. The site has an extensive history and includes a Grade II* Listed church tower.</p>		
1.	This area is the subject of a planning permission for an 18 hole golf course and a 9 hole golf course.	88.98 ha	33.81 hectares of land is leased to PRL for set-aside purposes. The term is to expire on 31 December 2005 and upon determination the tenant is to pay to the landlord an amount equal to the open market value of entitlements attached to the area of land where such entitlements will be assessed on the basis that they have no historic element.

<i>NO</i>	<i>DESCRIPTION</i>	<i>AREA</i>	<i>LEASE TERMS</i>
			2.59 hectares of land is leased to Rossfleet Limited for set-aside purposes. The term is to expire on 31 December 2005 and upon determination the tenant is to pay to the landlord an amount equal to the open market value of entitlements attached to the area of land where such entitlements will be assessed on the basis that they have no historic element.
2.	<p>This comprises a series of attractive Grade II Listed Georgian buildings belonging to the former hall which has since been demolished. The buildings are derelict but are suitable for residential conversion although one has been badly damaged by fire and will require extensive renovation work. The buildings are arranged to create a courtyard and lie adjacent to an area of walled gardens.</p> <p>This area has planning permission and Listed Building consent for residential development/conversion. Further applications have been submitted due to the fire damage.</p>	2.71 ha	<p>This is the subject of an option agreement dated 10 December 2003 which relates to residential planning permission. The option can be exercised at any time prior to 1 November 2005. If the planning decision is delayed due to an appeal there is a longstop date of 1 February 2006 by which to exercise the option.</p> <p>The option has not yet been exercised.</p>
3.	<p>This area incorporates a vacant cottage and a redundant agricultural barn of timber framed construction. The area includes walled gardens, trout lakes and a County Wildlife Site.</p> <p>No application has yet been submitted in relation to residential development of this area.</p>	14.95 ha	<p>This is the subject of an option agreement dated 10 December 2003 which relates to residential planning permission. The option can be exercised at any time prior to 1 November 2005. If the planning decision is delayed due to an appeal there is a longstop date of 1 February 2006 by which to exercise the option.</p> <p>The option has not yet been exercised.</p>
4.	<p>This area is the former site of a landfill. This area is in the process of being capped and will be restored for agricultural use. This area also forms part of the land within the golf course planning permission described in 1 above.</p>	12.10 ha	<p>This area of land is subject to a lease dated 1 July 1991 for a term of 20 years from 29 September 1990. The rent is subject to annual RPI increases plus royalties based on tonnage dumped. The use is for deposit of waste as permitted by licence and planning permission and the tenant is responsible for all conditions and obligations therein. The tenant is also responsible for the reinstatement of the site and to monitor it for 20 years after reinstatement to the satisfaction of the National Rivers Association.</p>

PART III

**ACCOUNTANTS' REPORTS ON PROPERTY RECYCLING
AND ON THE GROUP**

1. THE COMPANY

The following is the text of a report prepared by Deloitte & Touche LLP on the Company:

“ Deloitte.

Deloitte & Touche LLP
City House
126 — 130 Hills Road
Cambridge
CB2 1RY

The Directors
Property Recycling Group plc
Manor Farm
Bridgham
Norwich
Norfolk
NR16 2RX

Marshall Securities Limited
Crusader House
145-157 St John Street
London
EC1V 4RE

27 May 2005

Dear Sirs

Property Recycling Group plc (the “Company”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the Prospectus dated 27 May 2005 relating to the Admission of the Company to the AIM Market of London Stock Exchange plc (“AIM”) (“the Prospectus”).

Basis of preparation

The Company was incorporated on 31 March 2005 as Property Recycling Limited. The Company issued two ordinary shares for a consideration of £0.10 on incorporation. On 21 April 2005 Property Recycling Limited changed its name to Property Recycling Group Limited. Property Recycling Group Limited was re-registered as a public limited company on 4 May 2005. No material contracts or transactions have been entered into save for those detailed in paragraphs 2, 7 and 8 of Part VI of the Prospectus. No dividends have been declared or paid.

The financial information set out in this report is based on the audited non-statutory accounts of the Company as at the date of incorporation on 31 March 2005 to which no adjustments were considered necessary.

Responsibility

Such non-statutory accounts are the responsibility of the Directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the non-statutory accounts to form an opinion on the financial information 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 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.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at 31 March 2005.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Balance sheet of the Company at 31 March 2005

	<i>Note</i>	<i>pence</i>
Debtors		
Other debtors		10
		<u> </u>
Capital		
Called up share capital	3	10
		<u> </u>
Equity shareholders' funds	4	10
		<u> </u>

1. ACCOUNTING POLICIES

Basis of accounting

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

2. PROFIT AND LOSS ACCOUNT

No profit and loss account, cash flow statement or statement of recognised gains and losses are presented within this financial information because the Company has not received income, incurred expenditure or recognised any gains or losses during the period under review.

3. CALLED UP SHARE CAPITAL

Authorised share capital:

	<i>31 March</i>
	<i>2005</i>
	<i>pence</i>
50,000,000 ordinary shares of 5 pence each	250,000,000
	<u> </u>

Allotted and called-up

	<i>31 March</i>
	<i>2005</i>
	<i>pence</i>
2 ordinary shares of 5 pence each	10
	<u> </u>

On 31 March 2005, on incorporation, 2 ordinary shares were issued at par.

4. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>31 March 2005 pence</i>
New shares issued	10
Net addition to shareholders' funds	10
Opening shareholders' funds	—
Closing shareholders' funds	10

5. POST BALANCE SHEET EVENTS

On 21 April 2005 the Company changed its name from Property Recycling Limited to Property Recycling Group Limited.

On 29 April 2005 the Company was party to a reorganisation under which it acquired the entire share capital of Rossfleet Limited, Rossfleet Investments Limited, Rossfleet Brigg Limited, Railroad Terminal Limited and Hensby Composts Limited. To facilitate this, the shareholders entered into a share exchange agreement to acquire each ordinary share in each of Rossfleet Limited, Rossfleet Investments Limited, Rossfleet Brigg Limited, Railroad Terminal Limited and Hensby Composts Limited for ordinary shares of the Company. As at 29 April 2005, subsequent to the share exchange, the issued share capital of the Company was £1,050,000 representing 21,000,000 shares of 5 pence each.

On 4 May 2005 Property Recycling Group Limited was re-registered as a public limited company.

Since the period end the Company has proposed a placing of the ordinary shares of the Company and the admission of those shares to AIM.

6. CONTROL

As at 27 May 2005 the Company was controlled by P A Rackham, PA Rackham Jnr and various trusts of which members of the Rackham family are beneficiaries.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants"

2. THE GROUP

The following is the text of a report prepared by Deloitte & Touche LLP on the Group:

“Deloitte.

Deloitte & Touche LLP
City House
126 — 130 Hills Road
Cambridge
CB2 1RY

The Directors
Property Recycling Group plc
Manor Farm
Bridgham
Norwich
Norfolk
NR16 2RX

Marshall Securities Limited
Crusader House
145-157 St John Street
London
EC1V 4RE

27 May 2005

Dear Sirs

**Property Recycling Group plc (“Property Recycling” or “the Company”)
and its subsidiaries (“the Group”)**

We report on the financial information of the Group set out below. This financial information has been prepared for inclusion in the Prospectus dated 27 May 2005 relating to the Admission of the Company to the AIM market of London Stock Exchange plc (“AIM”) (“the Prospectus”).

Property Recycling is the holding company of the Group following the completion of the reorganisation as disclosed below.

The reorganisation

On 29 April 2005, Property Recycling Group Limited was party to a reorganisation. This reorganisation resulted in the Company issuing shares in exchange for the entire share capital of the statutory entities that, along with Property Recycling Group plc itself, comprise the Group. The Company was incorporated as Property Recycling Limited on 31 March 2005. On 21 April 2005 Property Recycling Limited changed its name to Property Recycling Group Limited. Property Recycling Group Limited was re-registered as a public limited company on 4 May 2005.

Basis of preparation

The financial information set out in this report represents a combination of the historical financial information relating to the statutory entities comprising the Group for the three years ended 31 December 2004. The combined financial information (the “financial information”) is based on the historical financial statements of the legal entities making up the Group which have been independently audited in accordance with United Kingdom auditing standards issued by the Auditing Practices Board and represents an aggregation of those historical financial statements, as if the Group had been formed as a discrete operation throughout the periods presented. The financial information has been prepared on the basis set out in the Accounting Policies below and in accordance with applicable United Kingdom Generally Accepted Accounting Principles, for the three years ended 31 December 2004, after making such adjustments as we considered necessary.

The combined financial information presented may not necessarily reflect the financial position, results, borrowings, and cash flows of the Group in the future or what they would have been had the Group been a separate stand-alone entity during the periods presented.

Responsibility

The financial statements, from which the financial information has been derived, are the responsibility in each case of the directors of the company who approved their issue.

The directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information 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. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information for the years ended 31 December 2002, 31 December 2003 and 31 December 2004. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its losses, recognised gains and losses and cashflows for the periods then ended.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

COMBINED PROFIT AND LOSS ACCOUNTS

		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>Notes</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£</i>	<i>£</i>	<i>£</i>
Turnover	1			
Continuing operations		1,272,538	863,428	437,299
Discontinued operations		283,941	1,638,870	1,225,234
		<u>1,556,479</u>	<u>2,502,298</u>	<u>1,662,533</u>
Cost of sales	2	(425,007)	(1,671,312)	(1,367,309)
Gross profit	2	1,131,472	830,986	295,224
Administrative expenses	2	(406,893)	(790,556)	(736,498)
Operating profit (loss)	1			
Continuing operations		794,159	196,936	(23,643)
Discontinued operations		(69,580)	(156,506)	(417,631)
		<u>724,579</u>	<u>40,430</u>	<u>(441,274)</u>
Profit on disposal of fixed assets		—	203,498	—
Loss on disposal of investments		—	(15,588)	—
Income from fixed asset investments		9,800	19,279	53,913
Finance charges (net)	3	(578,131)	(615,760)	(419,444)
Amounts written off investments		(504,498)	(100)	—
		<u>(578,131)</u>	<u>(615,760)</u>	<u>(419,444)</u>
Loss on ordinary activities before taxation	4	(348,250)	(368,241)	(806,805)
Tax on loss on ordinary activities	7	(27,618)	53,480	13,122
		<u>(348,250)</u>	<u>(368,241)</u>	<u>(806,805)</u>
Loss on ordinary activities after taxation, being retained loss for the financial period	17	<u>(375,868)</u>	<u>(314,761)</u>	<u>(793,683)</u>

COMBINED STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Loss for the financial period	(375,868)	(314,761)	(793,683)
Surplus on revaluation of fixed assets	197,281	—	1,999,992
	<u>197,281</u>	<u>—</u>	<u>1,999,992</u>
Total recognised gains and losses relating to the period	<u>(178,587)</u>	<u>(314,761)</u>	<u>1,206,309</u>

COMBINED BALANCE SHEETS

	<i>Notes</i>	<i>As at 31 December 2002 £</i>	<i>As at 31 December 2003 £</i>	<i>As at 31 December 2004 £</i>
Fixed assets				
Intangible assets	8	3,048	684	—
Tangible assets	9	9,225,854	2,471,535	2,988,374
Investments	10	352,969	776,627	783,341
		<u>9,581,871</u>	<u>3,248,846</u>	<u>3,771,715</u>
Current assets				
Stocks	11	2,162,260	3,075,882	4,245,910
Debtors	12			
— due within one year		348,739	427,414	1,929,845
— due after one year		15,000	70,000	137,719
Cash at bank and in hand		133,640	208,962	40,818
		<u>2,659,639</u>	<u>3,782,258</u>	<u>6,354,292</u>
Creditors: Amounts falling due within one year	13	<u>(8,303,364)</u>	<u>(6,863,688)</u>	<u>(5,527,838)</u>
Net current (liabilities) assets		<u>(5,643,725)</u>	<u>(3,081,430)</u>	<u>826,454</u>
Total assets less current liabilities		3,938,146	167,416	4,598,169
Creditors: Amounts falling due after more than one year	14	(4,161,828)	—	(1,466,132)
Provisions for liabilities and charges	15	(16,108)	(13,217)	—
		<u>(239,790)</u>	<u>154,199</u>	<u>3,132,037</u>
Net (liabilities) assets		<u>(239,790)</u>	<u>154,199</u>	<u>3,132,037</u>
Capital and reserves				
Called-up share capital	16	204	90,304	1,861,833
Share premium account	17	—	10,000	10,000
Revaluation reserve	17	509,699	104,426	2,104,418
Profit and loss account	17	(749,693)	(50,531)	(844,214)
		<u>(239,790)</u>	<u>154,199</u>	<u>3,132,037</u>
Equity shareholders' (deficit) funds	17	<u>(239,790)</u>	<u>154,199</u>	<u>3,132,037</u>

COMBINED CASH FLOW STATEMENTS

	<i>Notes</i>	<i>Year ended 31 December 2002 £</i>	<i>Year ended 31 December 2003 £</i>	<i>Year ended 31 December 2004 £</i>
Net cash inflow (outflow) from operating activities	19	66,510	115,783	(2,527,164)
Returns on investments and servicing of finance	20	(263,503)	(248,894)	22,298
Taxation	20	(36,485)	(4,536)	(3,681)
Capital expenditure and financial investment	20	(1,240,645)	7,096,215	(65,707)
Acquisitions and disposals	20	—	(31,903)	—
		<u>(1,474,123)</u>	<u>6,926,665</u>	<u>(2,574,254)</u>
Cash (outflow) inflow before financing		<u>(1,474,123)</u>	<u>6,926,665</u>	<u>(2,574,254)</u>
Financing	20	1,438,213	(6,851,343)	2,406,110
		<u>(35,910)</u>	<u>75,322</u>	<u>(168,144)</u>
(Decrease) increase in cash in the period	21	<u>(35,910)</u>	<u>75,322</u>	<u>(168,144)</u>

ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout all periods presented, is set out below:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with applicable United Kingdom accounting standards, applied on a consistent basis. The particular accounting policies adopted are described below. Compliance with SSAP 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given below.

b) Basis of preparation and combination

The Group principally comprises the activities of Rossfleet Limited, Rossfleet Investments Limited, Rossfleet Brigg Limited, Railroad Terminal Limited and Hensby Composts Limited.

During the three year period ended 31 December 2004 covered by this combined financial information, the Group had not been constituted as a discrete legal group of companies under a single holding company. Note 25 on post balance sheet events describes the reorganisation which formed the current legal structure. This historical financial information therefore reflects the combination of the financial statements of the legal entities making up the Group.

The financial information includes the results, assets and liabilities of Rossfleet Limited, Rossfleet Investments Limited and Railroad Terminal Limited for the three year period ended 31 December 2004 as they have been under the common ownership of the Group for the whole of that period. The financial information includes the results, assets and liabilities of Rossfleet Brigg Limited from 10 September 2002, the date of incorporation. The first set of statutory accounts for Rossfleet Brigg Limited were for the period from the date of incorporation to 31 December 2003, and as a result the financial information for the year ended 31 December 2002 does not include any results, assets or liabilities of Rossfleet Brigg Limited. The financial information includes the results, assets and liabilities of Hensby Composts Limited from 15 August 2003, the date Hensby Composts Limited came under common ownership of the Group. Adjustments have been made to the financial information to eliminate intra Group transactions.

The combined financial information presented may not necessarily reflect the financial position, results, dividends, borrowings, and cash flows of the Group in the future or what they would have been had the entities making up the Group comprised a separate stand-alone entity during the periods presented.

c) Share capital and reserves

Share capital and reserves comprise the combined total of share capital and reserves of the individual entities within the Group.

d) Turnover

Turnover comprises the invoiced value of property rentals and other goods and services supplied by the Group, exclusive of Value Added Tax.

e) Intangible fixed assets

Intangible fixed assets are capitalised at cost and written off on a straight line basis over their useful economic life. Provision is made for any impairment.

f) Tangible fixed assets

Tangible fixed assets other than investment properties are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	— 0% — 2% straight line
Long term leasehold property	— Straight line over the lease term
Plant and machinery	— 10% — 20% straight line
Motor vehicles	— 20% — 25% straight line
Furniture, fixtures and fittings and other	— 10% — 25% straight line

g) Investment properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 (the “Act”) requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the loss for the financial period would have been increased by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

h) Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Obligations under such agreements are included in the creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss accounts so as to produce a constant rate of charge on the net obligation outstanding in each period.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Where the Group has sold assets under finance leases the net obligations outstanding are included in debtors.

i) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group’s taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

j) Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

k) Investments

Fixed asset investments are shown at cost less provision for impairment.

l) Stocks

Development properties are properties under development that are not presently intended to be retained in the Group’s investment portfolio. Development properties are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees and construction costs

but excludes overheads. Sales of development properties are recognised on exchange of contracts or, if exchange is conditional, on the date all material conditions have been satisfied.

In the event that it is decided a development property will be retained as an investment, it is transferred to the Group's investment portfolio at the lower of cost and net realisable value at the date of transfer and any loss dealt with in the profit and loss account.

Other stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

m) Pension costs

Hensby Composts Limited operates a defined contribution pension scheme and the pension charge represents the amounts payable by that company to the fund in respect of the relevant period.

1. SEGMENTAL INFORMATION

Analyses by class of business of turnover, operating profit (loss) and net (liabilities) assets are stated below.

	<i>Year ended</i> <i>31 December</i> <i>2002</i> £	<i>Year ended</i> <i>31 December</i> <i>2003</i> £	<i>Year ended</i> <i>31 December</i> <i>2004</i> £
Turnover			
Class of business			
Continuing operations			
— Property development	1,272,538	863,428	437,299
Discontinued operations			
— Farming	283,941	1,201,265	1,017,260
— Composting	—	437,605	207,974
	<u>283,941</u>	<u>1,638,870</u>	<u>1,225,234</u>
	<u>1,556,479</u>	<u>2,502,298</u>	<u>1,662,533</u>
Operating profit (loss)			
Class of business			
Continuing operations			
— Property development	794,159	196,936	(23,643)
Discontinued operations			
— Farming	(69,580)	(93,553)	(130,313)
— Composting	—	(62,953)	(287,318)
	<u>(69,580)</u>	<u>(156,506)</u>	<u>(417,631)</u>
	<u>724,579</u>	<u>40,430</u>	<u>(441,274)</u>
Net assets (excluding non operating balances)			
Class of business			
Property development	11,456	4,696	9,568
Farming	255	267	17
Composting	—	641	18
	<u>11,711</u>	<u>5,604</u>	<u>9,603</u>

All turnover originates from within the United Kingdom and all net assets are located within the United Kingdom.

2. COST OF SALES, GROSS PROFIT AND ADMINISTRATIVE EXPENSES

	<i>Year ended 31 December 2002 £</i>	<i>Year ended 31 December 2003 £</i>	<i>Year ended 31 December 2004 £</i>
Cost of sales			
Continuing operations	113,193	61,511	6,231
Discontinued operations	311,814	1,609,801	1,361,078
	<u>425,007</u>	<u>1,671,312</u>	<u>1,367,309</u>
Gross profit (loss)			
Continuing operations	1,159,345	801,917	431,068
Discontinued operations	(27,873)	29,069	(135,844)
	<u>1,131,472</u>	<u>830,986</u>	<u>295,224</u>
Administrative expenses			
Continuing operations	365,186	604,981	454,711
Discontinued operations	41,707	185,575	281,787
	<u>406,893</u>	<u>790,556</u>	<u>736,498</u>

3. FINANCE CHARGES (NET)

	<i>Year ended 31 December 2002 £</i>	<i>Year ended 31 December 2003 £</i>	<i>Year ended 31 December 2004 £</i>
<i>Interest payable</i>			
Bank loans and overdrafts	273,376	268,806	70,802
Finance leases and hire purchase contracts	—	116	—
Other loans	304,828	347,587	387,829
	<u>578,204</u>	<u>616,509</u>	<u>458,631</u>
Interest receivable and similar income	(73)	(749)	(39,187)
Finance charges (net)	<u>578,131</u>	<u>615,760</u>	<u>419,444</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging (crediting):

	<i>Year ended 31 December 2002 £</i>	<i>Year ended 31 December 2003 £</i>	<i>Year ended 31 December 2004 £</i>
Depreciation and amounts written off owned tangible fixed assets			
— owned	75,075	140,719	140,267
— held under finance leases	—	1,502	1,908
Amortisation of intangible assets	2,364	2,364	684
Profit on sale of tangible fixed assets	(187)	(155,397)	(12,883)
Operating lease rentals			
— plant and machinery	—	41,661	14,248
— other	—	16,515	—
Auditors' remuneration for audit services	2,929	5,650	5,990
Auditors' remuneration for non-audit services	—	—	440
	<u> </u>	<u> </u>	<u> </u>

The auditors for the years ended 31 December 2002, 31 December 2003 and 31 December 2004 were V G Watling and Co Limited.

5. EMPLOYEE NUMBERS AND STAFF COSTS

The average monthly number of employees (excluding executive directors) was:

	<i>Year ended</i> 31 December 2002 <i>Number</i>	<i>Year ended</i> 31 December 2003 <i>Number</i>	<i>Year ended</i> 31 December 2004 <i>Number</i>
Finance and administration	—	3	3
Production	—	7	3
	—	10	6
	£	£	£
Their aggregate remuneration comprised:			
Wages and salaries	—	129,832	169,267
Social security costs	—	11,919	15,128
Pension costs	—	896	1,791
	—	142,647	186,186

The remuneration of employees shown above relates substantially to employees of Hensby Composts Limited in the period from its acquisition on 15 August 2003 to 3 August 2004 when it ceased manufacturing and sale of compost.

6. DIRECTORS' REMUNERATION

Remuneration

The remuneration of the directors was as follows:

	<i>Year ended</i> 31 December 2002 <i>£</i>	<i>Year ended</i> 31 December 2003 <i>£</i>	<i>Year ended</i> 31 December 2004 <i>£</i>
Aggregate emoluments	—	—	10,300
Money purchase pension contributions	—	—	—
	—	—	10,300

(a) Directors' emoluments and compensation

Year ended 31 December 2004

	<i>Fees</i> <i>£</i>
Executive	
P A Rackham	—
P A Rackham Jnr	10,300
S R Stuteley	—
	10,300

The directors received no remuneration from the Group for the financial years ended 31 December 2002 and 31 December 2003.

No pension contributions were payable in respect of any of the directors during the financial years ended 31 December 2002, 31 December 2003 and 31 December 2004.

(b) *Directors' shareholdings*

During the three years ended 31 December 2004, Rossfleet Limited, Rossfleet Brigg Limited and Rossfleet Limited were owned equally by four settlements, the beneficiaries of which were P A Rackham's children, including his son P A Rackham Jnr. P A Rackham Jnr and S R Stuteley are trustees of the four trusts.

Railroad Terminal Limited was wholly owned by Paul Rackham Jnr in the period up to 30 September 2004 when its entire share capital was acquired by Paul Rackham Limited. Hensby Composts Limited has been a wholly owned subsidiary of Paul Rackham Limited since its acquisition on 15 August 2003. The shareholders of Paul Rackham Limited were P A Rackham (59 per cent.) P A Rackham Jnr (28 per cent.) and Mrs S A Rackham (the wife of P A Rackham) (10 per cent.) and two trusts the beneficiaries of which include P A Rackham Jnr and members of P A Rackham's family (3 per cent.).

7. Taxation

	<i>Year ended 31 December 2002</i>	<i>Year ended 31 December 2003</i>	<i>Year ended 31 December 2004</i>
	<i>£</i>	<i>£</i>	<i>£</i>
The tax charge (credit) comprises:			
Current tax			
Corporation tax for the year	11,414	—	—
Adjustments in respect of prior period	96	(7,308)	95
Total current tax	<u>11,510</u>	<u>(7,308)</u>	<u>95</u>
Deferred tax	<u>16,108</u>	<u>(46,172)</u>	<u>(13,217)</u>
Total tax on loss on ordinary activities	<u><u>27,618</u></u>	<u><u>(53,480)</u></u>	<u><u>(13,122)</u></u>

The standard rate of tax for the year based on the UK standard rate of corporation tax is 30%. The actual tax charge (credit) for the current and previous periods differs from the standard rate for the reasons set out in the following reconciliation:

	<i>Year ended 31 December 2002</i>	<i>Year ended 31 December 2003</i>	<i>Year ended 31 December 2004</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Loss on ordinary activities before tax	<u>(348,250)</u>	<u>(368,241)</u>	<u>(806,805)</u>
Tax at 30% thereon	(104,475)	(110,472)	(242,041)
Factors affecting charge (credit) for the period:			
Expenses not deductible for tax purposes	158,722	35,640	14,694
Capital allowances in (excess) deficit of depreciation	(2,845)	20,489	32,318
Book profit on sale of fixed assets	—	(61,049)	—
Losses (utilised)/carried forward	(33,380)	116,417	195,029
Marginal relief	(6,608)	(1,025)	—
Differences in respect of prior periods	96	(7,308)	95
Current tax charge (credit) for the period	<u><u>11,510</u></u>	<u><u>(7,308)</u></u>	<u><u>95</u></u>

Analysis of deferred tax balances:

The Group had unprovided deferred tax balances as follows:

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
Trading losses	95,273	153,519	92,979
Non trading losses	10,911	80,727	86,720
Capital losses	—	104,370	107,916
Total unprovided deferred tax	<u>106,184</u>	<u>338,616</u>	<u>287,615</u>

The Company has tax losses available to carry forward against future taxable profits, subject to agreement with HM Revenue & Customs.

No deferred tax asset has been recognised in respect of timing differences relating primarily to tax losses as there is insufficient evidence that the asset would be recoverable. The asset will be recoverable when the Group generates sufficient taxable profits.

8. Intangible assets

	<i>Sheep</i> <i>quota</i> £
Cost	
At 31 December 2002 and 31 December 2003	11,820
Disposal	(11,820)
At 31 December 2004	<u>—</u>
Amortisation	
At 31 December 2002	8,772
Charge for the year	2,364
At 31 December 2003	11,136
Charge for the year	684
Disposal	(11,820)
At 31 December 2004	<u>—</u>
Net book value	
At 31 December 2002	<u>3,048</u>
At 31 December 2003	<u>684</u>
At 31 December 2004	<u>—</u>

9. Tangible assets

	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Furniture, fixtures and fittings and other</i>	<i>Total</i>
	£	£	£	£	£
Cost or valuation					
At 31 December 2002	9,088,874	46,190	52,501	255,271	9,442,836
Hensby acquisition	1,940,666	1,428,332	355,806	—	3,724,804
Additions	56,472	153,531	2,541	460	213,004
Disposals	(7,699,000)	(152,268)	(16,000)	(243,000)	(8,110,268)
At 31 December 2003	3,387,012	1,475,785	394,848	12,731	5,270,376
Additions	44,735	29,316	14,330	—	88,381
Disposals	(261,792)	(1,475,787)	(408,077)	(12,731)	(2,158,387)
Revaluations	1,003,847	—	—	—	1,003,847
Transfer to stock	(1,211,804)	—	—	—	(1,211,804)
At 31 December 2004	2,961,998	29,314	1,101	—	2,992,413
Depreciation					
At 31 December 2002	92,485	16,802	27,075	80,620	216,982
Hensby acquisition	1,082,639	1,226,171	242,655	—	2,551,465
Charge for the year	45,150	43,816	28,337	24,918	142,221
Disposals	—	(652)	(16,000)	(95,175)	(111,827)
At 31 December 2003	1,220,274	1,286,137	282,067	10,363	2,798,841
Charge for the year	45,375	60,085	35,614	1,101	142,175
Disposals	(165,078)	(1,342,778)	(317,086)	(11,464)	(1,836,406)
Revaluations	(1,100,571)	—	—	—	(1,100,571)
At 31 December 2004	—	3,444	595	—	4,039
Net book value					
At 31 December 2002	8,996,389	29,388	25,426	174,651	9,225,854
At 31 December 2003	2,166,738	189,648	112,781	2,368	2,471,535
At 31 December 2004	2,961,998	25,870	506	—	2,988,374

The net book value of leased assets included above in relation to Hensby Composts Limited was £6,340 as at 31 December 2004 and £7,842 as at 31 December 2003.

The Group's investment property was valued at open market value by Savills (L&P) Limited, independent external valuers, as at 30 April 2005 at market value of £2,962,000 in accordance with the Appraisal and Valuation Standards (5th Edition) issued by the Royal Institute of Chartered Surveyors. The directors do not consider that the value at 31 December 2004 would have been materially different.

It is the Group's intention to retain the revalued property held as at 31 December 2004 for the foreseeable future. No deferred tax has been recognised on gains that would arise if the property was sold without any rollover relief being obtained. The tax which would be payable in such circumstances is estimated to be £420,000.

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
The cost or valuation of land and buildings comprises:			
Valuation	8,899,000	1,097,541	2,962,000
Cost	189,874	2,289,471	—
	<u>9,088,874</u>	<u>3,387,012</u>	<u>2,962,000</u>

10. Investments

(a) Group investments

	<i>Listed</i> <i>investments</i>	<i>Unlisted</i> <i>investments</i>	<i>Total</i>
	£	£	£
Cost			
At 31 December 2002	773,685	83,782	857,467
Additions	749,408	—	749,408
Disposals	(773,685)	—	(773,685)
At 31 December 2003	749,408	83,782	833,190
Additions	6,719	—	6,719
Disposals	—	(5)	(5)
At 31 December 2004	756,127	83,777	839,904
Provision			
At 31 December 2002	447,935	56,563	504,498
Disposals	(447,935)	—	(447,935)
At 31 December 2003 and 2004	—	56,563	56,563
Net book value			
At 31 December 2002	325,750	27,219	352,969
At 31 December 2003	749,408	27,219	776,627
At 31 December 2004	756,127	27,214	783,341

The market value of listed investments as at 31 December 2004 was £784,030 (31 December 2003 — £793,124 and 31 December 2002 — £311,025).

(b) Group companies

The following are the subsidiaries of the Group:

	<i>Percentage</i> <i>shareholding</i>	<i>Country of</i> <i>incorporation and</i> <i>operation</i>	<i>Description</i>
Rossfleet Limited	100%	England and Wales	Property dealing and development
Rossfleet Investments Limited	100%	England and Wales	Property dealing and development
Rossfleet Brigg Limited	100%	England and Wales	Property dealing and development
Railroad Terminal Limited	100%	England and Wales	Property dealing and development
Hensby Composts Limited	100%	England and Wales	Property investment
HCL 2000 Limited*	100%	England and Wales	Non trading

* 100 per cent. subsidiary of Hensby Composts Limited

(c) *Acquisition of Hensby Composts Limited*

On 15 August 2003 the Group acquired Hensby Composts Limited. The balance sheet of Hensby Composts Limited at the date of acquisition was as shown below:

	£
Tangible fixed assets	1,173,339
Stocks	64,695
Debtors	208,220
Overdraft	(31,903)
Creditors	(254,755)
Provision	(45,673)
	<u>1,113,923</u>

Until 4 August 2004 the principal activity of Hensby Composts Limited was that of manufacture and sale of compost for mushroom growing and green waste compost. Since 4 August 2004 the principal activity of the company has been that of a property investment company. Included in the Group financial statements for the financial year ended 31 December 2003 the turnover and operating loss arising from the acquisition of Hensby Composts Limited are as follows:

	£
Turnover	440,934
Cost of sales	(373,166)
	<u>67,768</u>
Gross profit	67,768
Administrative expenses	(143,352)
	<u>(75,584)</u>

The loss after tax of Hensby Composts Limited for the period from the beginning of its financial year (1 January 2003) to acquisition was £138,074. The loss after tax of Hensby Composts Limited for the year ended 31 December 2003 was £183,460.

The results of Hensby Composts Limited since the date of acquisition that relate to the manufacture and sale of compost for mushroom growing have been included in discontinued operations as disclosed in the profit and loss account and note 2.

11. Stocks

	<i>31 December</i> <i>2002</i>	<i>31 December</i> <i>2003</i>	<i>31 December</i> <i>2004</i>
	£	£	£
Raw materials and consumables	5,313	46,585	9,527
Work in progress	73,293	85,627	—
Development properties	2,083,654	2,943,670	4,236,383
	<u>2,162,260</u>	<u>3,075,882</u>	<u>4,245,910</u>

Included in development properties at 31 December 2004 is an asset with a cost of £1,060,784 (31 December 2003 — £1,055,274, 31 December 2002 — £937,863) in respect of which the Group has entered into an agreement with a third party that gives the third party the option to purchase the development property and precludes the Group from selling the asset to a third party. The option agreement expires on 31 December 2007.

A second asset is included within development properties at 31 December 2004 with a cost of £1,107,378 (31 December 2003 — £nil, 31 December 2002 — £nil) in respect of which the Group has entered into an agreement with a third party that gives the third party the option to purchase two areas of the development property and precludes the Group from selling such areas to a different third party. The option agreement expires on 1 November 2005.

12. Debtors

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
Amounts falling due within one year:			
Trade debtors	258,265	341,259	291,486
Other debtors	49,753	19,953	1,609,289
Finance lease receivable	—	—	16,500
Prepayments and accrued income	40,721	66,202	12,570
	<u>348,739</u>	<u>427,414</u>	<u>1,929,845</u>
Amount falling due after more than one year:			
Trade debtors	—	55,000	—
Other debtors	15,000	15,000	—
Finance lease receivable	—	—	137,719
	<u>15,000</u>	<u>70,000</u>	<u>137,719</u>
	<u>363,739</u>	<u>497,414</u>	<u>2,067,564</u>

13. Creditors: Amounts falling due within one year

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
Bank loans (secured — note 14)	501,246	412,552	123,323
Finance leases	—	1,133	—
Other loans	7,288,094	5,035,916	4,882,556
Trade creditors	123,177	112,679	145,063
Corporation tax	11,730	3,586	—
Taxation and social security	—	730,322	13,604
Other creditors	5,975	11,548	—
Accruals and deferred income	373,142	555,952	363,292
	<u>8,303,364</u>	<u>6,863,688</u>	<u>5,527,838</u>

14. Creditors: Amounts falling due after more than one year

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
Bank loans (secured)	<u>4,161,828</u>	<u>—</u>	<u>1,466,132</u>
Total bank loans fall due as follows:			
In more than one year but not more than two years	402,142	—	130,565
In more than two years but not more than five years	937,216	—	439,562
After five years	2,822,470	—	896,005
	<u>4,161,828</u>	<u>—</u>	<u>1,466,132</u>
On demand or within one year	501,246	412,552	123,323
	<u>4,663,074</u>	<u>412,552</u>	<u>1,589,455</u>

The bank loan held at 31 December 2004 is repayable by quarterly instalments and interest is charged at 1.125% above base rate. This loan is secured by a first legal charge over the land and buildings of Hensby Composts Limited.

The bank loan held at 31 December 2002 was repayable in instalments at base rate plus 1.25%. This loan was secured by a first legal charge over the land and buildings of Rossfleet Investments Limited. This loan was repaid in full on 28 November 2003 without incurring any material early repayment penalties.

15. Provisions for liabilities and charges

Provision for deferred tax consists of the following amounts:

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
Accelerated capital allowances	16,108	60,138	—
Trading losses	—	(46,921)	—
	<u>16,108</u>	<u>13,217</u>	<u>—</u>

16. Called-up share capital

Called up share capital comprises the aggregate of the subsidiary undertakings that comprised the Group during the periods shown, as follows:

Railroad Terminal Limited

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
<i>Authorised</i>			
2,000,000 (2003 — 1,000, 2002 — 1,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>2,000,000</u>
<i>Allotted, called up and fully paid</i>			
1,771,533 (2003 — 4, 2002 — 4) ordinary shares of £1 each	<u>4</u>	<u>4</u>	<u>1,771,533</u>

The company increased its authorised share capital and issued a further 1,771,529 ordinary shares of £1 each on 30 September 2004 to Paul Rackham Limited in settlement of the outstanding loan to that company (note 23).

Hensby Composts Limited

	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£
<i>Authorised</i>		
100,000 (2003 — 100,000, 2002 — nil) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
90,000 (2003 — 90,000, 2003 — nil) ordinary shares of £1 each	<u>90,000</u>	<u>90,000</u>

The company was acquired by the Group on 15 August 2003.

Rossfleet Investments Limited

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
<i>Authorised</i> 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i> 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>

Rossfleet Brigg Limited

	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£
<i>Authorised</i> 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i> 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

The company was incorporated on 10 September 2002 and commenced trading on 8 November 2002.

Rossfleet Limited

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
<i>Authorised</i> 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i> 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>

The Group

	<i>31 December</i> 2002	<i>31 December</i> 2003	<i>31 December</i> 2004
	£	£	£
<i>Authorised</i> Ordinary shares of £1 each	<u>3,000</u>	<u>104,000</u>	<u>2,103,000</u>
<i>Allotted, called up and fully paid</i> Ordinary shares of £1 each	<u>204</u>	<u>90,304</u>	<u>1,861,833</u>

The share capital of the Group represents the aggregation of the share capital of Rossfleet Limited, Rossfleet Investments Limited, Rossfleet Brigg Limited, Railroad Terminal Limited and Hensby Composts Limited.

17. Combined reconciliation of movements in shareholders' funds and statement of movements on reserves

	<i>Called up share capital</i> £	<i>Share premium account</i> £	<i>Profit and loss account</i> £	<i>Revaluation reserve</i> £	<i>Total</i> £
At 1 January 2002	106	—	(373,825)	312,418	(61,301)
Retained loss for the year	—	—	(375,868)	—	(375,868)
New shares issued by Rossfleet Investments Limited	98	—	—	—	98
Other recognised gains and losses	—	—	—	197,281	197,281
At 31 December 2002	204	—	(749,693)	509,699	(239,790)
Retained loss for the year	—	—	(314,761)	—	(314,761)
New shares issued by Rossfleet Brigg Limited	100	—	—	—	100
Purchase of Hensby Composts Limited	90,000	10,000	1,013,923	—	1,113,923
Realised revaluation reserve	—	—	—	(405,273)	(405,273)
At 31 December 2003	90,304	10,000	(50,531)	104,426	154,199
Retained loss for the year	—	—	(793,683)	—	(793,683)
New shares issued by Railroad Terminal Limited	1,771,529	—	—	—	1,771,529
Realised revaluation reserve	—	—	—	(104,426)	(104,426)
Other recognised gains and losses	—	—	—	2,104,418	2,104,418
At 31 December 2004	<u>1,861,833</u>	<u>10,000</u>	<u>(844,214)</u>	<u>2,104,418</u>	<u>3,132,037</u>

On 1 November 2002 Rossfleet Investments Limited issued 98 £1 ordinary shares at par.

Rossfleet Brigg Limited was incorporated on 10 September 2002 as Speed 9329 Limited. The company name was changed to Rossfleet Brigg Limited on 20 September 2002 and it commenced trading on 8 November 2002. On incorporation 1 £1 ordinary share was issued at par. On 1 November 2002 99 £1 ordinary shares were issued at par.

On 15 August 2003 the Group acquired Hensby Composts Limited. As at 15 August 2003 the capital and reserves acquired through this purchase were share capital of £90,000, a share premium account of £10,000 and retained earnings were £1,013,923 (note 10).

During 2004 Railroad Terminal Limited issued a further 1,771,529 ordinary shares of £1 each in exchange for settlement of the outstanding loan to Paul Rackham Limited.

18. Derivatives and other financial instruments

The Group's financial instruments comprise cash, overdraft, finance leases and various items such as trade debtors and creditors which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The Group has taken advantage of the exemption available in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13") to exclude short term debtors and creditors from the disclosures of financial assets and liabilities.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

This note deals with financial assets and financial liabilities as defined in FRS 13.

All financial assets and liabilities are in sterling.

Interest rate risk and liquidity risk

The Group is principally funded with loans.

The Group's policy throughout the periods presented has been to minimise the risk by placing funds in low risk cash deposits.

Interest rate profile

The Group had no financial assets other than sterling cash deposits of £40,818 at 31 December 2004 (£208,962 at 31 December 2003, £133,640 at 31 December 2002) which are part of the financing arrangements of the Group. As at 31 December 2002, 2003 and 2004 all cash was available at a maximum of 24 hours' notice.

Variable rate overdraft and interest receivable are used on bank base rate. Finance leases are held under fixed rate contracts.

Further details of interest rates on long term borrowings are given in note 15.

During the three year period ended 31 December 2004 Rossfleet Investments Limited was party to a £10,000,000 loan facility arrangement with Lloyds TSB Bank plc dated 26 January 2001 under which the bank has security over the freehold property of Rossfleet Investments Limited and related companies, including Paul Rackham Limited. The freehold property of Rossfleet Investments Limited was only used as security for borrowings undertaken by itself. At 31 December 2004 the total borrowings due to the bank by the companies concerned amounted to £1,238,365. As at 31 December 2004 Rossfleet Investments Limited had nil borrowings under this facility.

Maturity of financial liabilities

The Group's financial liabilities comprise loans and finance lease creditors totalling £6,471,011 at 31 December 2004 (£5,449,601 and £11,951,168 at 31 December 2003 and 31 December 2002 respectively). These are further analysed below:

	2002	2003	2004
	£	£	£
In one year or less	7,789,340	5,449,601	5,004,879
In more than one year but not more than two years	402,142	—	130,565
In more than two years but not more than five years	937,216	—	439,562
In more than five years	2,822,470	—	896,005
	<u>11,951,168</u>	<u>5,449,601</u>	<u>6,471,011</u>

Fair values

The directors consider there to be no material difference between the book value of financial instruments and their fair value at the balance sheet dates.

Market price risk

The principal market price risk comprises interest rate exposure. Group funds are invested in money market cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

19. Reconciliation of operating profit (loss) to operating cash flows

	<i>Year ended</i> <i>31 December</i> <i>2002</i>	<i>Year ended</i> <i>31 December</i> <i>2003</i>	<i>Year ended</i> <i>31 December</i> <i>2004</i>
	£	£	£
Operating profit (loss)	724,579	40,430	(441,274)
Depreciation charge	75,075	142,221	142,175
Amortisation of intangible assets	2,364	2,364	684
(Profit) loss on sale of tangible fixed assets	(187)	48,101	(12,883)
(Increase) decrease in debtors	(30,041)	74,545	(1,405,150)
Increase in stocks	(211,765)	(848,927)	(62,650)
(Decrease) increase in creditors	(493,515)	657,049	(748,066)
Net cash inflow (outflow) from operating activities	<u>66,510</u>	<u>115,783</u>	<u>(2,527,164)</u>

20. Analysis of cash flows

	<i>Year ended</i> <i>31 December</i> 2002 £	<i>Year ended</i> <i>31 December</i> 2003 £	<i>Year ended</i> <i>31 December</i> 2004 £
<i>Returns on investments and servicing of finance</i>			
Interest received	73	749	39,187
Interest paid	(273,376)	(268,806)	(70,802)
Dividends received	9,800	19,279	53,913
Interest element of finance lease payments	—	(116)	—
Net cash (outflow) inflow	(263,503)	(248,894)	22,298
<i>Taxation</i>			
Corporation tax paid	(36,485)	(4,536)	(3,681)
Net cash outflow	(36,485)	(4,536)	(3,681)
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets	(1,252,968)	(213,004)	(88,381)
Receipts from sales of tangible fixed assets	12,323	7,748,565	29,388
Payments to acquire investments	—	(749,408)	(6,714)
Receipts from sale of investments	—	310,062	—
Net cash (outflow) inflow	(1,240,645)	7,096,215	(65,707)
<i>Acquisitions</i>			
Net overdraft acquired with Hensby Composts Limited	—	(31,903)	—
Net cash outflow	—	(31,903)	—
<i>Financing</i>			
Issue of ordinary share capital	98	100	—
Capital element of finance lease rental payments	—	(1,154)	(1,133)
Repayment of loans	(355,674)	(6,850,289)	(289,229)
Increase in borrowings	1,793,789	—	2,696,472
Net cash inflow (outflow)	1,438,213	(6,851,343)	2,406,110

21. Analysis and reconciliation of net debt

	<i>1 January</i> 2002 £	<i>Cash flow</i> £	<i>Other non-cash</i> <i>changes</i> £	<i>31 December</i> 2002 £
Cash at bank and in hand	169,550	(35,910)	—	133,640
Debt due within one year	(6,258,150)	(725,118)	(806,072)	(7,789,340)
Debt due after more than one year	(3,950,077)	(712,997)	501,246	(4,161,828)
Net debt	(10,038,677)	(1,474,025)	(304,826)	(11,817,528)

	<i>31 December</i>	<i>Cash flow</i>	<i>Other non-</i>	<i>cash 31 December</i>
	<i>2002</i>		<i>changes</i>	<i>2003</i>
	£	£	£	£
Cash at bank and in hand	133,640	75,322	—	208,962
Debt due within one year	(7,789,340)	2,688,461	(347,589)	(5,448,468)
Debt due after more than one year	(4,161,828)	4,161,828	—	—
Finance leases	—	1,154	(2,287)	(1,133)
Net debt	(11,817,528)	6,926,765	(349,876)	(5,240,639)

	<i>31 December</i>	<i>Cash flow</i>	<i>Other non-</i>	<i>cash 31 December</i>
	<i>2003</i>		<i>changes</i>	<i>2004</i>
	£	£	£	£
Cash at bank and in hand	208,962	(168,144)	—	40,818
Debt due within one year	(5,448,468)	(941,111)	1,383,700	(5,005,879)
Debt due after more than one year	—	(1,466,132)	—	(1,466,132)
Finance leases	(1,133)	1,133	—	—
Net debt	(5,240,639)	(2,574,254)	1,383,700	(6,431,193)

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	£	£	£
(Decrease) increase in cash in the period	(35,910)	75,322	(168,144)
Cash (inflow) outflow from (increase) decrease in debt	(1,438,115)	6,850,289	(2,407,243)
Cash outflow from decrease in lease financing	—	1,154	1,133
Change in net funds resulting from cash flows	(1,474,025)	6,926,765	(2,574,254)
New finance leases acquired with Hensby Composts Limited	—	(2,287)	—
Accrued interest	(304,826)	(347,589)	(387,829)
Conversion to share capital	—	—	1,771,529
Movement in net debt in year	(1,778,851)	6,576,889	(1,190,554)
Net debt at beginning of year	(10,038,677)	(11,817,528)	(5,240,639)
Net debt at end of year	(11,817,528)	(5,240,639)	(6,431,193)

22. Capital commitments

The Group had no capital commitments outstanding at 31 December 2004 (31 December 2003: nil; 31 December 2002: nil).

23. Related party transactions

During the three year period ended 31 December 2004 the Group and Paul Rackham Limited were subject to common control. P A Rackham was a director of the statutory entities which comprise the Group during the three years ended 31 December 2004.

	<i>Year ended</i> <i>31 December</i> 2002 £	<i>Year ended</i> <i>31 December</i> 2003 £	<i>Year ended</i> <i>31 December</i> 2004 £
Profit and loss account			
Interest payable to Paul Rackham Limited	(333,744)	(317,468)	(324,390)
Interest receivable from Paul Rackham Limited	—	—	35,788
Management fees payable to Paul Rackham Limited	(234,114)	(325,000)	(208,500)
Rent payable to Paul Rackham Limited	(11,500)	(11,500)	(11,500)
Sale of compost to Paul Rackham Limited	—	—	1,800
Sale of cattle to Paul Rackham Limited	231,031	1,140,706	876,235
Sale of farming business to Paul Rackham Limited	—	—	255,113
Purchase of tractor from Paul Rackham Limited	(10,000)	—	—
Sponsorship of P A Rackham	(10,000)	(10,000)	(10,000)
Balance sheet			
Amounts owed to Paul Rackham Limited included in other loans (note 13)	(7,288,094)	(5,035,916)	(4,882,556)
Amounts owed to Paul Rackham Limited included in accruals and deferred income (note 13)	—	—	(20,115)
Amounts owed to P A Rackham included in other creditors (note 13)	(5,975)	(5,975)	—
Amounts owed to P A Rackham included in trade creditors (note 13)	—	—	(2,938)
Amounts owed by Paul Rackham Limited included in other debtors (note 12)	—	—	1,534,431
	<u> </u>	<u> </u>	<u> </u>

The Group increased its authorised share capital and issued a further 1,771,529 ordinary shares of £1 each on 30 September 2004 to Paul Rackham Limited in settlement of the outstanding loan to Railroad Terminal Limited (note 16).

24. Ownership and control

As at 31 December 2004 Railroad Terminal Limited was wholly owned by Paul Rackham Limited. As at 31 December 2003 and 31 December 2002 Railroad Terminal Limited was wholly owned by Paul Rackham Jnr. As at 31 December 2004 and 31 December 2003 Hensby Composts Limited was wholly owned by Paul Rackham Limited. The ultimate controlling party of Paul Rackham Limited was P A Rackham.

As at 31 December 2004, 31 December 2003 and 31 December 2002 Rossfleet Limited and Rossfleet Investments Limited were ultimately controlled by the trustees of four settlements of the family of P A Rackham. During the period the trustees were: D W Cunningham and S R Stuteley; M D Fulcher until 25 November 2002; and P A Rackham Jnr from 30 May 2003.

As at 31 December 2004 and 31 December 2003 Rossfleet Brigg Limited was ultimately controlled by P A Rackham Jnr, D W Cunningham and S R Stuteley as trustees.

As at 27 May 2005 the Group was controlled by P A Rackham and P A Rackham Jnr and by P A Rackham Jnr, D W Cunningham and S R Stuteley as trustees.

25. Subsequent events

On 29 April 2005, Property Recycling Group Limited was party to a reorganisation. This reorganisation resulted in the Company issuing shares in exchange for the entire ordinary share capitals of the statutory entities that, along with Property Recycling Group plc itself, comprise the Group. The Company was incorporated as Property Recycling Limited on 31 March 2005. On 21 April 2005 Property Recycling Limited changed its name to Property Recycling Group Limited. Property Recycling Group Limited was re-registered as a public limited company on 4 May 2005.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants"

PART V

PRO FORMA STATEMENT OF NET ASSETS OF PROPERTY RECYCLING

The unaudited statement of *pro forma* net assets set out below is based on the combined balance sheet of the Group as at 31 December 2004 as set out in the accountants' report in Section 2 of Part III of this document after making adjustments on the basis set out below. The table has been prepared for illustrative purposes only and, because of its nature, it cannot give a true picture of the financial position of the Group following Admission.

<i>As at 31 December 2004</i>				
<i>Notes</i>	<i>Per Accountants' report</i>	<i>Adjustment 2</i>	<i>Adjustment 3</i>	<i>Pro forma</i>
	£	£	£	£
Fixed assets				
Tangible assets	2,988,374	—	—	2,988,374
Investments	783,341	(783,341)	—	—
	3,771,715	(783,341)	—	2,988,374
Current assets				
Stock	4,245,910	—	—	4,245,910
Debtors	—	—	—	—
– due within one year	1,929,845	(1,534,431)	—	395,414
– due after one year	137,719	—	—	137,719
Cash at bank and in hand	40,818	—	6,666,806	6,707,624
	6,354,292	(1,534,431)	6,666,806	11,486,667
Creditors: amounts falling due within one year	(5,527,838)	4,669,477	233,194	(625,167)
Net current assets	826,454	3,135,046	6,900,000	10,861,500
Total assets less current liabilities	4,598,169	2,351,705	6,900,000	13,849,874
Creditors: amounts falling due after more than one year	(1,466,132)	(2,000,000)	—	(3,466,132)
Net assets	3,132,037	351,705	6,900,000	10,383,742

Notes:

- The *pro forma* net assets statement has been prepared to illustrate the effect of the repayment of debt as part of the restructuring related to the transaction and the estimated proceeds of the Placing as if these transactions had occurred as at 31 December 2004. No account has been taken of any trading since 31 December 2004.
- This adjustment relates to the repayment of the net amount due to PRL by the Group from the proceeds of sale and transfer of investments owned by Rossfleet Investments Limited and from bank funding secured as shown below.

Amounts due to PRL (included in creditors at 31 December 2004)	£ 4,902,671
Offset of amount due from PRL (included in debtors at 31 December 2004)	(1,534,431)
Net amount due to PRL at 31 December 2004	3,368,240
Settled as follows:	
Transfer of proceeds of sale of listed investments	915,046
Transfer of unlisted investments at market value	220,000
Drawdown of bank loan obtained by Railroad Terminal Limited (included as creditors due after more than one year above)	2,000,000
Utilisation of bank overdraft obtained by Rossfleet Limited	233,194
Reduction in net debt to PRL	3,368,240

The adjustments shown in the net assets statement are arrived at as follows:

	£
The net reduction in creditors is analysed as follows:	
Repayment of amounts due to PRL	4,902,671
Increase in bank overdraft	(233,194)
	<hr/>
Net reduction in creditors	4,669,477
	<hr/>
The increase in net assets of £351,705 represents the profit on disposal of the investments as follows:	
Transfer of proceeds of sale of listed investments	915,046
Transfer of unlisted investments at market value	220,000
	<hr/>
	1,135,046
Less net book value of investments	(783,341)
	<hr/>
Profit on disposal	351,705
	<hr/>

3. This adjustment relates to the net proceeds of the Placing (assuming 15,000,000 new Ordinary Shares are issued at the Placing Price), part of which would be used to repay the overdraft arising from repayment of the balance of the PRL loan (see note 2 above).
4. The *pro forma* statement has been prepared for illustrative purposes only and, because of its nature may not give a true picture of the financial position of the Group after the Placing has taken place. It has been designed to give an indication of the effect on the net assets of the Group if the Placing had been completed on 31 December 2004.

PART V

REORGANISATION

The Company was incorporated as a private limited company on 31 March 2005.

On 29 April 2005, the Company acquired Rossfleet Limited, Rossfleet Brigg Limited and Rossfleet Investments Limited from the trustees of four Rackham family trusts for a consideration of £4,739,799, which was satisfied by the issue to the Vendors of 9,479,598 Ordinary Shares at 50p per share.

On 29 April 2005, the shareholders of PRL exchanged their shares in PRL for shares in Mawlaw PP2 Limited, a newly incorporated company.

PRL then paid a dividend *in specie* of the entire issued share capitals of Railroad Terminal Limited and Hensby Composts Limited to Mawlaw PP2 Limited.

On 29 April 2005, the shareholders of Mawlaw PP2 Limited passed a resolution to place that company in members' voluntary liquidation. The liquidators of Mawlaw PP2 Limited sold the shares of Railroad Terminal Limited and Hensby Composts Limited to the Company for a consideration of £5,760,200 which was satisfied by the issue to the shareholders of Mawlaw PP2 Limited of 11,520,400 Ordinary Shares at 50p per share. The liquidators also sold the shares of PRL to Mawlaw PP3 Limited, (subsequently renamed Rackham Holdings Limited) satisfied by the issue to the shareholders of Mawlaw PP2 Limited of shares in the capital of Mawlaw PP3 Limited. As at the date of this document the Company is the beneficial owner of the shares in the five property companies pending adjudication of stamp duty and the writing up of the relevant company books.

Owing to the manner in which the Group was constructed, the Company received warranties only as to title from the vendors of the five property companies. The Company therefore entered into a warranty deed, a deed of tax covenant and a deed of environmental indemnity on 29 April 2005 with Paul Rackham, Paul Rackham Jnr and Sheila Rackham (Paul Rackham's wife), (the "Warrantors"), under which the Company benefits from warranties and indemnities relating to the five property companies. The liability of the Warrantors is capped at an aggregate of £10,500,000 under the warranty deed, deed of tax indemnity and deed of environmental indemnity. Claims must be brought by the Company within seven years under the deed of tax covenant and the tax warranties in the warranty deed and within two years under the non-tax warranties in the warranty deed and within three years under the deed of environmental indemnity.

The terms of the deed of tax covenant and the warranty deed (save in respect of environmental warranties) are in customary form.

In relation to environmental matters, the environmental warranties contained in the warranty deed, and the operative provisions of the deed of environmental indemnity, are limited to the actual knowledge of the Warrantors. In order for the Company to bring a successful claim for either breach of the environmental warranties contained in the warranty deed, or under the deed of environmental indemnity, it will be necessary to show that the Warrantors had actual knowledge of the issue and did not disclose it to the Company at the time of the Reorganisation.

PART VI

ADDITIONAL INFORMATION

1. Incorporation and Registration

- 1.1 The Company was incorporated in England and Wales on 31 March 2005 under the Act as a limited company. The Company operates under the Act. The Company re-registered as a public company limited by shares on 4 May 2005. The liability of the members is limited.
- 1.2 The registered office and principal place of business of the Company is at Manor Farm, Bridgham, Norwich NR16 2RX. The registered number of the Company is 5409619.

2. Share Capital

- 2.1 The Company was incorporated with an authorised share capital of £2,500,000 divided into 50,000,000 ordinary shares of 5p each, two of which were issued to the subscribers to the Memorandum of Association.
- 2.2 On 29 April 2005, 20,999,998 Ordinary Shares were issued to the shareholders of Rossfleet Limited, Rossfleet Investments Limited, Rossfleet Brigg Limited and PRL as consideration for the acquisition of Rossfleet Limited, Rossfleet Investments Limited, Rossfleet Brigg Limited, Hensby Composts Limited and Railroad Terminal Limited as described in Part V of this document.

- 2.3 By written resolutions dated 26 May 2005, the Directors:

- (a) were generally and unconditionally authorised for the purposes of section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to:

- (i) a maximum nominal amount of £750,000 in connection with the proposed Placing of 15,000,000 new Ordinary Shares to raise up to £7,500,000;
- (ii) a maximum nominal amount of £10,000 in connection with the proposed issue of 200,000 new Ordinary Shares to Marshall;
- (iii) otherwise a maximum amount of £600,000 (representing approximately one third of the issued share capital of the Company following allotment of the relevant securities to be allotted pursuant to sub-paragraph 2.3(a)(i) above),

such authority to expire on the earlier of: (a) 25 May 2010 or (b) the conclusion of the 2010 Annual General Meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired; and

- (b) were empowered (in substitution for any existing such authorities) pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of that Act) of the Company for cash pursuant to the general authority referred to in sub-paragraph 2.3(a) above as if section 89(1) of that Act did not apply to such allotment, provided that this power shall be limited to:

- (i) the allotment and issue of equity securities up to an aggregate nominal amount of £750,000 in connection with the Placing;
- (ii) the allotment and issue of equity securities up to an aggregate nominal amount of £10,000 in connection with the proposed issue of 200,000 new Ordinary Shares to Marshall;
- (iii) the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares and other persons entitled to participate therein in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, as appropriate, the numbers of ordinary shares which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and

- (iv) the allotment (other than pursuant to sub-paragraphs (i) to (iii) above) of equity securities up to an aggregate nominal amount of £90,000 (representing approximately 5 per cent of the issued share capital of the Company following allotment of the relevant securities to be allotted pursuant to sub-paragraphs (i) and (ii) above);

such authority to expire on the earlier of (a) 25 May 2010 or (b) the conclusion of the 2010 Annual General Meeting of the Company (unless and to the extent that such authority is renewed or extended prior to such date) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

- 2.4 At the date of this document the total authorised share capital of the Company is £2,500,000 divided into 50,000,000 Ordinary Shares of which 21,000,000 Ordinary Shares are in issue and are fully paid or credited as fully paid.
- 2.5 Immediately following Admission (assuming that all the Placing Shares are subscribed) 36,200,000 Ordinary Shares will be in issue and 13,800,000 Ordinary Shares will remain unissued representing approximately 28 per cent. of the total authorised share capital of the Company and approximately 38 per cent. of the total issued share capital.
- 2.6 Save as disclosed in this document there is no share capital of the Company which is under option or agreed conditionally or unconditionally to be put under option at the date of this document.
- 2.7 Temporary documents of title will not be issued and all transfers between the date on which dealings in the Ordinary Shares begin and the date on which share certificates in respect of the Ordinary Shares are despatched will be certified against the register of the Company. Under the terms of the Placing Agreement placees who do not settle in CREST are required to provide cleared funds to reach Marshall's designated client bank account no later than 1.30 p.m. on 13 June 2005. If the conditions of the Placing are not satisfied or waived by 4.30 p.m. on 16 June 2005 (or such later date being not later than 30 June 2005 as the parties to the Placing Agreement may agree) then monies received from placees will be returned to them within seven business days.

3. The Group

Details of the Company's subsidiaries, all of which are incorporated in England and Wales, are as follows:

<i>Company</i>	<i>Date of Incorporation</i>	<i>Activity</i>	<i>Issued Share Capital</i>
Hensby Composts Limited	21 May 1987	Property investment	90,000 ordinary shares of £1
Railroad Terminal Limited	2 March 1984	Property dealing and development	1,771,553 ordinary shares of £1
Rossfleet Limited	30 August 1995	Property dealing and development	100 ordinary shares of £1
Rossfleet Investments Limited	16 September 1999	Property dealing and development	100 ordinary shares of £1
Rossfleet Brigg Limited	10 September 2002	Property dealing and development	100 ordinary shares of £1
HCL 2000 Limited	12 April 1965	Non trading	573,940 ordinary shares of £1

4. Directors' and other interests

- 4.1 As at 26 May 2005 (the latest practicable business day prior to the date of this document) the interests (all of which are beneficial except as shown below) of the Directors and their immediate families in the existing share capital of the Company which have been notified to the Company pursuant to Section 324 or 328 of the Act or which are required to be entered into the Register maintained under the provisions of Section 325 of the Act and (so far as is known to the Directors, having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with Section 346 of the Act) are as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>
P A Rackham	7,949,076	37.85
P A Rackham Jnr	5,941,224	28.29
S R Stuteley	—	—
S A Wauchope	—	—

In addition, P A Rackham Jnr and S R Stuteley are interested as trustees in 9,825,212 Ordinary Shares representing 46.79 per cent. of the Ordinary Shares in issue. Included within this number are 2,715,512 Ordinary Shares which are within P A Rackham Jnr's beneficial interest shown above.

- 4.2 Immediately following Admission (assuming that all the Placing Shares are subscribed) the interests (all of which are beneficial except as shown below) of the Directors, their immediate families and connected persons in the share capital of the Company as appearing in the register maintained under the provisions of Section 324 of the Act will be as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>
P A Rackham	7,949,076	21.96
P A Rackham Jnr	5,341,224	14.75
S R Stuteley	90,000	0.25
S A Wauchope	40,000	0.11

In addition, P A Rackham Jnr and S R Stuteley will be interested as trustees in 7,425,212 Ordinary Shares representing 20.51 per cent. of the Ordinary Shares in issue immediately following Admission assuming that all of the Placing Shares are subscribed. Included within this number are 2,115,512 Ordinary Shares which are within P A Rackham Jnr's beneficial interest shown above.

- 4.3 In addition to the shareholdings detailed above, the Directors are aware of the following persons who will, directly or indirectly, be interested in 3 per cent. or more of the enlarged issued share capital of the Company immediately following the Admission (assuming that all the Placing Shares are subscribed):

<i>Holder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
D W Cunningham, P A Rackham Jnr and S R Stuteley as trustees	7,425,212	20.51

Note:

This holding includes 2,115,512 Ordinary Shares, which will represent 5.84 per cent. of the Ordinary Shares in issue immediately following Admission assuming that all of the Placing Shares are subscribed, of which P A Rackham Jnr is a potential beneficiary and which are included within his holding set out in paragraph 4.2 above.

- 4.4 Save as disclosed in this document:

- no Director (nor any of his connected persons within the meaning of section 346 of the Act) has any interests, whether beneficial or non-beneficial, in the issued share capital of the Company and no Director will acquire Ordinary Shares in the Company pursuant to the Placing;
- the Directors are not aware of any person interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company;
- the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company;

- (d) no contract or arrangement with the Company or any of its subsidiaries subsists or has subsisted within the period of two years immediately preceding the date of this document in which any Director is or was materially interested and which is significant in relation to the business of the Group taken as a whole;
- (e) no Director has had any interest, direct or indirect, in any assets which, within the period of two years immediately preceding the date of this document, has been or which is proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and
- (f) no amount or benefit has been paid or given by the Company within two years before the date of this document to any promoter nor is any such payment or gift intended.

4.5 The Directors have held the following directorships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Past</i>
P A Rackham	Anglian Farmers Market Limited Anti-Septic Limited Anti-Sludge Limited Application 9 Brorack Limited City Property (Thetford) Limited Explainaway Limited Hartismere Estates Limited HCL 2000 Limited Hensby Composts Limited Maidquote Limited Mid Suffolk Business Park (Eye) Management Co. Ltd Parastream Limited Paul Rackham Developments Limited Paul Rackham Limited Quartfed Railroad Terminal Limited Recycling 4U Limited Recycling Waste 4U Limited Recycling Waste Limited Rossfleet Brigg Limited Rossfleet Investments Limited Rossfleet Limited Uniquetoday Limited Waste Recycling 4U Limited	Waste Recycling Group plc Anti-Rubbish Limited Anti-Waste Limited Anti-Waste Restoration Limited Darrington Quarries Limited East Waste Limited Finstop Limited Norfolk Waste Limited Waste Recovery Limited Waste Recycling Limited
P A Rackham Jnr	Application 9 City Property (Thetford) Limited Explainaway Limited HCL 2000 Limited Hensby Composts Limited Maidquote Limited Mid Suffolk Business Park (Eye) Management Co. Ltd Parastream Limited Paul Rackham Developments Limited Paul Rackham Limited Quartfed Racing Tours Limited Railroad Terminal Limited Rossfleet Brigg Limited Rossfleet Investments Limited Rossfleet Limited Uniquetoday Limited	

<i>Director</i>	<i>Current</i>	<i>Past</i>
S R Stuteley	Application 9 Carmaday Limited City Property (Thetford) Limited Explainaway Limited Hartismere Estates Limited HCL 2000 Limited Hensby Composts Limited Maidquote Limited Mid Suffolk Business Park (Eye) Management Co. Ltd Parastream Limited Paul Rackham Developments Limited Paul Rackham Limited Quartfed Railroad Terminal Limited Recycling 4U Limited Recycling Waste 4U Limited Recycling Waste Limited Rossfleet Brigg Limited Rossfleet Investments Limited Rossfleet Limited Uniquetoday Limited Waste Recycling 4U Limited	Viridian Limited
S A Wauchope	Plant Health Care plc Progressive European Markets Limited Progressive Developing Markets Limited You and Your Health Limited	Calm Corporation (UK) Limited Ultramind Group plc Ultrasis plc Ultrasis (UK) Limited Ultrasis (North America) Limited Ultrasis Inc Waste Recycling Group plc

4.6 Liquidators have been appointed to the following companies of which the following were directors:

- (a) P A Rackham, P A Rackham Jnr and S R Stuteley were directors of Mawlaw PP2 Limited which was placed into members' voluntary liquidation on 29 April 2005, as part of the Reorganisation described in Part V of this document. There was no deficiency to creditors.
- (b) Following his appointment as Group Managing Director of Acorn Computer Group plc in April 1990, S A Wauchope became a non-executive director of Torus Group PLC. Acorn Computer Group plc had a 25 per cent. investment in Torus Group PLC. Later that year, receivers were appointed to Torus Group PLC which owed creditors a total of approximately £600,000. Preferred and secured creditors of £200,000 were paid in full and unsecured creditors received nothing.

4.7 In 1989 a property company of which P A Rackham was a director was sold to Oakwood Group plc, a quoted company. The name of the property company was changed to Oakwood Commercial Estates Limited following the acquisition and P A Rackham remained a director. In December 1989 receivers were appointed to Oakwood Group plc and, as a consequence of the enforcement of cross guarantees that they had given, to its subsidiaries, including Oakwood Commercial Estates Limited. The result of the receivership was a significant deficiency.

4.8 Save as disclosed in this document, 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 individual voluntary arrangements;

- (c) been a director of a company which has been placed in receivership, liquidation, creditors' voluntary liquidation, or administration, been the 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 liquidation, administration or been the subject of a 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 asset or a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be 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 a company or from acting in the management or conduct of the affairs of any company.
- 4.9 For the year ended 31 December 2004 the aggregate remuneration paid and benefits in kind granted to the Directors by the Group was £10,300, their remuneration largely being paid by PRL. Under arrangements now in force, the Directors' aggregate remuneration and benefits in kind for the period ending 31 December 2005 are estimated to be approximately £119,000.

5. Memorandum and Articles of Association

- 5.1 The Memorandum of Association of the Company provides that the Company's principal object is to carry on business as a general commercial company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association, a copy of which is available for inspection at the Company's registered office.
- 5.2 The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

(a) Voting Rights

Subject to any rights or restrictions for the time being attached to any shares and to disenfranchisement of a member in respect of shares in the event of non-payment of calls or other sums due and payable in respect of any shares, or in the event of non-compliance with a statutory notice served pursuant to Section 212 of the Act requiring disclosure as to beneficial ownership in shares, every member present in person or a corporation represented by a duly authorised representative (not being himself a member) has one vote on a show of hands. On a poll every member present or a corporation represented as aforesaid has one vote for each share of which he is the holder.

(b) Variation of Rights

The rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated with the consent in writing of the holders of three-fourths in nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

(c) Alteration of Capital

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, cancel any shares not taken up or agreed to be taken up and, subject to the provisions of the Act, sub-divide its existing shares or any of them into shares of smaller amount. Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account and may redeem or purchase any of its own shares.

(d) *Transfer of Shares*

Shares may be transferred by an instrument in writing in any usual form or in any other form acceptable to the Directors or by any manner acceptable to the Directors. The Directors may in their absolute discretion and without giving any reason decline to register a transfer of a share which is:

- (a) not fully paid or on which the Company has a lien provided that, where any such share is admitted to trading on the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis; or
- (b) not lodged and duly stamped at the registered office or another place determined by the Directors; or
- (c) not accompanied by documents reasonably required by the Directors to show the right of the transferor to make the transfer; or
- (d) in respect of more than one class of share; or
- (e) in the case of a transfer to joint holders of a share, a transfer to more than four transferees.

(e) *Dividends and other distributions*

Subject to the Act and every other statute from time to time in force concerning companies and affecting the Company (together the “Statutes”), the Company may by ordinary resolution declare dividends in accordance with the respective rights of members but no dividend shall exceed the amount recommended by the Directors. If, in the opinion of the Directors, the profits of the Company available for distribution justify such payments, the Directors may pay fixed dividends payable on any shares of the Company with preferential rights half-yearly or otherwise on fixed dates and from time to time pay interim dividends to the holders of any class of shares. Subject to any special rights attaching to, or the terms of issue of, any shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid (excluding amounts paid up in advance of a call).

The Company may, upon the recommendation of the Directors, by ordinary resolution, direct payment of a dividend wholly or partly by the distribution of specific assets.

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.

All dividends unclaimed may be invested or otherwise used at the Directors’ discretion for the benefit of the Company until claimed and all dividends unclaimed after a period of 12 years from the date when such dividend became due for payment shall be forfeited and shall revert to the Company.

The Directors may, if so authorised, offer shareholders in respect of any dividend the right to elect to receive shares by way of scrip dividend instead of cash.

The Company may cease to send any cheque or warrant through the post or may stop the transfer of any sum by any bank or other transfer system for any dividend payable if, in respect of at least two consecutive dividends, the cheques or warrants have been returned undelivered or remain uncashed or the transfer has failed or in respect of one dividend the cheques or warrants have been returned undelivered or remain uncashed or the transfer has failed and reasonable enquiries made by the Company have failed to establish any new address of the holder.

The Company or the Directors may specify a “record date” on which persons registered as the holders of shares shall be entitled to receipt of any dividend.

(f) *Distribution of assets on a winding up*

On a winding up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide among the Company’s members *in specie* or in kind the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair upon any one 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 sanction, vest

the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like authority determines, and the liquidation of the Company may be closed and the Company dissolved, but so that no members shall be compelled to accept any shares or other property in respect of which there is a liability.

(g) *Pre-emption Rights*

Unless otherwise provided by a special resolution of the Company, the Company may not allot any of the authorised but unissued Ordinary Shares of the Company unless the shares are to be allotted wholly or partly paid up otherwise than in cash or unless the Company has followed the procedure laid down by section 89(1) of the Act or unless such procedures have been disapplied by shareholders. This procedure is broadly as follows:

Before agreeing to allot any Ordinary Shares to persons who are not existing shareholders, the Company must make an offer in writing to each existing holder of Ordinary Shares to allot to him on the same or more favourable terms a proportion of the shares to be allotted *pro rata* to his existing holding. The offer must be sent to his registered address in the United Kingdom or to the address in the United Kingdom supplied by him to the Company for the giving of notice to him. The offer must state the period of not less than 21 days during which the offer may be accepted; and the offer shall not be withdrawn before the end of that period. Only after the period during which the offer may be accepted has expired or after the Company has received notice of the acceptance or refusal of every offer so made, may it allot the shares which are the subject of the offer to a person other than the offeree.

(h) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part or parts thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.

(i) *Uncertificated securities*

The Directors, without having to seek permission from Shareholders, may resolve that any class of shares in the Company may be issued in Uncertificated Form and transferred by means of any computer-based system permitted by relevant statutes and the London Stock Exchange which enables title to shares to be transferred without written instrument of transfer and, in addition, to implement such arrangements as the Directors consider fit in accordance with and subject to the relevant statutes and the rules of the London Stock Exchange to evidence and regulate transfer of title to shares in the Company and to approve or disapprove (as the case may be) the registration of such transfers. In any event, the Company will still be obliged to issue share certificates to those shareholders who request them. These provisions are to enable the holding of the Company's securities by electronic means so as to permit their transfer and settlement on the CREST system.

6. **Placing Agreement**

An agreement ("the Placing Agreement") dated 27 May 2005 has been entered into between (1) the Company (2) Marshall and (3) the Vendors whereby Marshall has agreed conditional on (i) the number of Placing Shares being at least 12,400,000 and (ii) Admission occurring by no later than 16 June 2005 or such later date as Marshall and the Company may agree but in any event not later than 30 June 2005 to use its reasonable endeavours to:

- (a) procure subscribers for up to 15,000,000 new Ordinary Shares ("the Subscription Shares") as agent for the Company at 50p ("the Placing Price"); and
- (b) procure purchasers for 2,400,000 Ordinary Shares ("the Sale Shares") as agent for the Vendors at Placing Price

and to the extent that it does not procure subscribers or purchasers itself to subscribe or purchase Placing Shares at the Placing Price up to a maximum amount which, taken together with the 200,000 Ordinary Shares referred to below, shall not exceed 2.99 per cent. of the Company's enlarged share capital following the Placing.

The Placing Agreement provides for the Company to pay Marshall a corporate finance fee of £150,000, of which £100,000 will be satisfied by the allotment of 200,000 Ordinary Shares, and commission at the rate of 1 per cent. on the aggregate value of the Subscription Shares at the Placing Price. It also provides for the Vendors to pay to Marshall commission at the rate of 1 per cent. on the aggregate value of the Vendor Shares at the Placing Price and an additional amount equal to 0.5 per cent. on such aggregate values to cover stamp duty.

The Placing Agreement includes representations, warranties and indemnities given by the Company and by the Vendors and provisions which permit Marshall to terminate its obligations under the Placing Agreement if at any time prior to Admission any of the warranties is or becomes untrue or inaccurate or misleading or the Company otherwise fails to comply with its obligations under the Placing Agreement in any respect which is in any such case material in the context of the Placing (in each case in the reasonable opinion of Marshall) and in circumstances of force majeure.

7. Directors' Service Agreements

The Directors have entered into the following agreements with the Company:

- (a) P A Rackham entered into a service agreement with the Company on 24 May 2005. The agreement is terminable by either party on six months' notice. P A Rackham will spend at least three days' per week working for the Company and will receive a salary of £75,000 per annum. His appointment is conditional on Admission and his employment will start from that date. In addition, P A Rackham is eligible for a discretionary bonus. The terms and amount of that bonus will be approved from time to time by the Remuneration Committee in its sole discretion. There are restrictive covenants on P A Rackham for the benefit of the Group in the agreement.
- (b) P A Rackham Jnr entered into a service agreement with the Company on 24 May 2005. The agreement is terminable by either party on six months' notice. P A Rackham Jnr will spend at least three days' per week working for the Company and will receive a salary of £60,000 per annum. His appointment is conditional on Admission and his employment will start from that date. In addition, P A Rackham Jnr is eligible for a discretionary bonus. The terms and amount of that bonus will be approved from time to time by the Remuneration Committee in its sole discretion. There are restrictive covenants on P A Rackham Jnr for the benefit of the Group in the agreement.
- (c) S R Stuteley entered into a service agreement with the Company on 24 May 2005. The agreement is terminable by either party on six months' notice. S R Stuteley will spend at least three days' per week working for the Company and will receive a salary of £60,000 per annum. His appointment is conditional on Admission and his employment will start from that date. In addition, S R Stuteley is eligible for a discretionary bonus. The terms and amount of that bonus will be approved from time to time by the Remuneration Committee in its sole discretion. There are restrictive covenants on S R Stuteley for the benefit of the Group in the agreement.
- (d) S A Wauchope entered into a letter of appointment with the Company on 24 May 2005 under which a service company, You and Your Health Limited, procures the provision of the services of S A Wauchope as a non-executive director. The letter of appointment can be terminated at any time by any party giving one month's notice to the others. S A Wauchope is expected to spend two days per month on the business of the Company and You and Your Health Limited will receive a payment of £20,000 per annum plus any VAT. His appointment commenced with effect from 13 May 2005.

8. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or any of its subsidiaries within two years immediately preceding the date of this document and are or may be material:

- (a) the Placing Agreement described in paragraph 6 of Part VI;
- (b) a nominated adviser and broker agreement between the Company (1) and Marshall (2) dated 27 May 2005, under which Marshall was appointed nominated adviser and broker to the Company for an initial term of one year, which will continue after the initial term until terminated by either party giving the other not less than three months' prior written

notice. The Company will pay a fee of £25,000 per annum to Marshall. The agreement contains an indemnity given by the Company to Marshall, its officers and employees in respect of losses caused by a breach of the rules and regulations of the London Stock Exchange and any rules and regulations of other regulatory authorities or of any applicable laws by the Company;

- (c) the sale and purchase agreement between David William Cunningham, Paul Anthony Rackham Jnr and Stephen Russell Stuteley (1) and the Company (2) relating to the sale and purchase by the Company of the entire issued share capitals of Rossfleet Limited, Rossfleet Investments Limited and Rossfleet Brigg Limited referred to in Part V of this document;
- (d) the sale and purchase agreement between Mawlaw PP2 Limited (1), the Company (2), Aileen Jane Crooks and Andrew Philip Peters (3) and Paul Anthony Rackham, Paul Anthony Rackham Jnr, Sheila Anne Rackham, David William Cunningham, Paul Anthony Rackham Jnr and Stephen Russell Stuteley (4) relating to the sale and purchase by the Company of the entire issued share capital in Hensby Composts Limited and Railroad Terminal Limited referred to in Part V of this document;
- (e) the deed of tax covenant between Paul Anthony Rackham, Paul Anthony Rackham Jnr and Sheila Anne Rackham (1) and the Company (2) referred to in Part V of this document;
- (f) the warranty deed between Paul Anthony Rackham, Paul Anthony Rackham Jnr and Sheila Anne Rackham (1) and the Company (2) referred to in Part V of this document;
- (g) the deed of environmental indemnity between Paul Anthony Rackham, Paul Anthony Rackham Jnr and Sheila Anne Rackham (1) and the Company (2) referred to in Part V of this document;
- (h) a deed of assignment in favour of the Company by PRL dated 29 April 2005. Under the terms of this assignment the benefit of a restrictive covenant in an acquisition agreement between PRL (1) and BPM Growers Limited (2) for the acquisition of the entire share capital of Hensby Composts Limited dated 15 August 2003 is assigned to the Company. In addition, the benefit of a deed of tax covenant dated 31 March 2000 between Ferdinand Hensby (1), Malcolm Hensby (2) and BPM Growers Limited (3) is also assigned to the Company;
- (i) a deed of variation, varying the terms of both a lease and an agreement relating to a waste management licence at Kings Lynn, Norfolk between Railroad Terminal Limited (1), Opt-Out Limited (2) and Raj Singh & Company Limited (“Raj Singh”) (3) dated 10 May 2005. Under the original lease, entered into on 8 July 2004, the entire issued share capital in Opt-Out Limited was transferred to Raj Singh. Under the terms of the deed, Raj Singh is to procure that Opt-Out Limited does not carry on a business. Under the terms of the deed, if the lease is terminated for any reason, and if requested to do so by Railroad Terminal Limited, Raj Singh shall transfer the shares in Opt-Out Limited back to Railroad Terminal Limited, subject to Railroad Terminal Limited having 21 days in which to inspect Opt-Out Limited’s books and records. In its sole discretion, Railroad Terminal Limited has three options available after inspection of the books. First, it can accept the transfer and procure that Raj Singh execute the transfer. Secondly, if it considers that there are liabilities in Opt-Out Limited it may notify Raj Singh and either request that these liabilities be removed to Railroad Terminal Limited’s satisfaction or that Raj Singh provide an indemnity in respect of the liabilities. Finally, if it determines that the liabilities cannot be removed or that it cannot be suitably indemnified, Raj Singh is to use its reasonable endeavours to procure the transfer of the waste management licence from Opt-Out Limited to Railroad Terminal Limited;
- (j) a guarantee and indemnity agreement between PRL (1), Rossfleet Brigg Limited (2) and the Company (3) dated 29 April 2005. Under the terms of the agreement, Rossfleet Brigg Limited shall use its reasonable endeavours to procure the transfer of the guarantee by PRL (the “Guarantee”), guaranteeing that Rossfleet Brigg Limited would observe and perform its obligations contained in the transfer made between British Sugar plc (1) and Rossfleet Brigg Limited (2) (the “Transfer”) to the Company. In addition, the Company undertakes to indemnify PRL against all losses, liability, damages, fines, costs, claims, proceedings or expenses which may be or may have been taken against PRL in connection

with the Guarantee and the indemnities provided by PRL in an agreement for sale made between British Sugar plc (1), Rossfleet Brigg Limited (2) and PRL (3) dated 14 October 2002;

- (k) an agreement relating to the guarantee between PRL (1), Hensby Composts Limited (2) and the Company (3) dated 29 April 2005. Under the terms of the agreement, Hensby Composts Limited shall use its reasonable endeavours to procure the transfer of the guarantees by PRL guaranteeing the full performance and discharge by HCL of its obligations and liabilities, under an agreement for lease of plant and machinery and the extended option agreement, each between Hensby Composts Limited (1), ADAS Consulting Limited (2) and PRL (3) and dated 14 June 2004 (the "Guarantees") to the Company. In addition, the Company undertakes to indemnify PRL against all losses, liability, damages, fines, costs, claims, proceedings or expenses against PRL in connection with the Guarantees relating to the period after the date of the agreement;
- (l) an option agreement between PRL (1) and Railroad Terminal Limited (2) dated 29 April 2005. Under the terms of the agreement, in consideration of £1 paid by Railroad Terminal Limited to PRL, Railroad Terminal Limited shall have the option to require PRL to procure the transfer of the two water abstraction licences for the River Nar and the River Great Ouse, and the lease of land along the river bank of the River Great Ouse, to Railroad Terminal Limited or its nominee;
- (m) a services agreement between PRL (1) and the Company (2) dated 27 May 2005. Under the terms of the agreement, PRL will provide the Company with office accommodation, administrative and secretarial services, access to computer equipment and telephones, fully expensed motor vehicles for the use of the executive Directors and directors' health insurance, life insurance, pension and liability insurance. The Company will pay PRL £150,000 (plus VAT) per annum for the services. The agreement will run for an initial term of one year and shall, unless either party gives two months' notice of termination before an anniversary of the commencement date, be automatically renewed annually on the anniversary of the commencement date;
- (n) undertakings dated 27 May 2005 by the persons listed below in favour of the Company and Marshall pursuant to which they each agreed that, save in the event of death, an intervening court order, a takeover becoming or being declared unconditional (which they may give an irrevocable undertaking to accept), they will not dispose of the number of Ordinary Shares shown below against their name for a period of 12 months from the date of Admission and, for a further period of 12 months only to make disposals in an orderly market through the broker to the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>
P A Rackham	6,797,036
P A Rackham Jnr	3,225,712
Mrs S A Rackham	1,152,040
P A Rackham Jnr, D W Cunningham and S R Stuteley as trustees	7,425,212

- (o) a business loan agreement between Hensby Composts Limited (1) and Lloyds TSB Bank plc (2) dated 14 September 2004. Under the terms of the agreement, the maximum loan available from Lloyds TSB Bank plc is £1,630,000 to be used for the refinancing of the purchase of the freehold land at Hensby. The security being used for this is a first legal charge from Hensby Composts Limited over the freehold land and buildings at Hensby;
- (p) an overdraft and other facility letter between the Company (1) and Lloyds TSB Bank plc (2) dated 25 April 2005. Under the terms of the letter, Lloyds TSB Bank plc agreed to offer the Company a £1,000,000 overdraft facility until 28 February 2006. In addition, a LloydsLink payments facility with a £200,000 limit is available to cover the transfer of funds from agreed accounts. The obligations of the Company are guaranteed by Rossfleet Investments Limited; and
- (q) a business loan agreement between Railroad Terminal Limited (1) and Lloyds TSB Bank plc (2) dated 26 April 2005. Under the terms of the agreement, Lloyds TSB Bank plc agreed to loan Railroad Terminal Limited £2,000,000, to be used for the repayment of

intra-group loans which existed prior to the Reorganisation. The security being used for this is a first legal charge from Railroad Terminal Limited over the freehold land at Saddlebow Road.

9. Litigation

- 9.1 Save as set out below in paragraph 9.2, neither the Company nor any subsidiary is or has been engaged in any legal or arbitration proceedings which may have, or has had during the 12 months preceding the date of this document, a significant effect on the Group's financial position nor are any such proceedings pending or threatened.
- 9.2 Rossfleet Investments Limited ("RIL") has brought claims against Anti-Waste Limited for breaches of the terms of a lease between RIL and Anti-Waste Limited dated 1 July 1991, in respect of a landfill site at Fornham Park. The claims are for a total of £507,099 and are currently in arbitration.

10. Working Capital

The Company is of the opinion that, having made due and careful enquiry and taking into account the bank facilities available to the Group and the net proceeds of the Placing, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of Admission.

11. Consents

- 11.1 Deloitte & Touche LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports on the Company and the Group in the form set out in Part III of this document and the references to the reports in the form and context in which they appear and accepts responsibility for the reports in accordance with paragraph 45(8)(b) of Schedule 1 to the POS Regulations.
- 11.2 Savills (L&P) Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion in it of the references to its name in the form and context in which they are included.
- 11.3 Marshall has given and has not withdrawn its consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they are included.

12. United Kingdom Taxation

The following comments are intended as a general guide only and are based on current United Kingdom tax legislation and HM Revenue & Customs practice as at the date of this document. Except where the position of non-United Kingdom resident shareholders is expressly referred to, these comments deal only with the position of shareholders who are resident and domiciled in the United Kingdom for tax purposes, who are the beneficial owners of their shares in the Company and who hold their shares as an investment. They do not deal with the tax consequences of certain classes of shareholders such as financial institutions and dealers in securities.

If you are in doubt as to your tax position or if you require more detailed information than outlined above, you should consult an appropriate professional adviser immediately.

12.1 Dividends

Under current United Kingdom tax legislation, no amounts in respect of tax will be withheld at source from dividend payments made by the Company.

(a) UK income tax payers

Where the Company pays a dividend, a holder of shares in the Company who is an individual resident (for tax purposes) in the United Kingdom and who receives that dividend will be entitled to a tax credit equal to one-ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit, which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the dividend, unless and except to the extent that the dividend and the related tax credit fall above the threshold for the higher rate of income tax. In that case the individual will, to that extent, pay tax on the dividend and the related tax credit of an amount determined by applying the "Schedule F upper rate", which is 32.5 per cent., to the dividend and related tax credit

and then deducting the tax credit from that sum leaving a net income tax charge of 25 per cent. An individual who pays tax at the lower or basic rate of income tax there is no additional tax to pay on the dividend as the income tax charge is fully covered by the related tax credit. There will be no repayment of the tax credit or any part of it to an individual whose liability to income tax on the dividend and the related tax credit is less than the tax credit.

Subject to certain exceptions, a holder of shares in the Company who is a trustee of a discretionary or accumulation trust which is resident (for tax purposes) in the UK and who receives a dividend paid by the Company will be taxable on the total of the dividend and the related tax credit at the “Schedule F trust rate”, which is 32.5 per cent. of the aggregate of the dividend and the related tax credit.

Subject to certain exceptions for some insurance companies with overseas business, a corporate holder of shares in the Company that is resident in the UK for tax purposes and that receives a dividend paid by the Company will not be taxable on the receipt of the dividend but will not be entitled to a repayment of any related tax credit in respect of that dividend.

(b) Non-UK resident Shareholders

Shareholders who are not resident in the UK for tax purposes may not be liable to UK tax in respect of dividends received from the Company. These Shareholders should consult their own tax advisers concerning their tax liabilities on dividends received and whether they are entitled to claim any part of the tax credit and the procedure for doing so.

12.2 **Chargeable gains**

(a) UK resident Shareholders

For the purposes of UK taxation on chargeable gains, a disposal of shares in the Company by a Shareholder resident (or, in the case of an individual, ordinarily resident) for tax purposes in the UK or a Shareholder who is not resident in the UK for tax purposes but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the shareholder is a company) or through a branch or an agency (where the Shareholder is not a company) and has used, held or acquired the shares in the Company for the purposes of such a trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) may, depending on the Shareholder’s circumstances, give rise to a chargeable gain or allowable loss.

A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than 5 complete tax years and who disposes of shares during that period, may also be liable on his return to UK tax on chargeable gains (subject to available reliefs).

For Shareholders within the charge to corporation tax, an indexation allowance on the cost apportioned to the shares sold should be available to reduce the amount of the chargeable gain realised on a subsequent disposal.

(b) Non-UK resident Shareholders

Any holder of shares in the Company who is resident, or otherwise subject to taxation, in a jurisdiction other than the United Kingdom, could be subject to taxation in that jurisdiction. Such Shareholders should consult their professional adviser.

12.3 **UK stamp duty and stamp duty reserve tax**

Stamp duty and stamp duty reserve tax (“SDRT”) treatment will be as follows:

- (a) in relation to the Placing Shares, no liability to stamp duty or SDRT will generally arise on their issue or on the issue of definitive share certificates by the Company (provided that the Placing Shares are not issued to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or issuing depository receipts);
- (b) the conveyance or transfer on sale of shares outside the CREST system will usually be subject to *ad valorem* stamp duty, normally at the rate of 0.5 per cent. (rounded up, if necessary, to the nearest multiple of £5) of the amount or value of the consideration paid. Stamp duty is normally paid by the purchaser or transferee of the shares. An agreement to transfer shares will generally be subject to SDRT at 0.5 per cent of the agreed

consideration. If, however, within the period of six years of the date of the agreement or, in the case of a conditional agreement, the date on which the agreement becomes unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be repaid or cancelled. SDRT is normally the liability of the purchaser or transferee of the shares;

- (c) there will be no stamp duty or SDRT on a transfer of shares into CREST for conversion into uncertificated form, unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set out in paragraph 12.3 (b) above;
- (d) a transfer of shares on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system; and
- (e) where shares are issued or transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT (as appropriate) may be payable (in the case of stamp duty) at the higher rate of 1.5 per cent. (rounded up, if necessary, to the nearest multiple of £5) of the amount or value of the consideration provided or (in the case of SDRT) at the higher rate of 1.5 per cent. of the amount or value of the consideration payable (if in money or money's worth) or the value of the shares (otherwise). Clearance services may opt, under certain conditions, for the normal rates of SDRT to apply to a transfer of shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of shares into the clearance services.

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate as mentioned above or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Special rules apply to agreements made by market intermediaries, market makers, brokers and dealers, persons connected with depositary arrangements and clearance services, and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities will not generally give rise to stamp duty or SDRT.

13. General

13.1 The minimum amount which, in the Directors' opinion, must be raised by means of the Placing in order to provide the sums to be provided pursuant to paragraph 21 of Schedule 1 to the POS Regulations is as follows:

13.1.1	Purchase of property	£nil
13.1.2	Costs and expenses payable under the Placing	£575,000
13.1.3	Repayment of money borrowed in respect of sub-paragraphs 13.1.1 and 13.1.2 above	£nil
13.1.4	Working capital and expansion of the Group	£4,425,000

There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the Placing or from the Group's existing resources.

13.2 Except as stated in this document, there has been no significant change in the financial or trading position of:

- (a) the Company since the date of incorporation of the Company; and
- (b) the Group since 31 December 2004, the date to which the accountants' report in section 2 of Part III of this document has been prepared.

13.3 The costs and expenses of and incidental to the Placing are payable by the Company and are estimated to amount to approximately £700,000 (assuming that all the Placing Shares are subscribed) of which £100,000 will be satisfied through the allotment of 200,000 Ordinary Shares to Marshall.

13.4 The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Act.

- 13.5 The Company's accounting reference date is 31 December, with the first audited accounts being prepared to 31 December 2005. The Company will prepare interim accounts for the period to 30 June 2005.
- 13.6 The amount payable on application and allotment of each Ordinary Share is 50p of which 45p is payable by way of premium.
- 13.7 Save as disclosed in this document, there are no significant investments in progress.
- 13.8 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade suppliers dealing with the Company) has:
- (a) received, directly or indirectly, from the Company, within twelve months preceding the Company's application for Admission; or
 - (b) entered into any contractual arrangement (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission,
- any of the following:
- (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more at the date of Admission calculated by reference to the price of the Placing; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 13.9 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

14. Documents on display

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Mayer, Brown, Rowe & Maw LLP, 11 Pilgrim Street, London EC4V 6RW for a period of 14 days from the date of this document:

- 14.1 the memorandum and articles of association of the Company referred to in paragraph 5 of this Part VI;
- 14.2 the accountants' reports set out in Part III of this document;
- 14.3 the service agreements and letter of appointment referred to in paragraph 7 of this Part VI;
- 14.4 the consent letters referred to in paragraph 11 of this Part VI;
- 14.5 the material contracts referred to in paragraph 8 of this Part VI; and
- 14.6 this document.

Dated: 27 May 2005

