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This document which comprises an admission document has been prepared in accordance with the AIM Rules. Any offer of Ordinary Shares is being made only to investors for the purposes of and as defined in Section 86 of FSMA and accordingly this document does not constitute, and the Company is not making, an offer to the public within the meaning of Sections 85 and 102B of FSMA. This document is therefore not an approved prospectus for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules and as such has not been approved by the Financial Services Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

The Company and the Directors whose names appear on page 4 of this document, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or make any representation other than contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

Application will be made for all of the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 12 June 2006. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.

Worthington Nicholls Group plc

(incorporated in England and Wales under registered number 5697574)

Placing of 15,000,000 New Placing Shares and 2,400,000 Sale Shares at 50p per share

Admission to trading on AIM

Nominated Adviser and Broker:

Corporate Synergy Plc



SHARE CAPITAL IMMEDIATELY FOLLOWING COMPLETION OF THE PLACING

Authorised			Issued and fully paid	
Number	Amount	ordinary shares of	Number	Amount
85,000,000	£850,000	1p each	65,000,000	£650,000

The Placing is conditional, *inter alia*, on Admission taking place at 8.00 a.m. on 12 June 2006 (or such later date as the Company and Corporate Synergy Plc may agree, being not later than 30 June 2006). All of the New Placing Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Existing Ordinary Shares after Admission. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List of the UKLA or to any other recognised investment exchange.

Corporate Synergy Plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with the proposed admission of the Enlarged Share Capital to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Corporate Synergy Plc as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Corporate Synergy Plc will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Corporate Synergy Plc or for providing advice in relation to the contents of this document or any other matter.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Ordinary Shares. Subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within Australia, Canada, Japan, Republic of Ireland, Republic of South Africa or the United States or offered or sold to a person within Australia, Canada, Japan, Republic of Ireland, Republic of South Africa or the United States.

Neither this document, which does not constitute an offer of financial instruments to the public within the meaning of Article L.411-1 of the French Code Monétaire et Financier ("CMF") and Article 211-1 of the Règlement Général of the French Autorité des Marchés Financiers ("RGAMF"), or a solicitation to enter into a transaction involving financial instruments, and which has not been submitted to and is not subject to the prior approval ("visa") of the Autorité des Marchés Financiers under conditions set out *inter alia* by articles 212-1 et seq. of the RGAMF, nor any information contained therein or any offering material relating to the Ordinary Shares, may be distributed or caused to be distributed to the public in France.

The Ordinary Shares may only be offered or sold, in accordance with Article L.411-2-4° of the CMF, to qualified investors (investisseurs qualifiés) listed under Article D.411-1 of the CMF and/or to a restricted circle of investors (cercle restreint d'investisseurs), of less than 100 investors pursuant to Article D.411-2 of the CMF, in each case acting for their own account, within the meaning of, and in compliance with Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the CMF and undertaking not to offer, market or distribute, sell or resell or otherwise retransfer, directly or indirectly to the public in France, any Ordinary Shares purchased as a result, other than, if relevant, in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the CMF.

This document has not been and will not be distributed to the public in Germany. Any offer, sale or distribution of Ordinary Shares may only be made in Germany on the condition that, in compliance with applicable laws and regulations pertaining to a public offering, it shall never be deemed as constituting a public offering in the meaning of section 2 no. 4 German Securities Prospectus Act and shall never trigger the obligation to publish a prospectus.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND INFORMATION

Admission and dealings in Ordinary Shares to commence on AIM	12 June 2006
CREST accounts credited by	12 June 2006
Despatch of definitive share certificates in respect of the Placing Shares by	19 June 2006
AIM symbol	WNG
ISIN Code	GB00B105MM77

ADMISSION AND PLACING STATISTICS

Placing Price per Share	50p
Number of Existing Ordinary Shares	50,000,000
Number of New Placing Shares being placed	15,000,000
Number of Sale Shares being placed	2,400,000
New Placing Shares as a proportion of the Enlarged Share Capital	23.08%
Approximate net proceeds of the Placing of New Placing Shares receivable by the Company	£6,570,000
Approximate net proceeds of the Placing of Sale Shares receivable by the Selling Shareholder	£1,152,000
Number of Ordinary Shares in issue immediately following Admission	65,000,000
Market capitalisation of the Company at the Placing Price immediately following Admission	£32,500,000

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Peter Worthington, <i>Non Executive Chairman</i> Alastair Maxwell Stoddart, <i>Non Executive Deputy Chairman</i> Peter Mark Worthington (Mark Worthington), <i>Chief Executive Officer</i> David Edward Levis, <i>Corporate Director</i> Stephen Thomas Mulligan, <i>Non Executive Director</i>
Company Secretary:	HL Secretaries Limited
Registered Office:	St James's Court Brown Street Manchester M2 2JF
Nominated Adviser and Broker:	Corporate Synergy Plc 30 Old Broad Street London EC2N 1HT
Reporting Accountants:	HW Corporate Finance (NW) 1 st Floor, Northern Assurance Buildings Albert Square 9-21 Princess Street Manchester M2 4DN
Auditors:	HWCA Limited 120-124 Towngate Leyland, Preston Lancashire PR25 2LQ
Solicitors to the Company:	Halliwells LLP St. James's Court Brown Street Manchester M2 2JF
Tax advisers to the Company:	Baker Tilly Brazennose House Lincoln Square Manchester M2 5BL
Solicitors to the Nominated Adviser and Broker:	Shepherd and Wedderburn 12 Arthur Street London EC4R 9AB
Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
PR:	Gresham PR 21 Bloomsbury Way London WC1A 2TH

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules governing the admission to and operation of AIM published by the London Stock Exchange as amended from time to time
“Articles”	the articles of association of the Company as amended from time to time, a summary of the principal provisions of which is set out in paragraph 4 of Part VIII of this document
“AS Nicholls”	A.S. Nicholls Limited (registered in England and Wales under company number 513427)
“Combined Code”	the Combined Code on Corporate Governance and the code of best practice issued by the Financial Reporting Council in July 2003
“Company” or “Worthington Nicholls”	Worthington Nicholls Group plc (registered in England and Wales under company number 5697574)
“Corporate Synergy”	Corporate Synergy Plc (registered in England and Wales under company number 2617599)
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument and which is operated by CRESTCo
“CRESTCo”	CRESTCo Limited, the operator of CREST
“Daikin”	The Daikin Group of companies, of which Daikin Air Conditioning UK Ltd is a member
“Directors” or “the Board”	the Directors of the Company at the date of this document, whose names are set out on page 4 of this document
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following Admission including the New Placing Shares
“Existing Ordinary Shares”	the 50,000,000 Ordinary Shares in issue at the date of this document (including the VCT Placing Shares)
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and its subsidiaries and subsidiary undertakings at the date of this document
“London Stock Exchange”	London Stock Exchange plc
“New Placing Shares”	the 15,000,000 new Ordinary Shares to be issued pursuant to the Placing
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company

“Placing” or “Non-VCT Placing”	the conditional placing by Corporate Synergy on behalf of the Company and the Selling Shareholder of the New Placing Shares and Sale Shares respectively at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated ● 2006 between (1) the Company, (2) the Directors, (3) the Selling Shareholder and (4) Corporate Synergy relating to the Placing, details of which are set out in paragraph 17 of Part VIII of this document
“Placing Price”	50p per Placing Share
“Placing Shares”	the New Placing Shares and the Sale Shares
“Proposals”	the Placing and Admission
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading
“Prospectus Rules”	the rules made by the Financial Services Authority pursuant to sections 73A(1) and (4) of FSMA
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Reorganisation”	the completion of the following transactions and the entry into of all associated agreements and documents, namely, (i) the acquisition by the Company of the entire issued share capital of Worthington Nicholls Facilities, (ii) the acquisition by the Company of all of the B ordinary shares of 0.00018p each in the capital of WNL (“B shares”) pursuant to the agreement referred to in paragraph 9.10 of Part VIII of this document, (iii) the acquisition by the Company of the business and assets of WNL (other than (a) the Spanish property (and profits and liabilities attributable thereto) described in the footnote to the table set out at paragraph 2.4 of Part VIII of this document and (b) certain book debts and liabilities) including the entire issued share capital of AS Nicholls pursuant to the sale and purchase agreement referred to in paragraph 9.11 of Part VIII of this document, and (iv) the exchange of certain options over B shares held by certain employees for options over Ordinary Shares
“Sale Shares”	2,400,000 Existing Ordinary Shares being sold by the Selling Shareholder pursuant to the Placing
“Selling Shareholder”	Peter Worthington
“Shareholders”	holders of Ordinary Shares
“Share Option Schemes”	the Worthington Nicholls Group plc EMI Option Scheme and the Worthington Nicholls Group plc Unapproved Share Option Scheme
“Takeover Code”	the City Code on Takeovers and Mergers
“Takeover Panel”	the Panel on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA

“United States”	the United States of America, its territories and possessions, any state in the United States, the District of Columbia and all other areas subject to its jurisdiction
“VAT”	value added tax
“VCT Placing”	the placing by Corporate Synergy on behalf of the Company of the VCT Placing Shares to certain venture capital trusts at the Placing Price pursuant to the VCT Placing Agreement
“VCT Placing Agreement”	the agreement dated ● 2006 between (1) the Company, (2) the Directors and (3) Corporate Synergy relating to the VCT Placing, details of which are set out in paragraph 9.16 of Part VIII of this document
“VCT Placing Shares”	the 22,600,000 Ordinary Shares issued pursuant to the VCT Placing on ● 2006, as described in paragraph 3.5 of Part VIII of this document
“WNL”	Worthington Nicholls Limited (registered in England and Wales under company number 2893818)
“Worthington Nicholls Facilities”	Worthington Nicholls Facilities Limited (registered in England and Wales under company number 3947463)

GLOSSARY

“CFC”	chlorofluorocarbon, containing chlorine and possessing large ozone depleting potential, generally found in refrigeration and air conditioning systems
“HCFC”	hydrochlorofluorocarbon, less saturated with chlorine, the hydrogen within these compounds means that HCFCs have a much shorter atmospheric life span and thus possess lower ozone depleting potential
“Montreal Protocol”	the Montreal Protocol on ‘Substances That Deplete the Ozone Layer’ is an international treaty designed to protect the ozone layer by phasing out the production of a number of substances believed to be responsible for ozone depletion. The treaty was opened for signature on 16 September 1987 and entered into force on 1 January 1989
“R22”	hydrochlorofluorocarbon 22, the most common refrigerant used in existing air conditioning systems which is being phased out as described under the subsection EU Legislation in Part I of this document

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

The Company is seeking Admission and at the same time is raising £7,500,000 before expenses pursuant to the Placing of the New Placing Shares in order to fund growth and to provide working capital for the Group. In addition, the Selling Shareholder is proposing to sell 2,400,000 Sale Shares pursuant to the Placing.

The Group operates as principal contractor for delivery of end to end solutions in the air conditioning market, from initial survey through design and specification to installation and ongoing maintenance. The UK market for new air conditioning capital equipment was approximately £650 million per annum in 2005. This figure does not include installation, design and ongoing maintenance costs which the Directors estimate to be approximately a further £650 million in 2006. The Company currently operates throughout the UK and in Ireland and its aim is to become the pre-eminent support services supplier in the heating, ventilating and air conditioning sector in Europe. The business of the Group has been trading for over 33 years and has seen its revenue grow from £3.9m to £13m in the last five years.

The Group's customers include a range of blue-chip companies operating in a number of different market sectors including hotel and leisure, retail, restaurants, manufacturing and technology industries.

The Group provides support services through its three trading divisions:

- project management, design and installation;
- maintenance; and
- ventilation hygiene.

A description of the business undertaken by the the Group's trading divisions is given below.

Project management, design and installation

The Group has the capability to manage large scale air conditioning and ventilation projects from commission to completion. It offers a full service from survey and design to specification and installation. Large scale projects often require the involvement of a number of sub-contracted professional teams including architects, main contractors, engineers and quantity surveyors. The Group has experience in managing such teams and all other aspects of the project to seek to ensure that the costs stipulated during the tender process do not materially exceed budget. The costs of each project are fixed prior to commencement including sub-contractor fees and materials. This approach is favoured by many customers as it offers budgetary certainty and has led to the Group winning a substantial amount of repeat business, from amongst others Holiday Inn, MacDonald Hotels and Arcadia.

The vice-president of engineering of Intercontinental Hotels Group plc, one of the Group's largest customers, noted of the Group:



INTERCONTINENTAL
HOTELS GROUP

"I cannot recall any project undertaken ever missing the expected completion date, in fact they have gained a reputation of providing early delivery.... project works undertaken have always met the quality standards required"

Installation and commissioning are key areas of the Group's operations which accounted for 66 per cent. of the Group's total revenue for the six months ended 31 March 2006. The Group has approved installer status for a number of the major manufacturers of air conditioning equipment, including Daikin.

Daikin, the Group's main supplier of air conditioning units, is the largest supplier and manufacturer of air conditioning equipment in the UK with an approximate 20 per cent. market share. Daikin has a global annual turnover of over £3 billion and a research and development budget of over £100 million per year. The Directors consider Daikin to be the market leader in the development and release of new generation air conditioning equipment.

WNL was awarded "dealer of the year" in 2002, 2003 and 2004 by Daikin for achieving the highest sales in the UK of its air conditioning equipment.

The Group also operates a 'just in time' inventory procurement system with Daikin, reducing the need to hold capital equipment stock. This allows the Group to manage its working capital more efficiently without having to make significant up front payments.

The Directors believe that in addition to providing the latest equipment and competitive tendering on project costs, the Group adopts innovative installation methods based around its in-house capabilities, tailored to the needs of the individual customer. On hotel retro-fit projects each room is on average out of use for 5 days, as opposed to an average period of 18 days prior to the Group's change in operating model. This provides a measurable benefit to the customer who is able to calculate the additional cost savings resulting from hotel rooms being unavailable for a shorter period of time.

Owing to significant changes in EU legislation, which are described in the subsection entitled EU Legislation below, the Directors consider that the market for the Group's services will continue to expand as customers replace older air conditioning units with more environmentally friendly and cost efficient systems. The Group currently operates throughout the UK and in Ireland, but the Directors intend to expand its operations throughout Europe over the coming years.

Maintenance

Once a new piece of air conditioning equipment has been installed it requires regular servicing to comply with, and retain, the manufacturer's warranty provided on all equipment installed by the Group.

Servicing and maintenance of equipment are also required to ensure that customers operate within and comply with an EU directive laid down to provide safe and clean environments. The Group provides post installation service and maintenance packages designed to meet these needs.

The Group's status as an approved installer has enabled it to negotiate with a number of suppliers an additional two year manufacturer's warranty over and above the more usual three year warranty. The customer can only rely upon this extended warranty if it is supported by a five year maintenance contract. This helps to provide the Group with stable maintenance income over this period. Currently, the Group has over 300 customer sites in the UK and Ireland, where it provides maintenance on air conditioning and mechanical and electrical equipment.

The maintenance operations of the Group accounted for 20 per cent. of the Group's total revenue for the six months ended 31 March 2006. The Directors believe that the maintenance division forms a core part of the Group's operations as it provides a stable and visible revenue stream to build upon.

Ventilation hygiene

Since 2003, the Group has undertaken duct cleaning of grease extract systems within commercial kitchens and dry air conditioning supply duct work.

The ventilation hygiene division has grown significantly since 2003 and now has in excess of 130 customers including McDonalds, BHS, Little Chef, Burger King, and Marriot Hotels, with more than 7,500 customer sites on which it carries out just under 50,000 service visits per annum.

The Directors believe that to date demand for the Group's ventilation hygiene services has been driven by customers' increased awareness of the fire hazard associated with the accumulation of grease deposits in kitchen ventilation ducts and insurance companies requiring owners/occupiers of non-domestic premises to regularly maintain and clean ventilation ducts as a condition of insurance cover.

Impending legislation due to be enacted later this year for all non-domestic premises in England and Wales will, the Directors believe, require businesses to clean kitchen grease extraction systems regularly to prevent fires. The Directors consider that this legislative change will drive further growth in the Group's Ventilation Hygiene Services division.

In order to take advantage of these opportunities the Group is currently negotiating the exclusive UK rights to an automated duct cleaning system, which would decrease the Group's requirement for labour, whilst increasing margins and revenue visibility. The Group is currently trialling this system on a number of customer sites.

2. KEY STRENGTHS

The Directors believe that the business of the Group has the following key strengths:

- a 32 year operating track record;
- the ability, profitably, to support a range of customers from multi-billion pound corporations to small independent retailers;
- good visibility of future earnings due to its ability to support customers with post-installation maintenance services;
- significant gross profit margin (29 per cent. for the six months to 31 March 2006), achieved by providing management of project sites and ongoing full service and maintenance packages at the end of a project;
- the ability to negotiate favourable terms with suppliers through economies of scale which in turn, can be passed on to customers which is helpful to the Group's success during the tendering process;
- regular cash flows generated from a customer base of over 7,500 client sites; and
- Directors and key employees with substantial industry-specific experience.

3. GROWTH DRIVERS

The Directors believe the Group is operating in a market with compelling fundamental drivers which will provide growth opportunities to its business, including:

- a £650 million market for new air conditioning installation in the UK during 2005 with further steady growth anticipated year on year;
- EU legislation requiring an estimated 1 million air conditioning units containing the refrigerant R22 in the UK to be replaced with an estimated replacement and installation cost of over £7 billion;
- impending fire and safety legislation and existing insurance requirements now driving the ventilation hygiene market;
- a fragmented maintenance and air conditioning support services sector providing opportunities for acquisitional growth;
- low existing market penetration (only 4 per cent. of retail outlets and restaurants and 7 per cent. of offices are currently air conditioned) coupled with increased customer expectations in the hotel and retail industry, where comfort air conditioning is increasingly seen as a basic requirement; and
- the increasing branding of the UK hotel estate, which in turn requires the adoption of brand standards including, in many cases, air-conditioning.

4. THE BUSINESS

Background

Peter Worthington started the business in 1973 and operated from office premises in Droylsden, Greater Manchester. Seasonmaster Air Conditioning Limited was incorporated in 1974.

WNL, formerly known as Seasonmaster Engineering Services Limited, was incorporated in February 1994. WNL was formed to address requests from customers of Seasonmaster Air Conditioning Limited to offer supply, installation and maintenance of larger mechanical systems.

In April 1999, Seasonmaster Air Conditioning Limited was sold to Interfilta (UK) Limited ("Interfilta"), a subsidiary of McLeod Russel Holdings plc (now SPX Air Treatment Holdings plc) for approximately £2.2 million. As part of this deal, Mark Worthington served four years with Interfilta as managing director of Seasonmaster Air Conditioning Limited and during this time was appointed as company director of a division of McLeod Russel Holdings plc.

In April 2003, Mark Worthington rejoined the Group as Chief Executive Officer and implemented the principal contractor business model that the Group follows today, to enable it to take advantage of the fragmented air conditioning and maintenance market.

As well as its head office location in Wilmslow, the Group has regional offices in Bedford, Edinburgh, Barnet and Halifax.

Successful change of the Group's business model

Historically, the business of the Group was to act as an on-site sub-contractor to the main contractors during multi-site refurbishment programmes. This approach brought with it certain trading issues such as:

- main contractors pressurising sub-contractors into uncompetitive tendering on the promise of future work;
- reduced margin on the completion of contracts;
- closed book contracts leading to difficult tendering;
- difficulties in predicting forward staffing levels; and
- difficulties in accurately forecasting annual sales levels and required cash flows.

Mark Worthington recognised that by approaching the Group's customers directly to offer its services as a principal contractor for major air conditioning system refurbishment works, it could centralise costs, design, delivery and on-going service and maintenance.

As a result, the Group was able to secure the principal support services role with the Holiday Inn Estate within the UK and Ireland for the supply, installation, maintenance and servicing of air conditioning equipment. To date, the Group has installed air conditioning in over 8,000 Holiday Inn and Crowne Plaza Hotels' guest bedrooms.

The move to a principal contractor's role has also meant that the Group's customers have benefited from a significant reduction in refurbishment costs per room whilst increasing the Group's gross margin per room. The significance of the change in operations is also highlighted by the 62 per cent. increase in annual Group revenues from September 2003 to September 2005.

Customer Base

The Group's customers include a range of blue-chip companies operating in a number of different market sectors including hotel and leisure, retail, restaurants, manufacturing and technology industries. The Directors believe that the range of market sectors will enable the Group to achieve sustainable levels of growth, year on year, even when any single market sector experiences a cyclical down turn in trading.

Accounting for 73 per cent. of Group revenues for the six months ended 31 March 2006, the Group's top five customers by revenue were:

1. LRG Hotels Limited
2. Queen's Moat House
3. Stardon Hotels Limited
4. Debenhams Retail plc
5. Wilden Services Limited

The Group has benefitted from customers moving towards single source supply as this increases operational efficiency and helps lower their costs. As a result, the Directors believe that the Group will achieve continuing growth in sales over the coming years.

5. THE GROUP'S MARKET

The industry

The UK market for air conditioning installation and maintenance is currently fragmented with numerous smaller sized players, many of which do not provide a full turn-key solution. The Directors are only aware of one other UK air conditioning installation contractor of a comparable size and therefore believe that there are significant opportunities for consolidation in the sector.

The UK market for new air conditioning units increased during 2005 to an estimated level of approximately £650 million. Additionally, a growth rate of between 1 and 2 per cent. is anticipated for

each year between 2005 and 2010 (source: Market and Business Development report dated November 2005). This growth is expected to be driven by new construction activity in the industrial and commercial sectors. Demand from the retro-fit sector is also expected to continue, as units and developments built in the 1970s are due for renovation as building regulations demand working environments to be of a significant standard.

Whilst 60 per cent. of air conditioning sales are currently made to offices, retail outlets and the industrial sector, only 4 per cent. of retail outlets and restaurants, and 7 per cent. of offices have air conditioning units installed (source: Market and Business Development report).

Growth is anticipated in the UK market due to the existing low penetration of air conditioning equipment in the existing stock of commercial, industrial and particularly residential buildings. The Directors consider that the most significant factors for this growth will include:

- their belief that the increasing branding of the UK hotel estate, which in turn requires the adoption of brand standards including, in many cases, air conditioning;
- the increased familiarisation of many people with air conditioning, with the increased penetration of air conditioning in cars;
- perceived increases in average temperatures within the UK;
- more workers expecting air conditioning within the work place; and
- increasing levels of marketing being undertaken by the air conditioning industry.

The Directors believe that the growth factors described above and the size of the retro-fit market represent a significant opportunity for the Group.

Market Regulation

EU Legislation

Initial legislation in relation to ozone depleting substances came from the Montreal Protocol, a globally agreed plan brokered within the industrialised nations. Although the EU is a signatory to the protocol, subsequent EU legislation has been much more vigorous in its approach to the phasing out of these substances.

After being recognised as major contributory factors in the depletion of the ozone layer and global warming, CFCs and HCFCs were subject to initial discussion under EC Regulation No. 3094/1994 (Substances that Deplete the Ozone Layer), and considered further under EC Regulation 2037/2000. The aim of EC Regulation No. 2037/2000 is to phase out the supply and production of CFCs and HCFCs in the EU.

The most common refrigerant in use for air conditioning systems, R22, was installed as recently as two years ago. R22 was the standard refrigerant used in most air conditioning systems until it was discovered to have ozone depleting potential.

European legislation, introduced in 2000, banned the use of R22 as an ozone depleting substance and introduced a phase-out programme. As a result, the manufacture of new air conditioning equipment operated with R22 was discontinued in stages between 2001 and 2004 as manufacturers released equipment to operate on non-ozone depleting substances. The legislation decreed that existing installed systems may be serviced using new R22 until January 2010, after which time only recycled R22 could be used but not beyond January 2015.

With legislation ensuring that units utilising R22 are to be discontinued, companies still using this system will be forced to upgrade their equipment within the foreseeable future as manufacturers have already begun phasing out the production of spare parts of older non-compliant units.

The Directors estimate that there are currently approximately 1,000,000 R22 units still in use in the UK, with a replacement and installation cost of over £7 billion.

Tax relief

Incentives to upgrade and install more energy efficient and greener systems are also available from the Government. A business can claim 100 per cent. first-year enhanced capital allowance upon spend on new energy efficient air conditioners. The benefit to businesses of enhanced capital allowances is a cash flow boost resulting from the reduction of the business's tax bill for the year in which the investment is made.

Fire Safety Regulations

As discussed above under the subsection entitled Ventilation Hygiene, impending legislation due to be enacted in 2006 for all non-domestic premises in England and Wales will require businesses to clean kitchen grease extraction systems regularly to prevent fires. The Directors believe that this legislative change will drive further growth in the Group's Ventilation Hygiene Services division.

Certification and accreditation

The Group is able to issue a certificate of completion to customers which certifies their ducting has been cleaned in accordance with the manufacturer's operational requirements and in order to comply with current UK legislation.

The Group is a Member of the National Air Duct Cleaners Association ("NADCA") and carries out works to HVCA TR/17 good practice specifications.

6. STRATEGY

Organic Growth

The Group's market is currently subject to several compelling drivers of growth as highlighted above in this document. The Directors believe that the Group can continue to exploit the large potential market available and will utilise the funds to be received pursuant to the placing of the New Placing Shares in order to do this.

Geographical growth

As the Group has grown, it has focused its efforts on readily accessible markets, such as mainland Britain. The Group has, however, recently been invited to tender both in the Republic of Ireland and mainland Europe. The Directors consider that these geographical markets offer significant growth opportunities for future years and that neither market should present significant additional challenges because of the availability and mobility of the required labour force and materials.

Acquisitions

The Group is regularly in discussions with competitors and is seeking appropriate acquisition targets which would increase the Group's turnover and profit and would provide access to an enlarged customer base. The Directors believe such acquisitions would further enhance the Group's principal contractor business model.

7. FINANCIAL INFORMATION

The following information on the Group has been extracted and consolidated from the financial information set out in Parts III to VI of this document. Investors should read the whole of this document and not rely solely upon the information summarised below:

Unaudited Group Pro-forma Financial Information

	<i>FY 2004</i> <i>(£'000)</i>	<i>FY 2005</i> <i>(£'000)</i>	<i>Interim results</i> <i>to 31/03/06</i> <i>(£'000)</i>
Turnover	11,256	12,878	10,312
Operating profit	145	525 ¹	1,268
Profit/(loss) before tax	103	(753)	1,166

Note:

¹ before WNL exceptional item

Over the financial periods ended 30 September 2004 and 30 September 2005, the Group's turnover increased by 14.4 per cent. whilst operating profit before exceptional items rose by 216 per cent.

The Directors believe that the Group is well positioned to develop its financial performance into the future. This is highlighted by the six month interim results to 31 March 2006 which shows revenue already at 80 per cent. of the 2005 full year and profit before tax of £1.1m.

8. DIRECTORS

Peter Worthington, *aged 69, Non Executive Chairman*

Peter Worthington founded the business in 1973 as a sole trader. Previously he worked as a hotel engineer for Intercontinental Hotel Corporation working on projects in Europe, Africa and South America where he became director of engineering for all I.H.C. hotels in Latin America. Prior to this he served in the army. He initially served in a six year apprenticeship in mechanical engineering after leaving school in 1952.

Mark Worthington, *aged 39, Chief Executive Officer*

Mark joined the business in September 1985 as an apprentice engineer spending nine years in the field. He progressed through the organisation to service manager and then general manager of the Seasonmaster division in September 1997. In April 1999 the division was acquired by McLeod Russel Holdings Plc with Mark spending 4 years as managing director reporting to the main board. He returned to Worthington Nicholls Limited in April 2003 as group chief executive officer and was instrumental in implementing the change in the business model taking the Group from its role as an air conditioning sub contractor to that of a support services principal contractor.

David Levis, *aged 41, Corporate Director*

David Levis previously worked as finance and commercial director for Surface Transforms plc. He was responsible for all corporate activity including funding, shareholder relations, public relations and leading the company through its successful flotations and fundraising, first on OFEX, then on AIM. Previously he worked in the corporate finance department of KPMG in Manchester for four and a half years, running business analysis and research for the northern region and advising clients on mergers, acquisitions and corporate funding. David also worked in corporate finance at BDO Stoy Hayward, Manchester, advising on mergers and acquisitions. Prior to this, he established Ravenflow Limited, an aerospace design consultancy that he ran for three years working on the design of UK, US and European aircraft, after leaving British Aerospace plc where he worked for seven years in aerospace design. David is currently a director and shareholder in Noah North West Limited, a property developer operating in the affordable housing sector.

Finance Director — The Board have identified the need for a Finance Director and plan to interview suitably qualified candidates in the very near term.

Alastair Stoddart, *aged 63, Non Executive Deputy Chairman*

Alastair Stoddart is renowned in the City as an entrepreneur. As part owner of Cearns & Brown Limited he helped grow the company from revenues of £4m to £200m and sold the business in 2000 for £24m. Alastair was also chairman of Lindley Catering Limited which was also sold in July 2005. He is currently chairman of Wetherby Building Systems Limited.

Stephen Mulligan, *aged 55, Non Executive Director*

Stephen's career spans over three decades of international hotel operations at practically every level of the industry, having managed a number of key properties in London as well as Intercontinental hotels in Dusseldorf, Hanover and Vienna. Prior to this he spent over six years in the Middle East where he was involved the opening of Intercontinental hotels in Dubai, Muscat and Bahrain. He is experienced in managing hotels through pre-opening, turnaround, refurbishment and re-branding. Until March 2004 Stephen was director of operations for Intercontinental Hotels' and three Intercontinental branded hotels in London, containing a total of some 1,200 rooms in the 5 star sector. Previously he was based in the Frankfurt corporate office of Intercontinental Hotels Group as area vice president of operations in northern Europe and responsible for a portfolio of 27 hotels including Intercontinental, Crowne Plaza, Holiday Inn and Express by Holiday Inn.

9. VENTURE CAPITAL TRUST SCHEME

The Company has obtained provisional confirmation from HM Revenue & Customs that the VCT Placing Shares will rank as a "qualifying holding" for the purposes of investment by Venture Capital Trusts ("VCTs"). Such provisional confirmation should not be taken as giving investors any assurance that the reliefs under the regimes will be available. Whether the Company qualifies for the purposes of these regimes is a matter of fact that cannot be determined in advance. The Sale Shares do not rank as a qualifying investment for the purposes of EIS or a qualifying holding for VCTs.

The continuing status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period the Ordinary Shares are held as a “qualifying holding”.

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

10. ADMISSION

Application will be made to the London Stock Exchange for the Company’s entire issued and to be issued share capital to be admitted to trading on AIM. Admission is expected to become effective and trading in the Ordinary Shares to commence on AIM on 12 June 2006.

11. REASONS FOR ADMISSION AND USE OF PROCEEDS

The Directors believe that opportunities exist for increased growth in the markets in which the Group operates. The Directors believe that the net proceeds of the Placing of the New Placing Shares and Admission will assist the Group in its development by:

- raising funds for working capital purposes;
- allowing the Company to use certain of the net proceeds of the Placing and its publicly traded securities to fund future acquisitions;
- enabling the Group to attract and retain good quality staff by offering its staff equity incentives through share options; and
- raising its profile generally and within its sector, which is important given the nature of its customer base.

The proceeds of the 2,400,000 Sale Shares will be used to acquire 2,400,000 Ordinary Shares from the Selling Shareholder.

On ● 2006, the Company raised £11,300,000 (before expenses) pursuant to the placing of the VCT Placing Shares. The Company used the proceeds of the VCT Placing to acquire 22,600,000 B Shares from the Selling Shareholder pursuant to the agreement referred to in paragraph 9.10 of Part VIII of this document. On Admission the Selling Shareholder will hold 500,000 Ordinary Shares representing 0.77 per cent. of the Enlarged Share Capital.

12. DETAILS OF THE PLACING

The Company is now proposing to raise approximately £7,500,000 (before expenses) by way of a conditional placing of 15,000,000 new Ordinary Shares at 50p per share by Corporate Synergy. The New Placing Shares will represent approximately 23.08 per cent. of the Ordinary Shares in issue following Admission.

The Placing is not underwritten. The New Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on the Ordinary Shares.

The Company will not receive any proceeds from the placing of the Sale Shares. Commissions payable on the placing of the Sale Shares will be paid by the Selling Shareholder.

Details of the Directors’ shareholdings are set out in paragraph 5 of Part VIII of this document.

The Placing is conditional on, *inter alia*:

- the Placing Agreement becoming unconditional (save for any condition relating to Admission) and not being terminated in accordance with its terms prior to Admission; and
- Admission becoming effective at 8.00 a.m. on 12 June 2006 (or such later time and date being not later than 8.00 a.m. on 30 June 2006 as Corporate Synergy and the Company may agree).

Further details of the Placing Agreement are set out in paragraph 17 of Part VIII of this document. Details of the VCT Placing Agreement are set out in paragraph 9.16 of Part VIII of this document.

13. SETTLEMENT AND DEALING ARRANGEMENTS

Monies received from placees in respect of the Placing Shares will be held in accordance with the terms of the placing letters issued to such placees by Corporate Synergy until such time as the Placing

Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 8.00 a.m. on 12 June 2006, or such later date as the Company or Corporate Synergy may agree, being no later than 30 June 2006, monies received from placees will be returned to placees at the relevant placees' sole risk without interest.

Following Admission, share certificates representing the Ordinary Shares to be issued and/or sold pursuant to the Placing are expected to be despatched by post to placees who do not wish to receive shares in uncertificated form, by no later than 19 June 2006, at the relevant placee's sole risk. No temporary documents of title will be issued in connection with the Placing. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

The CREST accounts of placees who have duly elected to receive their Ordinary Shares in uncertificated form are expected to be credited to the designated CREST account on 12 June 2006.

14. LOCK-INS AND ORDERLY MARKET ARRANGEMENTS

At Admission, the Directors will be interested in an aggregate of 11,495,000 Ordinary Shares, representing 17.68 per cent. of the Enlarged Share Capital.

Each of the Directors has undertaken to Corporate Synergy and to the Company not to dispose of any of their Ordinary Shares (subject to certain limited exceptions) within two years of Admission. For a further period of twelve months thereafter they have each undertaken not to sell nor to dispose of any of their Ordinary Shares other than through the Company's broker from time to time (subject to certain limited exceptions).

Further details of these arrangements are set out in paragraph 9.4 of Part VIII of this document.

15. SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in paragraph 12 of Part VIII of this document.

16. DIVIDEND POLICY

The Directors' intention is to follow a progressive dividend policy in forthcoming years, while retaining a significant proportion of the earnings to facilitate the Board's plans for the continued growth of the Company.

17. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and interests of the shareholders. So far as is practicable, taking into account the size and nature of the Company, the Directors will take steps to comply with the Combined Code. Accordingly the Company currently has in place an audit committee and a remuneration committee.

The audit committee, which comprises Stephen Mulligan and Alastair Stoddart, and which is chaired by Alastair Stoddart, is responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on and for meeting with the auditors and reviewing their reports relating to accounts and internal controls.

The remuneration committee, which comprises Stephen Mulligan and Alastair Stoddart, and which is chaired by Alastair Stoddart, reviews the performance of executive Directors and set their remuneration, determines the payment of bonuses to executive Directors and considers the future allocation of share options to Directors and employees.

The Company has adopted a share dealing code for directors and other employees of the Company which is appropriate for a Company quoted on AIM. The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Company's "applicable employees" (as defined in the AIM Rules).

18. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the Regulations. The Company's Articles permit its shares to be evidenced in uncertificated form in accordance with the Regulations. The

Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

19. CITY CODE ON TAKEOVERS AND MERGERS

The Reorganisation, sale of Sale Shares and the grant of options over Ordinary Shares referred to below give rise to certain considerations under the Takeover Code.

Under Rule 9 of the Takeover Code when:

- (i) any person acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Code) in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or
- (ii) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person (or any person acting in concert with him) acquires an interest in any other shares which increases the percentage of the voting rights in which he is interested,

such person is normally required to make a general offer in cash to all shareholders in the company concerned the highest price paid by the person required to make the offer (or any person acting in concert with him) for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the Takeover Code, person(s) are acting in concert where, pursuant to an agreement or understanding (whether formal or informal), they actively co-operate, through the acquisition by any of them of interests in shares in a company, to obtain or consolidate control of that company. Under the Takeover Code, control means an interest, or aggregate interests, in shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the holding or holdings gives de facto control.

Investors should be aware that, as part of the Reorganisation, 27,399,800 Ordinary Shares were issued to certain of the vendors of the B Shares. Such vendors (collectively, the “Concert Party”) are deemed to be acting in concert for the purposes of the Takeover Code. Immediately following the Reorganisation but prior to Admission the Concert Party controlled 54.80 per cent. of the Company. Immediately following Admission the Concert Party will control 38.46 per cent. of the Company.

In addition, conditional on Admission, Mark Worthington will be granted options over 3,365,000 Ordinary Shares which when exercised could result in such concert parties together controlling 41.49 per cent. of the Company.

Prospective investors should be aware that the Takeover Panel (being the body which is responsible for the monitoring and enforcement of the City Code) has been consulted and has agreed that it will not require the Concert Party, individually or collectively, to make a general offer for shares in the Company which might otherwise arise as a result of the Reorganisation and exercise of options following Admission. Investors should be aware of this fact when making an investment into the Company. Since the Concert Party are interested in shares amounting to between 30% and 50% of the issued share capital of the Company, for so long as they continue to be treated as acting in concert, the Concert Party will not be able to acquire an interest in further shares subject to the provisions of Rule 9.

The following table sets out the potential holdings of the Concert Party following the Reorganisation and Admission.

Shareholder	Shareholding following Reorganisation	%	Shareholding following further fundraising	%	Shareholding following Admission and exercise of Options	%
Peter Worthington	2,900,000	5.80%	500,000	0.77%	500,000	0.73%
Mark Worthington	8,994,800	17.99%	8,995,000	13.84%	12,360,000	18.08%
Elaine Mary Butterworth	11,000,000	22.00%	11,000,000	16.92%	11,000,000	16.09%
Stephen Hutchison	815,000	1.63%	815,000	1.25%	815,000	1.19%
Jonathan Thornton	805,000	1.61%	805,000	1.24%	805,000	1.18%
David Levis	2,000,000	4.00%	2,000,000	3.08%	2,000,000	2.93%
Katie Buttle	5,000	0.01%	5,000	0.01%	5,000	0.01%
Anthony Leonard	5,000	0.01%	5,000	0.01%	5,000	0.01%
Nigel Horner	140,000	0.28%	140,000	0.22%	140,000	0.20%
Vickie Healey	50,000	0.10%	50,000	0.08%	50,000	0.07%
Peter Leafe	50,000	0.10%	50,000	0.08%	50,000	0.07%
Jack Donnelly	70,000	0.14%	70,000	0.11%	70,000	0.10%
Laura Crossen	20,000	0.04%	20,000	0.03%	20,000	0.03%
Adam Darlow	65,000	0.13%	65,000	0.10%	65,000	0.10%
Paul Barker	55,000	0.11%	55,000	0.08%	55,000	0.08%
John Marchant	105,000	0.21%	105,000	0.16%	105,000	0.15%
Hazel Brand	80,000	0.16%	80,000	0.12%	80,000	0.12%
Ian Hewitt	65,000	0.13%	65,000	0.10%	65,000	0.10%
Melissa Buttle	60,000	0.12%	60,000	0.09%	60,000	0.09%
Nigel Smith	50,000	0.10%	50,000	0.08%	50,000	0.07%
Rico Lannie	50,000	0.10%	50,000	0.08%	50,000	0.07%
Steve Prior	15,000	0.03%	15,000	0.02%	15,000	0.02%
Total	27,399,800	54.80%	25,000,000	38.46%	28,365,000	41.49%

20. ADDITIONAL INFORMATION

Your attention is drawn to the information contained in Parts II to VIII of this document.

PART II

RISK FACTORS

In addition to all other information set out in this document, the following specific risk factors should be considered carefully by potential investors in evaluating whether to make an investment in the Company. The investment described in this document may not be suitable for all of its recipients. Before making a final decision, investors in any doubt are advised to consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

You should carefully consider the risks described below and ensure that you have read this document in its entirety before making a decision to invest in the Company.

Prospective investors should be aware that an investment in the Company is speculative and involves a high degree of risk. In addition to the other information contained in this document, the Directors believe that the following risk factors are the most significant for potential investors and should be considered carefully in evaluating whether to make an investment in the Company. If any of the risks described in this document actually occurs, the Company may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. The risks listed below are not set out in any particular order of priority.

Dependence on key personnel

The Company's ability to be successful and profitable depends to a significant extent on the continued service of its key employees and Directors. The loss of service of one or more of these key employees could materially and adversely affect the Company's business and prospects.

Management of growth

The rapid growth of the Group in the last three years has placed significant strain on the management, operational and financial resources of the Group. If the Group grows as intended, it must successfully increase and implement additional resources to support its operations. If growth cannot be managed effectively, the Company's business and financial conditions could be adversely affected.

Forward-looking statements

Certain statements in this document may constitute forward-looking statements relating to such matters as projected financial performance, business prospects, new products and services and similar matters. A variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements.

Investment Risk

Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share which is to be traded on AIM may be less realisable and may carry a higher degree of risk than an investment in a share quoted on the Official List of the United Kingdom Listing Authority. The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous.

Legislation

A significant proportion of future revenue growth is expected from recently introduced legislation. It is possible that future legislation or changes to regulation could cause potential customers to delay or cancel projected capital expenditure plans, the extent of which cannot be predicted.

Reliance on key suppliers

Daikin is one of the Group's major suppliers representing 31.5 per cent. of the hardware cost of sales for the period 31 March 2006. The Group may therefore be subject to product shortages based on external

factors such as labour disputes at the manufacturer, delays caused by inclement weather or natural disaster, and other catastrophic events. Any disruptions in supply from key suppliers such as Daikin will adversely affect the financial results of the business.

Loss of key contracts

The Group's anticipated results are based upon recurring revenue from maintenance and ventilation hygiene contracts as well as key contracts with major chains such as Holiday Inn and service providers such as SGP Property Services Limited. Any significant loss of contracts will have an adverse impact on the results of the business. A loss of a major contract may also lead to further contract cancellations owing to a perceived change in the reputation of the Group.

Actual and potential competition

The Company operates in a competitive market, which may become increasingly competitive in the UK and elsewhere. In addition, the development of new technologies, methodologies and processes could give rise to significant competition, which may have a material adverse effect on the Company's business.

VCT relief

Although the Directors have received provisional confirmation from HM Revenue & Customs that the VCT Placing Shares will be a "qualifying holding" for the purposes of investment by VCTs, final confirmation cannot be obtained until the VCT Placing Shares have been issued.

PART III

ACCOUNTANTS' REPORT ON THE COMPANY

HWCA Limited
1st Floor, Northern Assurance Buildings
Albert Square, 9-21 Princess Street
Manchester M2 4DN
(Incorporated in England and Wales, number 5506131)

The Directors
Worthington Nicholls Group plc
St James's Court
Brown Street
Manchester
M2 2JF

and

The Directors
Corporate Synergy Plc
30 Old Broad Street
London
EC2N 1HT

● 2006

Dear Sirs,

Worthington Nicholls Group plc ("the Company")

We report on the financial information set out in Part III of this Admission Document. This financial information has been prepared for inclusion in the Admission Document of the Company dated ● 2006 issued in connection with the placing of Ordinary Shares, and the admission of the Company's enlarged share capital to the AIM market of the London Stock Exchange plc. This report is required by paragraph (a) of Schedule Two of the AIM Rules.

Introduction

The Company was incorporated on 3 February 2006. On incorporation the Company had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, of which two shares were issued fully paid.

The Company has not traded, prepared any financial statements for presentation to members, has incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no other transactions and accordingly, no profit and loss account information is presented in this report.

Basis of Preparation

The financial information set out in Part III has been extracted from the financial records of the Company for the period from incorporation of the Company to 31 March 2006 with no adjustments being considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

Responsibility

The directors of the Company are responsible for preparing the financial information.

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

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant

to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and of whether the accounting policies are appropriate for the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information set out in Part III gives for the purposes of the Admission Document dated ● 2006, a true and fair view of the state of affairs of the Company as at 31 March 2006.

Declaration

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

Yours faithfully,

HWCA Limited
Chartered Accountants

Financial Information on Worthington Nicholls Group plc

The financial information on the Company has been extracted from the financial records of the Company. No audited financial statements have been prepared from 3 February 2006 to 31 March 2006. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act.

PRINCIPAL ACCOUNTING POLICY

Accounting convention

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

BALANCE SHEET

	Notes	31 March 2006 £
Current assets		
Cash in hand		2
		=
Capital and reserves		
Called up share capital	1	2
		=

NOTE TO THE FINANCIAL STATEMENTS

1 Share capital

	31 March 2006 £
Authorised:	
50,000 Ordinary shares of £1.00 each	50,000
	=
Allotted, called up and fully paid:	
2 Ordinary shares of £1.00 each	2
	=

2 Post Balance Sheet Events

On ● 2006, pursuant to a written resolution each ordinary share of £1 each in the capital of the company was sub-divided into 100 ordinary shares of 1p each ("Ordinary Shares"), the authorised share capital of the company was increased to £850,000 and the directors of the company were granted authority to allot shares up to a nominal value of £845,000.

On ● 2006, the company allotted and issued 22,600,000 Ordinary Shares to certain venture capital trusts at a subscription price of 50p per share.

On ● the whole of the issued share capital of Worthington Nicholls Facilities Limited was acquired by the company for consideration of £1.

On ● the company acquired the trade and assets attaching to the B shares of Worthington Nicholls Limited for £1,000.

PART IV
ACCOUNTANTS' REPORT ON WNL

HWCA Limited
1st Floor, Northern Assurance Buildings
Albert Square, 9-21 Princess Street
Manchester M2 4DN
(Incorporated in England and Wales, number 5506131)

The Directors
Worthington Nicholls Group plc
St James's Court
Brown Street
Manchester
M2 2JF

and

The Directors
Corporate Synergy Plc
30 Old Broad Street
London
EC2N 1HT

● 2006

Dear Sirs,

Worthington Nicholls Limited (“Worthington Nicholls Limited”)

We report on the financial information set out in Part IV of this Admission Document. This financial information has been prepared for inclusion in the Admission Document of Worthington Nicholls Group plc (the “Company”) dated ● 2006 issued in connection with the placing of Ordinary Shares, and the admission of the Company's enlarged share capital to the AIM market of the London Stock Exchange plc. This report is required by paragraph (a) of Schedule Two of the AIM Rules.

Basis of Preparation

The financial information set out in Part IV of this Admission Document, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited financial statements of Worthington Nicholls Limited for the 3 years ended 30 September 2003, 30 September 2004 and 30 September 2005 and the audited non-statutory accounts for the period ended 31 March 2006 (the “Worthington Nicholls Limited review period”). The financial information has been adjusted as considered necessary.

Responsibility

The directors of Worthington Nicholls Group plc are responsible for preparing the financial information. It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

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

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

Opinion

In our opinion, the financial information set out in Part IV gives for the purposes of the Admission Document dated ● 2006, a true and fair view of the state of affairs of Worthington Nicholls Limited as at the dates stated and of its profits, losses, cash flows and recognised gains and losses for the periods then ended.

Declaration

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

Yours faithfully,

HWCA Limited
Chartered Accountants

Financial Information on Worthington Nicholls Limited

The financial information on Worthington Nicholls Limited has been extracted from the published audited accounts of Worthington Nicholls Limited and the audited non statutory accounts of Worthington Nicholls Limited for the Worthington Nicholls Limited review period. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. HWCA Limited, Chartered Accountants and Registered Auditors, audited the financial statements of Worthington Nicholls Limited for the period ended 30 September 2005, a predecessor firm Haines Watts, Chartered Accountants and Registered Auditors audited the financial statements for the periods ended 30 September 2003 and 30 September 2004. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

HWCA Limited, Chartered Accountants and Registered Auditors, audited the interim financial information of Worthington Nicholls Limited for the period ended 31 March 2006. Their report to the directors was unqualified and did not contain a statement under 237 (2) or (3) of the Act.

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of Worthington Nicholls Limited.

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and have been prepared in accordance with applicable accounting standards.

Turnover and profits

Turnover comprises the value of maintenance contracts, apportioned over the duration of the contracts and the value of contracting work performed which includes attributable profit in respect of long term contracts.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which relates to work completed to date on that contract.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	— 20% on cost
Fixtures and fittings	— 33% on cost and 20% on cost
Motor vehicles	— 20% on cost

Stocks, work in progress and long term contracts

Stocks and short term work in progress are valued at the lower of cost and net realisable value.

Short term contracts included as work in progress are valued at the lower of direct costs and net realisable value and after deducting progress payments received.

Net realisable value is based on estimated selling price, less further costs to completion and sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

Amounts recoverable on long term contracts which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and is not discounted.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the period are charged in the profit and loss account.

Fixed asset investments

Investments are valued at cost less provision for permanent diminution in value.

Investment properties

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties or of leasehold investment properties where the unexpired term of the lease is more than 20 years old. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

PROFIT AND LOSS ACCOUNTS

		Year ended 30 September 2003 £'000	Year ended 30 September 2004 £'000	Year ended 30 September 2005 £'000	6 months ended 31 March 2006 £'000
	Notes				
Turnover		6,749	9,155	10,119	8,761
Cost of sales		(5,370)	(7,689)	(7,614)	(6,210)
Gross profit		1,379	1,466	2,505	2,551
Exceptional bad debt		—	—	(1,087)	—
Administrative expenses — other		(1,275)	(1,195)	(1,991)	(1,221)
Total administrative expenses		(1,275)	(1,195)	(3,078)	(1,221)
Operating profit/(loss)	1	104	271	(573)	1,330
Interest receivable and similar income		5	1	—	—
Interest payable and similar charges	4	(31)	(26)	(180)	(97)
Profit/(loss) on ordinary activities before taxation		78	246	(753)	1,233
Taxation on profit/(loss) on ordinary activities	5	(26)	(81)	78	(380)
Profit/(loss) for the financial period	14	<u>52</u>	<u>165</u>	<u>(675)</u>	<u>853</u>

All amounts relate to continuing activities.

STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 30 September 2003 £'000	Year ended 30 September 2004 £'000	Year ended 30 September 2005 £'000	6 months ended 31 March 2006 £'000
Profit/(loss) for the financial year	52	165	(675)	853
Revaluation surplus	—	1,083	100	231
Total recognised gains and losses	<u>52</u>	<u>1,248</u>	<u>(575)</u>	<u>1,084</u>

NOTE OF HISTORICAL COSTS PROFITS AND LOSSES

	Year ended 30 September 2003 £'000	Year ended 30 September 2004 £'000	Year ended 30 September 2005 £'000	6 months ended 31 March 2006 £'000
Reported profit/(loss) on ordinary activities before taxation	78	246	(753)	1,233
Transfer of realised profit	—	—	1,083	—
Historical cost profit on ordinary activities before taxation	<u>78</u>	<u>246</u>	<u>330</u>	<u>1,233</u>
Historical cost profit for the period retained after taxation	<u>52</u>	<u>165</u>	<u>408</u>	<u>853</u>

BALANCE SHEETS

	<i>Notes</i>	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Fixed assets					
Tangible assets	6	701	1,801	2,720	2,944
Investments	7	<u>—</u>	<u>325</u>	<u>325</u>	<u>325</u>
		<u>701</u>	<u>2,126</u>	<u>3,045</u>	<u>3,269</u>
Current assets					
Stocks	8	807	832	111	412
Debtors	9	1,493	1,835	4,847	7,022
Cash at bank and in hand		<u>7</u>	<u>1</u>	<u>10</u>	<u>30</u>
		2,307	2,668	4,968	7,464
Creditors: amounts falling due within one year	10	<u>(2,686)</u>	<u>(3,253)</u>	<u>(5,494)</u>	<u>(7,155)</u>
Net current (liabilities)/assets		<u>(379)</u>	<u>(585)</u>	<u>(526)</u>	<u>309</u>
Total assets less current liabilities		322	1,541	2,519	3,578
Creditors: amounts falling due after more than one year	11	(223)	(191)	(1,747)	(1,722)
Provision for liabilities and charges	12	<u>—</u>	<u>(3)</u>	<u>—</u>	<u>—</u>
Net assets		<u>99</u>	<u>1,347</u>	<u>772</u>	<u>1,856</u>
Capital and reserves					
Called up share capital	13	—	—	—	—
Revaluation reserve	14	—	1,083	100	331
Profit and loss account	14	<u>99</u>	<u>264</u>	<u>672</u>	<u>1,525</u>
Shareholders' funds	16	<u>99</u>	<u>1,347</u>	<u>772</u>	<u>1,856</u>

CASH FLOW STATEMENTS

	<i>Notes</i>	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities					
Operating profit		104	271	(573)	1,330
Depreciation of tangible fixed assets		29	28	27	13
Loss on disposal of tangible fixed assets		—	—	18	—
(Increase)/decrease in stock		(114)	(25)	721	(301)
Increase in debtors		(297)	(342)	(2,951)	(1,972)
(Decrease)/increase in creditors		(1,147)	679	1,234	935
Net cash (outflow)/inflow from operating activities		<u>(1,425)</u>	<u>611</u>	<u>(1,524)</u>	<u>5</u>
Cash Flow Statement					
Net cash (outflow)/inflow from operating activities		(1,425)	611	(1,524)	5
Returns on investments and servicing of finance	17	(26)	(25)	(180)	(97)
Taxation	17	(24)	(1)	(24)	(90)
Capital expenditure	17	<u>(26)</u>	<u>(331)</u>	<u>(763)</u>	<u>(6)</u>
Cash (outflow)/inflow before financing		(1,501)	254	(2,491)	(188)
Financing	17	<u>(120)</u>	<u>(67)</u>	<u>1,364</u>	<u>(180)</u>
(Decrease)/increase in cash in the period		<u>(1,621)</u>	<u>187</u>	<u>(1,127)</u>	<u>(368)</u>
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash in the period		(1,621)	187	(1,127)	(368)
Cash outflow/(inflow) from change in debt		<u>47</u>	<u>54</u>	<u>(1,470)</u>	<u>(33)</u>
Change in net debt resulting from cashflows		(1,574)	241	(2,597)	(401)
New hire purchase agreements		—	(40)	(100)	—
Change in net (debt)/funds		(1,574)	201	(2,697)	(401)
Net funds/(debt) at beginning of period		<u>1,052</u>	<u>(522)</u>	<u>(321)</u>	<u>(3,018)</u>
Net debt at end of period	18	<u>(522)</u>	<u>(321)</u>	<u>(3,018)</u>	<u>(3,419)</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Hire of plant and machinery	31	—	—	—
Depreciation				
– owned assets	25	22	19	9
– assets on hire purchase contracts	4	6	8	4
Auditors' remuneration	<u>3</u>	<u>7</u>	<u>8</u>	<u>8</u>

2 Directors' emoluments

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Directors' emoluments	<u>69</u>	<u>57</u>	<u>111</u>	<u>53</u>

3 Staff costs (including directors)

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Wages and salaries	855	881	2,166	756
Social security costs	98	104	113	80
Other pension costs	<u>6</u>	<u>5</u>	<u>8</u>	<u>5</u>
	<u>959</u>	<u>990</u>	<u>2,287</u>	<u>841</u>
The average monthly number of employees during the period was:				
Administration	17	17	17	17
Engineering	<u>22</u>	<u>22</u>	<u>19</u>	<u>19</u>
	<u>39</u>	<u>39</u>	<u>36</u>	<u>36</u>

4 Interest payable

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Bank interest	1	9	76	42
Loan interest	23	9	96	51
Other interest	4	5	—	—
Hire purchase interest	<u>3</u>	<u>3</u>	<u>8</u>	<u>4</u>
	<u>31</u>	<u>26</u>	<u>180</u>	<u>97</u>

5 Taxation

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
UK corporation tax on profits for the period	22	78	—	380
Adjustment in respect of prior periods	4	—	(75)	—
Total current tax	26	78	(75)	380
Deferred tax charge	—	3	(3)	—
Tax on profit on ordinary activities	<u>26</u>	<u>81</u>	<u>(78)</u>	<u>380</u>
The UK corporation tax is made up as follows:				
Profit/(loss) on ordinary activities before tax	<u>78</u>	<u>246</u>	<u>(753)</u>	<u>1,233</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of (2003: 22.09%) (2004: 29.6%) (2005: 30%) (2006: 30%)	17	73	(226)	370
Expenses not deductible for tax purposes	5	6	16	25
Capital allowances for the period in excess of depreciation	(1)	(1)	(7)	1
Capital gain	—	—	108	—
Losses carried back	—	—	93	—
Losses carried forward	—	—	16	—
Losses utilised	—	—	—	(16)
Amounts relating to prior periods	<u>5</u>	<u>—</u>	<u>(75)</u>	<u>—</u>
Total current tax	<u>26</u>	<u>78</u>	<u>(75)</u>	<u>380</u>

6 Tangible fixed assets

	<i>Freehold property £'000</i>	<i>Long leasehold property £'000</i>	<i>Plant & machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost or valuation:						
At 30 September 2002	631	—	37	74	40	782
Additions	—	—	—	26	—	26
At 30 September 2003	631	—	37	100	40	808
Additions	4	—	—	2	39	45
Surplus on revaluation	1,083	—	—	—	—	1,083
At 30 September 2004	1,718	—	37	102	79	1,936
Additions	1,163	1,410	—	2	—	2,575
Disposals	(1,718)	—	—	—	(39)	(1,757)
Surplus on revaluation	—	100	—	—	—	100
At 30 September 2005	1,163	1,510	37	104	40	2,854
Additions	—	2	2	2	—	6
Surplus on revaluation	233	—	—	—	—	233
Deficit on revaluation	—	(2)	—	—	—	(2)
At 31 March 2006	1,396	1,510	39	106	40	3,091
Depreciation:						
At 30 September 2002	—	—	15	43	20	78
Charge for the year	—	—	7	18	4	29
At 30 September 2003	—	—	22	61	24	107
Charge for the year	—	—	5	17	6	28
At 30 September 2004	—	—	27	78	30	135
Charge for the year	—	—	6	13	8	27
Disposals	—	—	—	—	(28)	(28)
At 30 September 2005	—	—	33	91	10	134
Charge for the period	—	—	3	5	5	13
At 31 March 2006	—	—	36	96	15	147
Net book value:						
At 30 September 2002	631	—	22	31	20	704
At 30 September 2003	631	—	15	39	16	701
At 30 September 2004	1,718	—	10	24	49	1,801
At 30 September 2005	1,163	1,510	4	13	30	2,720
At 31 March 2006	1,396	1,510	3	10	25	2,944
Cost or valuation is represented by:						
At 30 September 2003						
Cost	631	—	37	100	40	808
Valuation	—	—	—	—	—	—
	631	—	37	100	40	808
At 30 September 2004						
Cost	118	—	37	102	79	336
Valuation	1,600	—	—	—	—	1,600
	1,718	—	37	102	79	1,936
At 30 September 2005						
Cost	—	—	37	104	40	181
Valuation	1,163	1,510	—	—	—	2,673
	1,163	1,510	37	104	40	2,854
At 31 March 2006						
Cost	—	—	39	106	40	185
Valuation	1,396	1,510	—	—	—	2,906
	1,396	1,510	39	106	40	3,091

6 Tangible fixed assets (continued)

Freehold and long leasehold properties (which includes property improvements) are accounted for as investment properties.

Included within the net book value are the following amounts relating to assets held under finance lease or hire purchase agreements.

	<i>Freehold property £'000</i>	<i>Long leasehold property £'000</i>	<i>Plant & machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Net book value:						
At 30 September 2003	—	—	—	—	15	15
At 30 September 2004	—	—	—	—	49	49
At 30 September 2005	—	100	—	—	40	140
At 31 March 2006	—	100	—	—	40	140

If freehold and long leasehold properties had not been revalued they would have been included at the following historical cost:

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Cost				
Freehold property	635	635	1,163	1,163
Long leasehold property	—	—	1,410	1,410
	<u>635</u>	<u>635</u>	<u>2,573</u>	<u>2,573</u>

i) Freehold property was valued on an open market basis on 10 August 2004 by FPD Savills.

The valuation by FPD Savills on 10 August 2004 valued the freehold property at £2,300,000 and was used to form the basis for subsequent disposal on 5 October 2004 for £1,600,000. As the proceeds from the disposal of the property were less than the valuation on 10 August 2004, the freehold property revaluation has been reduced to the proceeds value.

ii) Long leasehold property was valued on an open market basis on 16 August 2005 by Dunlop Haywards, Property Consultants.

Both investment properties (including the improvements to property) were valued by the directors on an open market basis at 31 March 2006.

7 Fixed asset investments

	<i>Total £'000</i>
Cost:	
At 30 September 2002	—
Additions	—
At 30 September 2003	—
Additions	325
At 30 September 2004	325
Additions	—
At 30 September 2005	325
Additions	—
At 31 March 2006	325
Provision for diminution in value:	
At 30 September 2002	—
Provision for the period	—
At 30 September 2003	—
Provision for the period	—
At 30 September 2004	—
Provision for the period	—
At 30 September 2005	—
Provision for the period	—
At 31 March 2006	—
Net book value:	
At 30 September 2003	—
At 30 September 2004	325
At 30 September 2005	325
At 31 March 2006	325

The Company's investments in the share capital of unlisted companies includes the following:

At 30 September 2002
None

At 30 September 2003
Airflow Services Limited
Nature of business: Air conditioning maintenance

	<i>% holding</i>	<i>Cost £</i>
Class of shares:		
Ordinary	100.00	2

This investment was disposed of in the year ended 30 September 2004.

At 30 September 2004, 30 September 2005 and 31 March 2006
A S Nicholls Limited
Nature of business: Heating and air conditioning systems.

	<i>% holding</i>
Class of shares:	
Ordinary	100.00

7 Fixed asset investments (continued)

	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Aggregate capital and reserves	282	273	270
Loss for the period	<u>(19)</u>	<u>(9)</u>	<u>(3)</u>

8 Stocks

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Stock	—	121	—	184
Long term contract costs	—	—	—	228
Work in progress	<u>807</u>	<u>711</u>	<u>111</u>	<u>—</u>
	<u>807</u>	<u>832</u>	<u>111</u>	<u>412</u>

9 Debtors

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Trade debtors	1,160	1,343	2,228	2,845
Other debtors	288	419	739	1,551
Prepayments and accrued income	45	73	849	732
Amounts recoverable on contracts	—	—	969	1,630
Directors' current accounts	<u>—</u>	<u>—</u>	<u>62</u>	<u>264</u>
	<u>1,493</u>	<u>1,835</u>	<u>4,847</u>	<u>7,022</u>

10 Creditors: amounts falling due within one year

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Bank loans and overdrafts	303	110	1,247	1,692
Hire purchase contracts	4	22	34	35
Trade creditors	2,005	2,431	3,186	3,928
Payments on account	—	—	—	93
Owed to group undertakings	—	119	233	56
Social security and other taxes	201	25	349	615
Taxation	22	99	—	290
Other creditors	10	326	384	337
Directors' current accounts	74	61	18	7
Accruals and deferred income	<u>67</u>	<u>60</u>	<u>43</u>	<u>102</u>
	<u>2,686</u>	<u>3,253</u>	<u>5,494</u>	<u>7,155</u>

11 Creditors: amounts falling due after more than one year

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Bank loans	212	168	1,679	1,671
Hire purchase contracts	<u>11</u>	<u>23</u>	<u>68</u>	<u>51</u>
	<u>223</u>	<u>191</u>	<u>1,747</u>	<u>1,722</u>

The bank overdraft and loans are secured by legal charges over land and buildings, a debenture and cross company guarantees with A S Nicholls Limited, Worthington Nicholls Facilities Limited and RFE Filters Limited (Note 15).

The hire purchase liability is secured by the assets to which it relates.

11 Creditors: amounts falling due after more than one year (continued)

The directors' loan account is interest free and has no fixed repayment terms.

Amounts repayable in respect of bank loans fall due as follows:

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Between one and two years	45	45	56	49
Between two and five years	136	108	207	178
In more than five years	<u>31</u>	<u>15</u>	<u>1,416</u>	<u>1,444</u>
	<u>212</u>	<u>168</u>	<u>1,679</u>	<u>1,671</u>

Included within bank loans are the following amounts for a loan from the company's pension scheme:

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Amount falling due:				
Within one year	—	—	6	60
Between one and two years	—	—	11	—
Between two and five years	—	—	38	—
In more than five years	<u>—</u>	<u>—</u>	<u>5</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>60</u>	<u>60</u>

The repayments terms of the bank loans are monthly in accordance with the bank agreements they relate to.

The rates of interest on the various loans of the company are:

Bank of Scotland loan, 1.5% above base rate repayable over 20 years;

Euro loans, 2.5% above base rate repayable over 20 years and

Pension scheme loan (2005: 7.5% fixed rate repayable over 5 years). The terms of repayment were changed during the period ended 31 March 2006 such that the pension scheme loan is now repayable on demand.

Obligations under finance leases and hire purchase contracts, included above are payable as follows:

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Between two and five years	<u>11</u>	<u>23</u>	<u>68</u>	<u>51</u>

12 Provision for liabilities and charges

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Deferred tax				
Opening balance	—	—	3	—
Charge/(credit) to profit and loss account	<u>—</u>	<u>3</u>	<u>(3)</u>	<u>—</u>
Closing balance	<u>—</u>	<u>3</u>	<u>—</u>	<u>—</u>
The deferred tax balance is represented by:				
Accelerated capital allowances	<u>—</u>	<u>3</u>	<u>—</u>	<u>—</u>

Deferred tax has not been provided in respect of revalued assets as these assets are to be sold and the company is to claim rollover relief.

In order to claim rollover relief the company must satisfy the conditions as stated in the Income and Corporation Taxes Act 1988 sections 152 to 156.

13 Share capital

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Authorised:				
100 Ordinary shares of £1.00 each	==	==	==	==
Allotted, called up and fully paid:				
100 Ordinary shares of £1.00 each	==	==	==	==

On 4 July 2003, 98 Ordinary shares of £1 were allotted at par and fully paid for in cash.

14 Reserves

	Revaluation Reserve £'000	Profit & loss account £'000
At 30 September 2002	—	47
Retained profit for the year	—	52
At 30 September 2003	—	99
Surplus on revaluation of tangible fixed assets	1,083	—
Retained profit for the year	—	165
At 30 September 2004	1,083	264
Retained loss for the year	—	(675)
Transfer of realised profit	(1,083)	1,083
Surplus on revaluation of tangible fixed assets	100	—
At 30 September 2005	100	672
Retained profit for the period	—	853
Surplus on revaluation of tangible fixed assets	231	—
At 31 March 2006	331	1,525

15 Contingent liabilities

Bank cross guarantees exist between the company and A S Nicholls Limited, Worthington Nicholls Facilities Limited and RFE Filters Limited. The contingent liabilities outstanding were:

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
A S Nicholls Limited	54	—	10	—
Worthington Nicholls Facilities Limited	—	83	—	158
RFE Filters Limited	243	409	—	—

16 Reconciliation of movements in shareholders' funds

	30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Profit/(loss) for the financial year	52	165	(675)	853
Other recognised gain relating to the year	—	1,083	100	231
Net addition/(reduction) to shareholders' funds	52	1,248	(575)	1,084
Opening shareholders' funds	47	99	1,347	772
Closing shareholders' funds	99	1,347	772	1,856

17 Gross cash flows

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Returns on investments and servicing of finance:				
Interest received	5	1	—	—
Interest paid	(28)	(23)	(172)	(93)
Interest element of hire purchase payments	<u>(3)</u>	<u>(3)</u>	<u>(8)</u>	<u>(4)</u>
	<u>(26)</u>	<u>(25)</u>	<u>(180)</u>	<u>(97)</u>
Taxation:				
Corporation tax paid	<u>(24)</u>	<u>(1)</u>	<u>(24)</u>	<u>(90)</u>
Capital expenditure:				
Payments to acquire tangible fixed assets	(26)	(6)	(2,475)	(6)
Payments to acquire investments	<u>—</u>	<u>(325)</u>	<u>1,712</u>	<u>—</u>
	<u>(26)</u>	<u>(331)</u>	<u>(763)</u>	<u>(6)</u>
Financing:				
New loan	—	—	1,793	91
Loan repayments	(44)	(44)	(280)	(42)
Hire purchase and finance lease repayments	<u>(3)</u>	<u>(10)</u>	<u>(43)</u>	<u>(16)</u>
	(47)	(54)	1,470	33
Amount introduced by directors	—	148	44	—
Repayment of directors loan accounts	<u>(73)</u>	<u>(161)</u>	<u>(150)</u>	<u>(213)</u>
	<u>(120)</u>	<u>(67)</u>	<u>1,364</u>	<u>(180)</u>

18 Analysis of changes in net funds/(debt)

	<i>30 September 2002 £'000</i>	<i>Non cash movements £'000</i>	<i>Cash flows £'000</i>	<i>30 September 2003 £'000</i>	<i>Non cash movements £'000</i>	<i>Cash flows £'000</i>	<i>30 September 2004 £'000</i>	<i>Non cash movements £'000</i>	<i>Cash flows £'000</i>	<i>30 September 2005 £'000</i>	<i>Non cash movements £'000</i>	<i>Cash flows £'000</i>	<i>31 March 2006 £'000</i>
Cash at bank and in hand	1,400	—	(1,393)	7	—	(6)	1	—	9	10	—	20	30
Bank overdraft	<u>(30)</u>	<u>—</u>	<u>(228)</u>	<u>(258)</u>	<u>—</u>	<u>193</u>	<u>(65)</u>	<u>—</u>	<u>(1,136)</u>	<u>(1,201)</u>	<u>—</u>	<u>(388)</u>	<u>(1,589)</u>
	1,370	—	(1,621)	(251)	—	187	(64)	—	(1,127)	(1,191)	—	(368)	(1,559)
Hire purchase contracts	(18)	—	3	(15)	(40)	10	(45)	(100)	43	(102)	—	16	(86)
Debts due within one year	(32)	(56)	44	(44)	(44)	44	(44)	(46)	44	(46)	(103)	46	(103)
Debts due after one year	<u>(268)</u>	<u>56</u>	<u>—</u>	<u>(212)</u>	<u>44</u>	<u>—</u>	<u>(168)</u>	<u>46</u>	<u>(1,557)</u>	<u>(1,679)</u>	<u>103</u>	<u>(95)</u>	<u>(1,671)</u>
	<u>(318)</u>	<u>—</u>	<u>47</u>	<u>(271)</u>	<u>(40)</u>	<u>54</u>	<u>(257)</u>	<u>(100)</u>	<u>(1,470)</u>	<u>(1,827)</u>	<u>—</u>	<u>(33)</u>	<u>(1,860)</u>
Net funds/(debt)	<u>1,052</u>	<u>—</u>	<u>(1,574)</u>	<u>(522)</u>	<u>(40)</u>	<u>241</u>	<u>(321)</u>	<u>(100)</u>	<u>(2,597)</u>	<u>(3,018)</u>	<u>—</u>	<u>(401)</u>	<u>(3,419)</u>

All major non-cash movements in debt relate to the inception of new hire purchase contracts.

19 Transactions with directors

The following loans (from)/to directors subsisted:

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
P Worthington				
Balance outstanding at start of year	(113)	(51)	(43)	47
Balance outstanding at end of year	(51)	(43)	47	164
Maximum overdrawn balance outstanding during year	<u>—</u>	<u>—</u>	<u>47</u>	<u>164</u>
P M Worthington				
Balance outstanding at start of year	—	—	12	15
Balance outstanding at end of year	—	12	15	100
Maximum overdrawn balance outstanding during year	<u>—</u>	<u>12</u>	<u>15</u>	<u>100</u>
E M Butterworth				
Balance outstanding at start of year	(33)	(23)	(18)	(18)
Balance outstanding at end of year	(23)	(18)	(18)	(7)
Maximum overdrawn balance outstanding during year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

20 Related party disclosures

P Worthington, a director of Worthington Nicholls Limited, is also a director of RFE Filters Limited (formerly Rutzler Filter Europe Limited), Worthington Nicholls Facilities Limited and Southworth Property Developments Limited. PM Worthington, a director of Worthington Nicholls Limited, is also a director of Worthington Nicholls Facilities Limited. E Butterworth, a director of Worthington Nicholls Limited, is also a director of Deltrian UK Limited. P Worthington, P M Worthington and E M Butterworth are trustees of the Seasonmaster Executive Pension Scheme.

Transactions and balances with the above companies, the Seasonmaster Executive Pension Scheme and with A S Nicholls Limited, a subsidiary company of Worthington Nicholls Limited, are as follows:

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Transactions:				
RFE Filters Limited				
Sales	35	2	12	3
Purchases	173	17	6	—
Worthington Nicholls Facilities Limited				
Sales	—	117	—	—
Purchases	—	81	30	1
Deltrian UK Limited				
Sales	16	5	—	—
Purchases	—	1	—	—
Balance written off	—	—	—	11
A S Nicholls Limited				
Sales	60	145	434	168
Management fee receivable	—	—	112	60
Purchases	254	2	—	—
Southworth Property Developments Limited				
Purchases	—	—	6	3
Seasonmaster Executive Pension Scheme				
Loan	<u>—</u>	<u>—</u>	<u>60</u>	<u>—</u>

20 Related party disclosures (continued)

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Balances:				
RFE Filters Limited				
Debtor	—	46	51	506
Creditor	174	—	9	3
Worthington Nicholls Facilities Limited				
Debtor	28	163	683	727
Creditor	—	—	63	64
Deltrian UK Limited				
Debtor	28	10	10	—
A S Nicholls Limited				
Creditor	380	119	233	56
Southworth Property Developments Limited				
Debtor	—	—	—	6
Creditor	—	—	1	—
Seasonmaster Executive Pension Scheme				
Creditor	—	—	60	60

Included within other creditors at 31 March 2006, 30 September 2005 and 30 September 2004 is £325,000 due to P Worthington in relation to the sale of his shares in A S Nicholls Limited to the company.

21 Post Balance Sheet Events

On ● May 2006 it was agreed that the amount of £325,000 payable for the shares of A S Nicholls Limited would be satisfied by the issue of loan notes. These loan notes are not repayable for a period of 5 years. The current amount payable is included within other creditors.

On ● the authorised share capital was increased to £101 by the creation of 1 new ordinary share of £1 and each ordinary share of £1 was subdivided and redesignated as 1 A ordinary share of 10p each (“A ordinary shares”) and 500,000 B ordinary shares of 0.00018p each (“B ordinary shares”).

On ● 2006, the company granted EMI share options over 282,000 B ordinary shares in aggregate to certain employees. A provision will be included within the accounts of the company in respect of the potential tax liability arising from the employee transfer.

Pursuant to New Articles, the rights and liabilities of the B ordinary shares will attach to the whole of the business and assets of the company (excluding the Spanish property referred to in the company’s New Articles and any assets and liabilities attributable to the same (such property, assets and liabilities being together referred to in this note as the “Spanish Property”)) held by the company. The rights and liabilities of the A ordinary shares will attach solely and exclusively to the Spanish Property. Immediately following completion of the matters set out above, 4,505,000 B ordinary shares in aggregate were transferred to certain employees.

PART V

ACCOUNTANTS' REPORT ON AS NICHOLLS

HWCA Limited
1st Floor, Northern Assurance Buildings
Albert Square, 9-21 Princess Street
Manchester M2 4DN
(Incorporated in England and Wales, number 5506131)

The Directors
Worthington Nicholls Group plc
St James's Court
Brown Street
Manchester
M2 2JF

and

The Directors
Corporate Synergy Plc
30 Old Broad Street
London
EC2N 1HT

● 2006

Dear Sirs,

AS Nicholls Limited ("AS Nicholls")

We report on the financial information set out in Part V of this Admission Document. This financial information has been prepared for inclusion in the Admission Document of Worthington Nicholls Group plc (the "Company") dated ● 2006 issued in connection with the placing of Ordinary Shares, and the admission of the Company's enlarged share capital to the AIM market of the London Stock Exchange plc. This report is required by paragraph (a) of Schedule Two of the AIM Rules.

Basis of Preparation

The financial information set out in Part V of this Admission Document, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited financial statements of AS Nicholls for the 3 years ended 30 September 2003, 30 September 2004 and 30 September 2005 and the audited non-statutory accounts for the period ended 31 March 2006 (the AS Nicholls review period). The financial information has been extracted without material adjustment.

Responsibility

The directors of Worthington Nicholls Group plc are responsible for preparing the financial information. It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

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

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

Opinion

The audited financial statements for the 3 years ended 30 September 2003, 30 September 2004 and 30 September 2005, were prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) and the audited non-statutory accounts for the period ended 31 March 2006 were prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005). Consequently AS Nicholls has been exempt from certain disclosure requirements of the Companies Act 1985 in the preparation of its financial statements. Accordingly, the financial information set out in Part V does not contain those items exempted from disclosure.

In our opinion, the financial information set out in Part V gives for the purposes of the Admission Document dated ● 2006, a true and fair view of the state of affairs of AS Nicholls as at the dates stated and of its losses and recognised gains and losses for the periods then ended.

Declaration

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

Yours faithfully,

HWCA Limited
Chartered Accountants

Financial Information on AS Nicholls Limited

The financial information on AS Nicholls has been extracted from the published audited accounts of AS Nicholls and the audited non statutory accounts of AS Nicholls for the AS Nicholls review period. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. HWCA Limited, Chartered Accountants and Registered Auditors, audited the financial statements of AS Nicholls for the period ended 30 September 2005, a predecessor firm Haines Watts, Chartered Accountants and Registered Auditors audited the financial statements for the periods ended 30 September 2004 and 30 September 2003. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

HWCA Limited, Chartered Accountants and Registered Auditors, audited the interim financial information of AS Nicholls for the period ended 31 March 2006. Their report to the directors was unqualified and did not contain a statement under 237(2) or (3) of the Act.

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of AS Nicholls.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) for the 3 years ended 30 September 2005 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) for the period ended 31 March 2006.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	— 25% on cost
Fixtures and fittings	— 20% on cost
Motor vehicles	— 25% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and is not discounted.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

PROFIT AND LOSS ACCOUNTS

		Year ended 30 September 2003 £'000	Year ended 30 September 2004 £'000	Year ended 30 September 2005 £'000	6 months ended 31 March 2006 £'000
	Notes				
Turnover		1,155	945	1,221	596
Cost of sales		<u>(785)</u>	<u>(655)</u>	<u>(862)</u>	<u>(400)</u>
Gross profit		370	290	359	196
Distribution costs		(1)	—	—	—
Administrative expenses		<u>(370)</u>	<u>(293)</u>	<u>(360)</u>	<u>(192)</u>
Operating (loss)/profit	1	(1)	(3)	(1)	4
Interest receivable and similar income		1	—	—	—
Interest payable and similar charges	3	<u>(19)</u>	<u>(16)</u>	<u>(8)</u>	<u>(7)</u>
Loss on ordinary activities before taxation		(19)	(19)	(9)	(3)
Taxation on loss on ordinary activities	4	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the financial period	12	<u><u>(16)</u></u>	<u><u>(19)</u></u>	<u><u>(9)</u></u>	<u><u>(3)</u></u>

BALANCE SHEETS

		30 September 2003 £'000	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
	Notes				
Fixed assets					
Tangible assets	5	<u>64</u>	<u>44</u>	<u>14</u>	<u>6</u>
Current assets					
Stocks	6	16	32	19	16
Debtors	7	825	422	524	391
Cash at bank and in hand		<u>—</u>	<u>2</u>	<u>—</u>	<u>59</u>
		841	456	543	466
Creditors: amounts falling due within one year	8	<u>(571)</u>	<u>(207)</u>	<u>(284)</u>	<u>(202)</u>
Net current assets		<u>270</u>	<u>249</u>	<u>259</u>	<u>264</u>
Total assets less current liabilities		334	293	273	270
Creditors: amounts falling due after more than one year	9	<u>(33)</u>	<u>(11)</u>	<u>—</u>	<u>—</u>
Net assets		<u><u>301</u></u>	<u><u>282</u></u>	<u><u>273</u></u>	<u><u>270</u></u>
Capital and reserves					
Called up share capital	10	—	—	—	—
Capital redemption reserve	12	1	1	1	1
Profit and loss account	12	<u>300</u>	<u>281</u>	<u>272</u>	<u>269</u>
Shareholders' funds		<u><u>301</u></u>	<u><u>282</u></u>	<u><u>273</u></u>	<u><u>270</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 Operating (loss)/profit

The operating loss is stated after charging:

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Depreciation				
– owned assets	3	—	—	4
– finance leases and hire purchase contracts	14	20	12	—
Auditors' remuneration	3	5	5	4
Loss on disposal of fixed assets	—	—	2	2
Pension costs	<u>2</u>	<u>3</u>	<u>2</u>	<u>1</u>

2 Directors' emoluments

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Directors' emoluments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

3 Interest payable

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
On bank loans and overdrafts	12	10	7	6
On late payment of corporation tax	1	—	—	—
On finance lease and hire purchase contracts	<u>6</u>	<u>6</u>	<u>1</u>	<u>1</u>
	<u>19</u>	<u>16</u>	<u>8</u>	<u>7</u>

4 Taxation

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
UK corporation tax on losses	—	—	—	—
Adjustment in respect of prior years	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tax on loss on ordinary activities	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>

The company has accumulated tax losses for 2006: £14,644 (2005: £14,668); (2004: £11,338); (2003: £24,907) available to be relieved against future taxable profits of the same trade.

5 Tangible fixed assets

	<i>Plant & machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor Vehicles £'000</i>	<i>Total £'000</i>
Cost:				
At 30 September 2002	21	9	6	36
Additions	<u>15</u>	<u>—</u>	<u>59</u>	<u>74</u>
At 30 September 2003	36	9	<u>65</u>	110
Additions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 30 September 2004	36	9	65	110
Additions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Disposals	<u>—</u>	<u>—</u>	<u>(32)</u>	<u>(32)</u>
At 30 September 2005	36	9	33	78
Disposals	<u>—</u>	<u>—</u>	<u>(12)</u>	<u>(12)</u>
At 31 March 2006	<u>36</u>	<u>9</u>	<u>21</u>	<u>66</u>
Depreciation:				
At 30 September 2002	18	9	2	29
Charge for the year	<u>4</u>	<u>—</u>	<u>13</u>	<u>17</u>
At 30 September 2003	22	9	15	46
Charge for the year	<u>4</u>	<u>—</u>	<u>16</u>	<u>20</u>
At 30 September 2004	26	9	31	66
Charge for the year	<u>4</u>	<u>—</u>	<u>8</u>	<u>12</u>
Eliminated on disposal	<u>—</u>	<u>—</u>	<u>(14)</u>	<u>(14)</u>
At 30 September 2005	30	9	25	64
Charge for the period	<u>2</u>	<u>—</u>	<u>2</u>	<u>4</u>
Eliminated on disposal	<u>—</u>	<u>—</u>	<u>(8)</u>	<u>(8)</u>
At 31 March 2006	<u>32</u>	<u>9</u>	<u>19</u>	<u>60</u>
Net book value:				
At 30 September 2002	<u>3</u>	<u>—</u>	<u>4</u>	<u>7</u>
At 30 September 2003	<u>14</u>	<u>—</u>	<u>50</u>	<u>64</u>
At 30 September 2004	<u>10</u>	<u>—</u>	<u>34</u>	<u>44</u>
At 30 September 2005	<u>6</u>	<u>—</u>	<u>8</u>	<u>14</u>
At 31 March 2006	<u>4</u>	<u>—</u>	<u>2</u>	<u>6</u>

Included within the net book value are the following amounts relating to assets held under finance lease or hire purchase agreements:

Net book value:				
At 30 September 2002	<u>—</u>	<u>—</u>	<u>4</u>	<u>4</u>
At 30 September 2003	<u>14</u>	<u>—</u>	<u>50</u>	<u>64</u>
At 30 September 2004	<u>10</u>	<u>—</u>	<u>34</u>	<u>44</u>
At 30 September 2005	<u>6</u>	<u>—</u>	<u>8</u>	<u>14</u>
At 31 March 2006	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

6 Stocks

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Stock and work in progress	<u>16</u>	<u>32</u>	<u>19</u>	<u>16</u>

7 Debtors

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Trade debtors	812	272	268	280
Other debtors	3	146	255	111
Prepayments	<u>10</u>	<u>4</u>	<u>1</u>	<u>—</u>
	<u>825</u>	<u>422</u>	<u>524</u>	<u>391</u>

8 Creditors: amounts falling due within one year

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Bank loans and overdrafts (secured)	54	—	17	—
Hire purchase contracts	21	23	4	—
Trade creditors	255	57	63	37
Social security and other taxes	22	54	141	103
Other creditors	179	37	32	28
Accruals and deferred income	<u>40</u>	<u>36</u>	<u>27</u>	<u>34</u>
	<u>571</u>	<u>207</u>	<u>284</u>	<u>202</u>

The hire purchase liability is secured by the assets to which it relates.

9 Creditors: amounts falling due after more than one year

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Hire purchase contracts	<u>33</u>	<u>11</u>	<u>—</u>	<u>—</u>

The hire purchase liability is secured by the assets to which it relates.

10 Share capital

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Authorised:				
1,000 ordinary shares of £1.00 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Allotted, called up and fully paid:				
500 ordinary shares of £1.00 each	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

On 4 July 2003 20 ordinary shares of £1 were allotted at par and fully paid for in cash.

11 Commitments under operating leases

Annual commitments under non-cancellable operating leases at each period end are as follows:

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Expiring:				
Between one and five years	11	11	38	36
In more than five years	<u>14</u>	<u>14</u>	<u>14</u>	<u>14</u>
	<u>25</u>	<u>25</u>	<u>52</u>	<u>50</u>

12 Reserves

	<i>Capital Redemption Reserve £'000</i>	<i>Profit & loss Account £'000</i>
At 30 September 2002	1	316
Loss for the financial year	—	(16)
At 30 September 2003	1	300
Loss for the financial year	—	(19)
At 30 September 2004	1	281
Loss for the financial year	—	(9)
At 30 September 2005	1	272
Loss for the financial period	—	(3)
At 31 March 2006	<u>1</u>	<u>269</u>

13 Ultimate parent company

On 16 January 2004 the entire share capital of the company was acquired by Worthington Nicholls Limited. The company has been a wholly owned subsidiary of Worthington Nicholls Limited, a company incorporated in England and Wales, since that date.

14 Contingent liabilities

Bank cross guarantees exist between the company and Worthington Nicholls Limited, Worthington Nicholls Facilities Limited and RFE Filters Ltd. The contingent liabilities outstanding were:

	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Worthington Nicholls Limited	<u>515</u>	<u>278</u>	<u>2,353</u>	<u>1,589</u>
Worthington Nicholls Facilities Limited	—	<u>83</u>	—	<u>158</u>
RFE Filters Ltd	<u>243</u>	<u>409</u>	—	—

15 Related party disclosures

P Worthington, a director of A S Nicholls Limited, is also a director of RFE Filters Limited (formerly Rutzler Filter Europe Limited) and Worthington Nicholls Facilities Limited. P Worthington is also a trustee of the company's pension scheme, the Seasonmaster Executive Pension Scheme. P M Worthington was a director of A S Nicholls Limited, and is also a director of Worthington Nicholls Facilities Limited.

Transactions and balances with the above companies and with Worthington Nicholls Limited, the parent company, are as follows:

	<i>Year ended 30 September 2003 £'000</i>	<i>Year ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Transactions:				
RFE Filters Limited				
Sales	1	—	—	—
Worthington Nicholls Facilities Limited				
Purchases	—	3	—	—
Worthington Nicholls Limited				
Sales	254	2	—	—
Purchases	60	145	434	168
Management fee payable	—	—	112	60
Seasonmaster Executive Pension Scheme				
Rent	<u>12</u>	<u>14</u>	<u>14</u>	<u>7</u>
	<i>30 September 2003 £'000</i>	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Balances:				
RFE Filters Limited				
Debtor	1	27	27	39
Creditor	4	—	—	—
Worthington Nicholls Facilities Limited				
Debtor	—	—	6	8
Creditor	—	1	—	—
Worthington Nicholls Limited				
Debtor	632	119	233	56
Creditor	117	—	—	—
Intercompany balance — creditor	<u>136</u>	<u>—</u>	<u>—</u>	<u>—</u>

PART VI

ACCOUNTANTS' REPORT ON WORTHINGTON NICHOLLS FACILITIES

HWCA Limited
1st Floor, Northern Assurance Buildings
Albert Square, 9-21 Princess Street
Manchester M2 4DN
(Incorporated in England and Wales, number 5506131)

The Directors
Worthington Nicholls Group plc
St James's Court
Brown Street
Manchester
M2 2JF

and

The Directors
Corporate Synergy Plc
30 Old Broad Street
London
EC2N 1HT

● 2006

Dear Sirs,

Worthington Nicholls Facilities Limited ("Worthington Nicholls Facilities")

We report on the financial information set out in Part VI of this Admission Document. This financial information has been prepared for inclusion in the Admission Document of Worthington Nicholls Group plc (the "Company") dated ● 2006 issued in connection with the placing of Ordinary Shares, and the admission of the Company's enlarged share capital to the AIM market of the London Stock Exchange plc. This report is required by paragraph (a) of Schedule Two of the AIM Rules.

Basis of Preparation

The financial information set out in Part VI of this Admission Document, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the unaudited financial statements of Worthington Nicholls Facilities for the periods from 1 April 2003 to 30 September 2004 and for the year ended 30 September 2005 and the unaudited non-statutory accounts for the period ended 31 March 2006 (the Worthington Nicholls Facilities review period). The financial information has been extracted without material adjustment.

Responsibility

The directors of Worthington Nicholls Group plc are responsible for preparing the financial information.

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

Opinion

On the basis that the financial information set out in Part VI is unaudited we are unable to state for the purposes of the Admission Document dated ● 2006, that it gives a true and fair view of the state of affairs of Worthington Nicholls Facilities as at the dates stated and of its losses, profits and recognised gains and losses for the periods then ended.

Declaration

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

Yours faithfully

HWCA Limited
Chartered Accountants

Financial Information on Worthington Nicholls Facilities Limited

The financial information on Worthington Nicholls Facilities has been extracted from the published unaudited accounts of Worthington Nicholls Facilities and the unaudited non statutory accounts of Worthington Nicholls Facilities for the Worthington Nicholls Facilities review period. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. HWCA Limited, Chartered Accountants and Registered Auditors, issued an accountants report on the financial statements of Worthington Nicholls Facilities for the period ended 30 September 2005 and on the interim financial information for the period ended 31 March 2006, a predecessor firm Haines Watts, Chartered Accountants issued an accountants report on the financial statements for the period from 1 April 2003 to 30 September 2004. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of Worthington Nicholls Facilities.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) for the periods from 1 April 2003 to 30 September 2004 and for the year ended 30 September 2005 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) for the period ended 31 March 2006.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	— 25% on cost
Motor vehicles	— 25% on cost
Computer equipment	— 25% on cost

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and is not discounted.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the period are charged in the profit and loss account.

PROFIT AND LOSS ACCOUNTS

		<i>18 months ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
	<i>Notes</i>			
Turnover		1,156	1,658	1,015
Cost of sales		<u>(823)</u>	<u>(1,013)</u>	<u>(693)</u>
Gross profit		333	645	322
Administrative expenses		<u>(455)</u>	<u>(634)</u>	<u>(387)</u>
Operating (loss)/profit	1	(122)	11	(65)
Interest payable and similar items	3	<u>(2)</u>	<u>(2)</u>	<u>(6)</u>
(Loss)/profit on ordinary activities before taxation		(124)	9	(71)
Taxation on (loss)/profit on ordinary activities	4	<u>—</u>	<u>—</u>	<u>—</u>
(Loss)/profit for the financial period	11	<u>(124)</u>	<u>9</u>	<u>(71)</u>

BALANCE SHEETS

		<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
	<i>Notes</i>			
Fixed assets				
Tangible assets	5	<u>25</u>	<u>25</u>	<u>24</u>
Current assets				
Stocks	6	143	146	147
Debtors	7	338	696	820
Cash at bank		<u>2</u>	<u>40</u>	<u>16</u>
		483	882	983
Creditors: amounts falling due within one year	8	<u>(621)</u>	<u>(1,016)</u>	<u>(1,192)</u>
Net current liabilities		<u>(138)</u>	<u>(134)</u>	<u>(209)</u>
Total assets less current liabilities		(113)	(109)	(185)
Creditors: amounts falling due after more than one year	9	<u>(11)</u>	<u>(6)</u>	<u>(1)</u>
Net liabilities		<u>(124)</u>	<u>(115)</u>	<u>(186)</u>
Capital and reserves				
Called up share capital	10	—	—	—
Profit and loss account	11	<u>(124)</u>	<u>(115)</u>	<u>(186)</u>
Shareholders' funds — Equity		<u>(124)</u>	<u>(115)</u>	<u>(186)</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Operating loss

The operating loss is stated after charging:

	<i>18 months ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Depreciation			
– owned assets	1	2	3
– finance leases and hire purchase contracts	2	5	2
Pension costs	<u>—</u>	<u>7</u>	<u>5</u>
	<u>—</u>	<u>—</u>	<u>—</u>

2 Directors' emoluments

	<i>18 months ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Directors' emoluments	7	30	31
	<u>—</u>	<u>—</u>	<u>—</u>

3 Interest payable

	<i>18 months ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
On bank loans and overdrafts	—	—	5
On finance lease and hire purchase contracts	<u>2</u>	<u>2</u>	<u>1</u>
	<u>2</u>	<u>2</u>	<u>6</u>
	<u>—</u>	<u>—</u>	<u>—</u>

4 Taxation

	<i>18 months ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
UK corporation tax on (losses)/profits for the period	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

5 Tangible fixed assets

	<i>Plant & machinery</i> <u>£'000</u>	<i>Computer equipment</i> <u>£'000</u>	<i>Motor vehicles</i> <u>£'000</u>	<i>Total</i> <u>£'000</u>
Cost				
At 1 April 2003	—	—	—	—
Additions	<u>1</u>	<u>7</u>	<u>20</u>	<u>28</u>
At 30 September 2004	1	7	20	28
Additions	<u>4</u>	<u>1</u>	<u>2</u>	<u>7</u>
At 30 September 2005	5	8	22	35
Additions	<u>1</u>	<u>3</u>	—	<u>4</u>
At 31 March 2006	<u>6</u>	<u>11</u>	<u>22</u>	<u>39</u>
Depreciation				
At 1 April 2003	—	—	—	—
Charge for the period	—	<u>1</u>	<u>2</u>	<u>3</u>
At 30 September 2004	—	1	2	3
Charge for the year	<u>1</u>	<u>1</u>	<u>5</u>	<u>7</u>
At 30 September 2005	1	2	7	10
Charge for the period	<u>1</u>	<u>1</u>	<u>3</u>	<u>5</u>
At 31 March 2006	<u>2</u>	<u>3</u>	<u>10</u>	<u>15</u>
Net book value				
At 1 April 2003	—	—	—	—
At 30 September 2004	<u>1</u>	<u>6</u>	<u>18</u>	<u>25</u>
At 30 September 2005	<u>4</u>	<u>6</u>	<u>15</u>	<u>25</u>
At 31 March 2006	<u>4</u>	<u>8</u>	<u>12</u>	<u>24</u>

Included within the net book value are the following amounts relating to assets held under finance lease or hire purchase agreements:

	<i>Plant & machinery</i> <u>£'000</u>	<i>Computer equipment</i> <u>£'000</u>	<i>Motor vehicles</i> <u>£'000</u>	<i>Total</i> <u>£'000</u>
Net book value				
At 1 April 2003	—	—	—	—
At 30 September 2004	—	—	<u>18</u>	<u>18</u>
At 30 September 2005	—	—	<u>13</u>	<u>13</u>
At 31 March 2006	—	—	<u>11</u>	<u>11</u>

6 Stocks

	<i>30 September 2004</i> <u>£'000</u>	<i>30 September 2005</i> <u>£'000</u>	<i>31 March 2006</i> <u>£'000</u>
Work in progress	38	38	98
Finished goods and goods held for resale	<u>105</u>	<u>108</u>	<u>49</u>
	<u>143</u>	<u>146</u>	<u>147</u>

7 Debtors

	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Trade debtors	321	364	521
Other debtors	17	302	273
Directors' loan accounts	—	25	25
Prepayments and accrued income	—	5	1
	<u>338</u>	<u>696</u>	<u>820</u>

8 Creditors: amounts falling due within one year

	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Bank loans and overdrafts (secured)	82	—	158
Hire purchase contracts	6	6	7
Trade creditors	63	110	191
Social security and other taxes	44	180	97
Other creditors	426	715	737
Accrued expenses	—	5	2
	<u>621</u>	<u>1,016</u>	<u>1,192</u>

The hire purchase liability is secured by the assets to which it relates.

9 Creditors: amounts falling due after more than one year

	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Hire purchase contracts	<u>11</u>	<u>6</u>	<u>1</u>

The hire purchase liability is secured by the assets to which it relates.

10 Share capital

	30 September 2004 £'000	30 September 2005 £'000	31 March 2006 £'000
Authorised:			
1,000,000 ordinary shares of £1.00 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:			
100 (2003 — 2) ordinary shares of £1.00 each	<u>—</u>	<u>—</u>	<u>—</u>

On 15 December 2003 98 ordinary shares of £1 each were allotted at par and fully paid in cash.

11 Reserves

	Profit & loss account £'000
At 1 April 2003	—
Loss for the financial period	(124)
At 30 September 2004	(124)
Profit for the financial year	9
At 30 September 2005	(115)
Loss for the financial period	(71)
At 31 March 2006	<u>(186)</u>

12 Contingent liabilities

Bank cross guarantees exist between the company and Worthington Nicholls Limited, A S Nicholls Limited and RFE Filters Limited. The contingent liabilities outstanding were:

	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Worthington Nicholls Limited	<u>277</u>	<u>2,353</u>	<u>1,589</u>
A S Nicholls Limited	<u>—</u>	<u>—</u>	<u>—</u>
RFE Filters Limited	<u>409</u>	<u>—</u>	<u>—</u>

13 Transactions with directors

The following loans to directors subsisted during the period:

	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
PM Worthington	<u>—</u>	<u>25</u>	<u>25</u>
P Worthington	<u>—</u>	<u>—</u>	<u>—</u>

14 Related party disclosures

P Worthington, a director of Worthington Nicholls Facilities Limited, is also a director of Worthington Nicholls Limited, A S Nicholls Limited, RFE Filters Limited (formerly Rutzler Filter Europe Limited) and Southworth Property Developments Limited. P M Worthington, a director of Worthington Nicholls Facilities Limited, is also a director of Worthington Nicholls Limited and was also a director of A S Nicholls Limited.

Transactions and balances with the above companies are as follows:

	<i>18 months ended 30 September 2004 £'000</i>	<i>Year ended 30 September 2005 £'000</i>	<i>6 months ended 31 March 2006 £'000</i>
Transactions:			
Worthington Nicholls Limited			
Sales	81	30	1
Purchases	117	—	—
A S Nicholls Limited			
Sales	3	—	—
RFE Filters Limited			
Purchases	288	73	44
Southworth Property Developments Limited			
Purchases	<u>—</u>	<u>6</u>	<u>3</u>
	<i>30 September 2004 £'000</i>	<i>30 September 2005 £'000</i>	<i>31 March 2006 £'000</i>
Balances:			
Worthington Nicholls Limited			
Debtor	—	63	64
Creditor	163	683	727
A S Nicholls Limited			
Debtor	1	—	—
Creditor	—	6	8
RFE Filters Limited			
Debtor	—	208	183
Creditor	<u>252</u>	<u>—</u>	<u>—</u>

15 Control relationship

The company was under the control of its directors for all periods noted above.

16 Comparative information

The company had 2 shares in issue for the year ended 31 March 2003 represented by cash in hand. The company had no other assets and liabilities at 31 March 2003 and had not commenced trading by this date.

17 Post Balance Sheet Events

On ● the whole of the issued share capital of the company was acquired by Worthington Nicholls Group plc for consideration of £1.

PART VII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited pro forma consolidated statement of net assets of the Worthington Nicholls Group which has been prepared for illustrative purposes only to show the effect of the VCT Placing, the Reorganisation, Placing and Admission, had the VCT Placing, the Reorganisation, Placing and Admission occurred on 31 March 2006. The pro forma statement of net assets has been prepared for illustrative purposes only, and because of its nature, it may not give a true reflection of the Group's financial position.

<i>Net assets at 31 March 2006</i>								
	<i>Company £000s</i>	<i>WNL £000s</i>	<i>Worthington Nicholls Facilities £000s</i>	<i>AS Nicholls £000s</i>	<i>Consolidation adjustments £000s</i>	<i>Consolidated Group £000s</i>	<i>Placing and Admission adjustments £000s</i>	<i>Unaudited pro forma net assets of the Group on Admission to AIM £000s</i>
Fixed assets								
Tangible	—	2,944	24	6	(1,395)	1,579	—	1,579
Intangible	—	—	—	—	186	186	—	186
Investments	—	325	—	—	(325)	—	—	—
	—	<u>3,269</u>	<u>24</u>	<u>6</u>	<u>(1,534)</u>	<u>1,765</u>	<u>—</u>	<u>1,765</u>
Current assets								
Stock	—	412	147	16	—	575	—	575
Debtors	—	7,022	820	391	(855)	7,378	—	7,378
Cash	—	30	16	59	(17)	88	6,445	6,533
	—	<u>7,464</u>	<u>983</u>	<u>466</u>	<u>(872)</u>	<u>8,041</u>	<u>6,445</u>	<u>14,486</u>
Current liabilities	—	(7,155)	(1,191)	(202)	1,204	(7,344)	—	(7,344)
Net current assets	—	<u>309</u>	<u>(208)</u>	<u>264</u>	<u>332</u>	<u>697</u>	<u>6,445</u>	<u>7,142</u>
Total assets less current liabilities	—	<u>3,578</u>	<u>(184)</u>	<u>270</u>	<u>(1,202)</u>	<u>2,462</u>	<u>6,445</u>	<u>8,907</u>
Non-current liabilities	—	(1,722)	(1)	—	575	(1,148)	—	(1,148)
Net assets	—	<u>1,856</u>	<u>(185)</u>	<u>270</u>	<u>(627)</u>	<u>1,314</u>	<u>6,445</u>	<u>7,759</u>

Notes

The pro forma statement of net assets has been prepared on the following basis:

- The net assets of the Company, WNL, Worthington Nicholls Facilities and AS Nicholls have been extracted without adjustment from the Financial Information included in Parts III to VI of this document.
- The consolidation adjustments reflect:
 - The goodwill arising on the acquisition of Worthington Nicholls Facilities by the Company;
 - The consolidation of AS Nicholls;
 - The issue and payment of additional share capital to meet the minimum paid up share capital requirements of a public limited company;
 - The transfer of the Air Conditioning trade and net assets of WNL to the Company; and
 - The elimination of the inter company balances.
- An adjustment has been made to reflect the anticipated net proceeds of the Placing of £6,445,000 (net of £1,055,000 estimated issue costs in cash and payment of stamp duty and costs relating to the Reorganisation). Issue costs have been assumed to be deducted from equity.
- No adjustment has been made to reflect the trading or other transactions of the Group since 31 March 2006.
- The pro forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

PART VIII

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names appear on page 4 of this document accept responsibility, both individually and collectively, 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.

2 The Group

- 2.1 The Company was incorporated and registered in England and Wales on 3 February 2006 under the Act as a public company limited by shares and with registration number 5697574. On ● the Company obtained a trading certificate pursuant to section 117 of the Act.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.3 The Company's registered office is at St James's Court, Brown Street, Manchester M2 2JF and its head office and principal place of business is at Barons Court, Manchester Road, Wilmslow, Cheshire SK9 1BQ. The telephone number at the registered office is 0870 609 1829. The ISIN number of the Ordinary Shares is GB00B105MM77.
- 2.4 The Company has three subsidiaries, two of which are wholly owned, all of which are registered in England and Wales, details of which are as follows:

<u>Company</u>	<u>Activity</u>	<u>Ownership</u>
A.S. Nicholls Limited (No. 513427)	Design, installation and maintenance of air conditioning and ventilation systems	100%
Worthington Nicholls Facilities Limited (No. 3947463)	Provision of ventilation hygiene services	100%
Worthington Nicholls Limited ¹ (No. 2893818)	Design, installation and maintenance of air conditioning and ventilation systems	90%

- 1 The Company holds all of the B shares in issue (representing 90% by nominal value of the issued share capital of WNL). The remaining shares in the capital of WNL in issue, being A ordinary shares of 10p each ("A shares"), are held by members of the Worthington family. The A shares are solely interested in a property in Spain and any profits and liabilities attributable to that property; the Company as holder of the B shares has no right to such property. The B shares are solely interested in the remaining business and assets of WNL and any profits attributable to the same; the holders of the A shares have no right to such business and assets.

3 Share Capital

- 3.1 On incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each, 2 of which were issued credited as fully paid to the subscribers to the Company's memorandum of association.
- 3.2 On 31 May 2006, each ordinary share of £1 each was sub-divided into 100 ordinary shares of 1p each.
- 3.3 On 31 May 2006, the authorised share capital of the Company was increased from £50,000 to £850,000 by the creation of an additional 80,000,000 Ordinary Shares.
- 3.4 On 31 May 2006, by or pursuant to resolutions of the Company passed on that date:
- 3.4.1 the Directors were generally and unconditionally authorised pursuant to section 80(1) of the Act to exercise all and any powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £845,000 to such persons at such times and upon such terms and conditions as they may determine (subject to the Articles) provided that the authority shall, unless renewed, varied or revoked by the Company in general meeting expire at the earlier conclusion of the annual general meeting

of the Company next following the passing of the resolution and 15 months from the date of the resolution. The Company may, at any time prior to the expiry of the authority, make an offer or agreement which would or might require relevant securities to be allotted after expiry of the authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired; and

3.4.2 the Directors were authorised and empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94 of the Act) pursuant to the general authority and power conferred by the resolution referred to in paragraph 3.4.1 above as if section 89(1) of the Act did not apply to any such allotment (in substitution for any other subsisting authorities under the Act) provided that the authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of the resolution (whichever is the earlier) and provided further that the authority and power was limited to:

- (i) the allotment of equity securities pursuant to a rights issue or similar offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate or as nearly as practical (and taking into account any prohibitions against or difficulties concerning the making of an offer or allotment to shareholders whose registered address or place of residence is overseas and subject to such exclusions as the Directors may deem necessary or expedient to deal with fractional entitlements or record dates) to the respective numbers of ordinary shares held by them;
- (ii) the allotment of up to 37,600,000 Ordinary Shares in connection with the VCT Placing and the Placing which is proposed to take place within 6 months of the date of the passing of the resolution; and
- (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) for cash of equity securities up to an aggregate nominal amount of £32,500.

3.5 On ● 2006, 22,600,000 Ordinary Shares were allotted and issued at the Placing Price pursuant to the VCT Placing.

3.6 On ● 2006, 27,399,800 Ordinary Shares were allotted and issued in consideration for part of the B Shares. Further details on the acquisition of such shares are set out in paragraph ● of this Part VIII of this document.

3.7 The Directors intend to exercise the authorities described in paragraph 3.4 to issue 15,000,000 new Ordinary Shares pursuant to the Placing (representing 23.08 per cent. of the Enlarged Share Capital).

3.8 The Placing will result in the issue of 15,000,000 new Ordinary Shares. The Company's authorised and issued share capital, at the date of this document is and it is expected to be immediately following Admission:

	<u>At the date of this document</u>		<u>Following Admission</u>	
	<u>Amount £</u>	<u>Number of Ordinary Shares</u>	<u>Amount £</u>	<u>Number of Ordinary Shares</u>
Authorised	850,000	85,000,000	850,000	85,000,000
Issued and Fully paid	500,000	50,000,000	650,000	65,000,000

3.9 Share Capital Reconciliation

	<u>On incorporation</u>	<u>Following Admission</u>
Issued Ordinary Shares	2 ordinary shares of £1 each	65,000,000 Ordinary Shares

3.10 Reconciliation of Ordinary Shares under option pursuant to the Share Option Schemes

<u>On incorporation</u>	<u>Following Admission</u>
—	3,847,000

3.11 The amount and percentage of immediate dilution from the Placing is 15,000,000 Ordinary Shares amounting to a 30 per cent. dilution.

- 3.12 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.4.2 above.
- 3.13 The Company does not have in issue any securities not representing share capital and there are no outstanding debentures or convertible securities issued or proposed to be issued by the Company.

4 Memorandum and Articles of Association and Mandatory Bids

Memorandum of Association

- 4.1 The objects of the Company are set out in full in clause 4 of its Memorandum of Association and include the carrying on of business as a general commercial company and the carrying on of any other trade or business which may seem to the Company and the directors to be advantageous and to directly or indirectly enhance any or all of the business of the Company.

Articles of Association

- 4.2 The Articles, which were adopted pursuant to a written resolution of the Company adopted on 31 May 2006, contain provisions, *inter alia*, in respect of the Ordinary Shares, general meetings of the Company and the directors to the following effect:

4.2.1 Voting Rights

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

4.2.2 Major Shareholders

Nothing in the Articles confers on major shareholders in the Company any voting rights which are different to those conferred on the holders of Ordinary Shares as described in paragraph 4.2.1 above.

Pursuant to section 198 of the Act, holders of three per cent. or more of the nominal value of the Company's share capital are required to notify their interest in writing to the Company. To the extent that persons who already hold at least three per cent. or more of the nominal value of the Company's share capital increase or decrease their holding, section 198 of the Act requires that this is also notified to the Company by the shareholder.

Pursuant to section 212 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares to comprised, to give such further information as may be required in accordance with section 212(2) of the Act.

4.2.3 *General Meetings*

An annual general meeting shall be held once a year, within 15 months of the previous annual general meeting.

Subject to a member's right to requisition an extraordinary general meeting pursuant to section 368 of the Act, general meetings of the Company are convened at the discretion of the board, and with the exception of the annual general meeting, all such general meetings of the Company shall be extraordinary general meetings.

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution or (except as provided by statute) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' notice in writing. Any other extraordinary general meeting shall be called by at least 14 clear days' notice to the Company. Notice may be via a website where the member agrees and is informed that the notice has been published on the website, the address of which is known to him. Notice shall be given to all members and the directors and the auditors.

Every notice calling a general meeting shall specify the place, day and hour of the meeting. Every notice must include a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

A general meeting may be called by shorter notice if it is agreed: (i) in the case of an annual general meeting, by all the members entitled to attend and vote; and (ii) in the case of an extraordinary general meeting, by a majority in the number of the members having a right to attend and vote, being a majority together holding at least 95 per cent. in nominal value of the shares giving that right.

4.2.4 *Changes in capital*

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may by ordinary resolution cancel any shares which have not been taken (or are subject to agreement to take) and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

The Company may, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including redeemable shares).

4.2.5 *Variation of Rights*

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

4.2.6 *Redemption*

The Company may, by special resolution and subject to the Statutes, create shares which are liable to be redeemed. As at the date of this document, there are no shares in issue which are capable of being redeemed by the Company.

4.2.7 *Conversion*

The Company may, by ordinary resolution and subject to the Statutes, convert all or any of its fully-paid shares into stock of the same class and denomination and reconvert such stock into fully paid up shares of the same class and denomination.

4.2.8 *Distribution of assets on a winding up*

In the event of liquidation of the Company the holders of shares are entitled *pari passu* to any surplus dividends. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members *in specie*.

4.2.9 *Transfer of shares*

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Company's register of members.

The directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

4.2.10 *Dividends and other distributions*

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the directors. The directors may pay interim dividends if it appears to them that they are justified by the profits of the Company. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members *in specie*. The directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

4.2.11 *Borrowing Powers*

Subject to the provisions of the Act and as provided in the Articles, the directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The directors shall restrict the borrowings of the Company and the borrowings of any other companies within the Group so as to secure that the aggregate amount for the time being outstanding (after adjustments provided for in the Articles) at any one time owing by the Group in respect of monies borrowed, determined in accordance with the Articles, shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of £6,000,000 or four times the aggregate of the nominal amount paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserve of the Group as shown in the latest audited balance sheet of the Group but adjusted as may be necessary to take account of such deductions as are specified in the Articles.

4.2.12 *Constitution of board of directors*

The minimum number of directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall not be more than eight. No shareholder qualification is required of any director.

4.2.13 *Retirement of directors by rotation*

The Articles do not contain any provision to exclude the operations of section 293(2) of the Act and, accordingly, special notice will be required of any resolution appointing or approving the appointment of a director who has attained the age of 70.

At every annual general meeting of the Company one third of the directors or the number nearest to but not exceeding one third shall retire by rotation and be eligible for re-election. The directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will (unless they otherwise agree) be determined by lot.

4.2.14 *Remuneration of directors*

The fees to be paid to the directors shall be determined by the Remuneration Committee of the Company from time to time.

Each director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the directors of the Company or otherwise in the discharge of his duties as a director. Any director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the directors determine.

4.2.15 *Permitted interests of directors*

Subject to the provisions of the Statutes, a director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the director holding that office or of the fiduciary relationship thereby established.

A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the directors may determine. A director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

4.2.16 *Restrictions on voting by directors*

Save as provided below, a director shall not vote on or in respect of any contract or arrangement or any other proposal in which he has an interest which is to his knowledge a

material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning a placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he does not to his knowledge hold directly or indirectly an interest in shares representing one per cent. or more of any class of the equity share capital or voting rights;
- (e) any arrangement for the benefit of employees of the Company and its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (f) any contract for the purchase or maintenance of insurance against any liability of any directors.

4.3 *Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares*

4.3.1 *Mandatory bid*

The City Code on Takeovers and Mergers (the “City Code”) applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the voting rights.

4.3.2 *Squeeze-out*

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares to which the offer relates and not held by it prior to the Offer within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

4.3.3 *Sell-out*

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could

be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5 Directors' Interests

5.1 The following persons are directors of the Company:

Peter Worthington (*Non-Executive Chairman*)
Mark Worthington (*Chief Executive Officer*)
David Levis (*Corporate Director*)
Alastair Stoddart (*Non-Executive Deputy Chairman*)
Stephen Mulligan (*Non-Executive Director*)

5.2 The business address of all of the Directors is Barons Court, Manchester Road, Wilmslow, Cheshire SK9 1BQ.

5.3 The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at the date of this document, such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director are:

Director	Current		Following Admission	
	Number of Ordinary Shares	% of Existing Share Capital	Number of Ordinary Shares	% of Enlarged Share Capital
Peter Worthington ¹	2,900,000	5.80	500,000	0.77
Mark Worthington	8,995,000	17.99	8,995,000	13.84
David Levis	2,000,000	4.00	2,000,000	3.08
Alastair Stoddart	—	—	—	—
Stephen Mulligan	—	—	—	—

¹ Peter Worthington will sell 2,400,000 Ordinary Shares pursuant to the Placing.

5.4 In addition, the following Directors have been granted options over the following number of Ordinary Shares. Further details of outstanding options and summaries of the Share Option Schemes are set out in paragraphs 3.10 and 12 of this Part VIII:

	Number of Ordinary Shares
Mark Worthington*	3,365,000
Alastair Stoddart**	100,000
Stephen Mulligan**	100,000

* Mark Worthington was granted options over 200,000 Ordinary Shares under the Worthington Nicholls Group plc EMI Option Scheme and options over 3,165,000 Ordinary Shares under the Worthington Nicholls Group plc Unapproved Share Option Scheme, all of which are exercisable at the Placing Price.

** Alastair Stoddart and Stephen Mulligan were granted options under the Worthington Nicholls Group plc Unapproved Share Option Scheme which are exercisable at the Placing Price.

All options granted under the Share Option Schemes are exercisable as set out in paragraph 5.6 below.

5.5 No Ordinary Shares have been issued to the Directors pursuant to the exercise of options.

- 5.6 Including the arrangements described in paragraph 5.4 above, options over 3,847,000 Ordinary Shares are held by employees and Directors under the Share Option Schemes. Options granted to employees (save for Mark Worthington) were granted as replacement EMI options (the “Replacement Options”) to persons who were granted EMI options over shares in WNL. The EMI options over WNL lapsed upon the acquisition of its B shares by the Company. The Replacement Options are subscription options and have an exercise price of 50p. One third of the shares subject to the Replacement Options can be acquired on the third anniversary of the grant of the option and a further third on each later anniversary. The Replacement Options can be exercised in full at an earlier stage if a third party acquires at least 75% of the Company’s share capital.
- 5.7 No Ordinary Shares have been issued to employees and former staff of the Group pursuant to the exercise of options.
- 5.8 In respect of each Director, there are no conflicts of interest between any duties they have to the Company and the private interests and/or other duties they may also have.
- 5.9 Save as set out in this document, there are no outstanding loans granted by any member of the Group to the Directors or any guarantees provided by any member of the Group for the benefit of the Directors.
- 5.10 Save as set out in this document, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

6 Substantial Shareholders

- 6.1 Insofar as is known to the Company and in addition to the interests of the Directors disclosed in paragraph 5 above, the following persons are, at the date of this document, and are expected, following Admission, to be interested directly or indirectly in 3 per cent. or more of the Enlarged Share Capital:

Shareholder	Following Admission	
	Number of Ordinary Shares	% of Enlarged Share Capital
Elaine Butterworth	11,000,000	16.92

None of the Company’s major holders of Ordinary Shares listed above has voting rights different from the other holders of Ordinary Shares.

- 6.2 Save as disclosed in paragraph 5.3 above and in this paragraph 6, and insofar as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, is or will be interested (within the meaning of the Act) directly or indirectly in 3 per cent. or more of the issued Ordinary Share capital of the Company.
- 6.3 Save as disclosed in paragraph 5.3 above and in this paragraph 6, and insofar as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, will (directly or indirectly) exercise or could exercise control over the Company.

7 Additional Information on the Directors

- 7.1 Other than directorships of members of the Group, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

Director	Current	Past
<i>Peter Worthington</i>	R.F.E. Filters Limited Southworth Property Developments Limited Virotech Limited	Airflow Services Limited
<i>Mark Worthington</i>	None	Jet Ahu Limited Seasonmaster Air Conditioning Limited Vokes-Air Limited
<i>David Levis</i>	Alexander Court Developments Limited Noah North West Limited	Oldfield Land Developments Limited Surface Transforms plc
<i>Alastair Stoddart</i>	Wetherby Building Systems Limited WM Heap & Partners Limited	Cearns & Brown Limited Community Industry (Training Enterprises) Limited Elgin Crescent Residents Association Limited Lindley Catering Limited Nisa-Today's (Holdings) Limited Panaloc Limited Rathbone Training Youth Work (UK) Limited
<i>Stephen Mulligan</i>	STM Hospitality Limited	None

- 7.2 Save as disclosed in this document, none of the Directors has:

- 7.2.1 any unspent convictions in relation to indictable offences;
- 7.2.2 had any bankruptcy order made against him or entered into any individual voluntary arrangements;
- 7.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company or partnership 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 had ceased to be a director of that company;
- 7.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 7.2.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 7.2.6 been publicly criticised, incriminated or sanctioned by any statutory or regulatory authorities (including recognised professional bodies); or
- 7.2.7 been disqualified by a court from acting as a director of a company or member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of a company.

- 7.3 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

8 Directors' Remuneration

8.1 Details of the Directors' service contracts/non-executive letters of appointment are as follows:

Directors	Date of contract	Notice period from the Company (months)	Notice period to the Company (months)	As at ●			
				Salary/fees per annum (£)	Benefits (£)	Bonus (£)	Pensions (£)
Peter Worthington*	●	6	6	36,000	—	—	—
Mark Worthington**	●	12	12	125,000	7,500	—	—
David Levis**	●	12	12	45,000	1,000	—	—
Alastair Stoddart*	●	6	6	30,000	—	—	—
Stephen Mulligan*	●	6	6	12,000	—	—	—

* Peter Worthington's, Alastair Stoddart's and Stephen Mulligan's letters of appointment shall commence upon Admission.

** Mark Worthington's and David Levis' service contracts are conditional upon Admission.

The Directors receive no Ordinary Shares or options over Ordinary Shares in lieu of remuneration or as any form of compensation. The share option grants disclosed in paragraph 5.4 of this Part VIII are made in addition to the remuneration packages disclosed above and many of them are conditional on the achievement of predetermined performance criteria.

Bonus payments for Directors shall be based on achievement of objectives to be established by the Company's Remuneration Committee, which shall be related to target performances associated with Shareholders' interests.

Other than as disclosed in this paragraph 8.1, no member of the Group is party to any service contract or letter of appointment with any of the Directors or the Group's senior management which provides for benefits on the termination of any such arrangement.

No Director has any accrued pension benefits.

- 8.2 There is no arrangement under which any Director has waived or agreed to waive future emoluments.
- 8.3 Save as disclosed in this paragraph 8 there are no existing or proposed service or consultancy agreements between any Director and any member of the Group.
- 8.4 In the year ended 31 September 2005 the total aggregate remuneration paid, and benefits-in-kind granted, to the Directors by the Company was £nil. The amounts payable to the Directors by the Company under the arrangements in force at the date of this document in respect of the year ending 31 September 2006 are estimated to be £160,000 (excluding any discretionary payments which may be made under these arrangements).

9 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material or are, or may, contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group:

- 9.1 The Placing Agreement, further details of which are contained in paragraph 17.1 of this Part VIII.
- 9.2 The option agreement, further details of which are contained in paragraph 17.2 of this Part VIII.
- 9.3 A nominated adviser and broker agreement dated ● June 2006 and made between (1) the Company, (2) Corporate Synergy and (3) the Directors pursuant to which the Company has appointed Corporate Synergy to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for an initial period of 12 months. Unless Corporate Synergy's appointment as either nominated adviser or broker is terminated by either party giving to the other not less than three months' prior written notice or is otherwise terminated in accordance with the terms of the agreement, the agreement will continue in effect following the initial term. Under the Agreement the Company has agreed to pay to Corporate Synergy a fee for which Corporate Synergy will provide general advice to the Company and the Directors in relation to matters concerning the

London Stock Exchange and to other matters relevant to a company whose shares are traded on AIM and will carry out the responsibilities of a nominated adviser as set out in the rules and regulations of the London Stock Exchange. The agreement also contains certain undertakings given by the Directors and the Company in favour of Corporate Synergy and an indemnity from the Company in favour of Corporate Synergy.

- 9.4 On ● 2006, each of the Directors entered into lock-in deeds with the Company and Corporate Synergy pursuant to which they have agreed (a) not to dispose of any interests in any of their Ordinary Shares for a period of two years from the date of Admission (save in certain limited circumstances), and (b) for a further period of 12 months thereafter, to effect any disposal through Corporate Synergy (or such other brokers as shall at that time have been appointed by the Company) to preserve an orderly market. The exceptions to the lock-in include a transfer pursuant to acceptance of a takeover offer, transfers to a connected person or a charitable or family trust and otherwise with the consent of Corporate Synergy and the Company.
- 9.5 A term loan facility agreement dated 22 September 2005 and made between (1) the Governor and Company of the Bank of Scotland (“**BoS**”) and (2) WNL pursuant to which BoS made available to WNL a term loan in the maximum aggregate principal amount of £1,125,000 (the “**Former Term Facility**”). The Former Term Facility was secured by:
- (a) a cross guarantee dated 22 September 2005 and granted by each of WNL, AS Nicholls and Worthington Nicholls Facilities in favour of BoS;
 - (b) separate debentures granted by each of WNL, AS Nicholls and Worthington Nicholls Facilities in favour of BoS, each of which are dated 22 September 2005; and
 - (c) a legal charge dated 22 September 2005 granted by WNL, pursuant to which WNL granted a mortgage over property known as Unit 1, Equinox, Agecroft Commerce Park, Salford, Manchester (the “**Property**”) in favour of BoS.

The Former Term Facility required the assignment of keyman insurance for Mark Worthington to BoS within 90 days of drawdown; this was never complied with.

The Former Term Facility has been replaced by the New Term Facility as described in paragraph 9.7 of this Part VIII.

- 9.6 An overdraft facility agreement dated 8 February 2006, pursuant to which BoS made available to WNL, AS Nicholls, Worthington Nicholls Facilities and RFE Filters Limited a working capital facility in the maximum aggregate principal amount of £1,550,000 (the “**Former Working Capital Facility**”). The Former Working Capital Facility was secured by:
- (a) the security mentioned above in relation to the Former Term Facility;
 - (b) a cross guarantee dated 8 February 2006 granted by each of WNL, AS Nicholls, Worthington Nicholls Facilities and RFE Filters Limited in favour of BoS; and
 - (c) a debenture granted by RFE Filters Limited in favour of BoS.

The Former Working Capital Facility has been replaced by the New Working Capital Facility as described in paragraph 9.8 of this Part VIII.

- 9.7 A term loan facility agreement dated ● June 2006 and made between (1) the Governor and Company of the Bank of Scotland (“**BoS**”) and (2) the Company pursuant to which BoS made available to the Company a term loan in the maximum aggregate principal amount of up to £1,125,000 (the “**New Term Facility**”). The New Term Facility is secured by:
- (a) a cross guarantee dated ● June 2006 and granted by each of the Company, WNL, AS Nicholls and Worthington Nicholls Facilities in favour of BoS;
 - (b) separate debentures granted by each of WNL, AS Nicholls and Worthington Nicholls Facilities in favour of BoS, each of which are dated 22 September 2005;
 - (c) a debenture dated ● June 2006 granted by the Company in favour of BoS; and
 - (d) a legal charge dated ● June 2006 granted by the Company, pursuant to which the Company granted a mortgage over the Property in favour of BoS (the Property was transferred by WNL to the Company on ● June 2006).
- 9.8 An overdraft facility agreement, pursuant to which BoS made available to the Company, AS Nicholls and Worthington Nicholls Facilities a working capital facility in the maximum aggregate principal amount of £1,300,000 (the “**New Working Capital Facility**”). The New Working Capital Facility is secured by the security mentioned above in relation to the New Term Facility.

- 9.9 A sale and purchase agreement dated 16 January 2004 and made between (1) the Trustees of the Peter Worthington life settlement and (2) WNL pursuant to which WNL acquired the entire issued share capital of AS Nicholls. The consideration of £325,000 payable by WNL was satisfied by the issue of loan notes to Peter Worthington on ● 2006. The loan notes are not bank guaranteed and are repayable in full on ● 2006. The loan notes do not bear any interest. The sum of £325,000 has been accrued in the accounts of WNL for the financial period ended 31 March 2006.
- 9.10 A share for share exchange and share purchase agreement dated ● 2006 made between (1) the Company and (2) the holders of B Shares pursuant to which the Company acquired all of the B shares in issue. The consideration payable by the Company for the acquisition of such shares was satisfied by (i) the payment of £11,300,000 to the Selling Shareholder in respect of part of the B shares held by him and (ii) the allotment and issue of 27,399,800 Ordinary Shares in respect of the remaining B shares to the holders of such shares and the 200 Ordinary Shares (being subscriber shares) in issue upon incorporation of the Company being deemed credited as fully paid.
- 9.11 A sale and purchase agreement dated ● 2006 made between (1) the Company and (2) WNL pursuant to which the Company acquired the business and assets of WNL (other than (a) the Spanish property (and profits and liabilities attributable thereto) described in the footnote to the table set out at paragraph 2.4 of Part VIII of this document and (b) certain book debts and liabilities) and including the entire issued share capital of AS Nicholls. The consideration payable by the Company for such acquisition was £1,000 (which was left outstanding as an inter-company loan and then immediately cancelled pursuant to the declaration and payment by WNL of a dividend in specie to the Company (as holder of the B shares) in respect of WNL's right to receive such sum).
- 9.12 A blind agency agreement dated ● 2006 between the Company and WNL pursuant to which the Company agreed to indemnify WNL in respect of any failure by the Company to carry out the obligations of WNL under the contracts which were transferred to the Company pursuant to the agreement referred to at paragraph 9.11 above.
- 9.13 A deed of indemnity dated ● 2006 made between (1) WNL, (2) Peter Worthington ("PW") and (3) Mark Worthington ("MW") pursuant to which PW and MW have jointly and severally undertaken that to the extent that WNL would be unable to meet the income tax liabilities of employees to whom B shares in WNL were transferred (prior to the acquisition of such shares described in paragraph 9.10 above) and any employers' and employees' national insurance liabilities associated with such transfers without thereafter (i) being unable to meet its debts as they fell due, (ii) the amount payable by WNL exceeds the amount accrued for such liabilities in its accounts or (iii) otherwise becoming insolvent, they will pay to WNL a sum equal to the amount (if any) which WNL would require in order to meet its debts as they fell due and/ or otherwise avoid insolvency.
- 9.14 An obligation pursuant to the WNL Share Scheme in respect of each of the transferees referred to in paragraph 9.13 above pursuant to which WNL agreed to meet the income tax liabilities and employers' national insurance contributions referred to in paragraph 9.13 to the extent that it is lawfully able to do so.
- 9.15 Lock in deeds dated ● to ● 2006 made between (1) the Company and (2) each of the employee transferees referred to in paragraph 9.13 above pursuant to which such transferees have undertaken not to dispose of the Ordinary Shares received by them pursuant to the share for share exchange referred to in paragraph 9.10 above (i) for a period of two years from Admission, (ii) for a 12 month period thereafter other than through the Company's broker (for the time being) and (iii) at any time for a price which is less than 10% above the Placing Price. Each such transferee has also agreed that, in the event that (i) Admission does not occur within three months of the transfer of the B Shares to such person or (ii) such transferee ceases to be an employee of the Company within two years from Admission, then the Company shall be entitled to require such employee to transfer his/her Ordinary Shares to the Company or a nominee of the Company.
- 9.16 A placing agreement dated ● June 2006 made between (1) Corporate Synergy, (2) the Directors and (3) the Company pursuant to which Corporate Synergy agreed to use its reasonable endeavours to arrange for relevant placees (being certain venture capital trusts) to subscribe for the VCT Placing Shares. The VCT Placing Shares were allotted and issued on ● 2006. The Company agreed to pay to Corporate Synergy a fee and a commission on the total aggregate value at the Placing Price of the VCT Placing Shares together with all costs and expenses and VAT where appropriate. The agreement provides for the Company to pay all expenses of and incidental to the VCT Placing, the Placing and the application for Admission, including the fees and costs of other professional

advisers, all costs relating to the VCT Placing, including printing, advertising and distribution charges, and the fees of the registrars. The agreement contains certain warranties given by the Company and the Directors in favour of Corporate Synergy and an indemnity from the Company and the Directors in favour of Corporate Synergy. The liability of the Directors is limited in certain respects.

9.17 The agreement, further details of which are contained in paragraph 18.4 of this Part VIII.

10 Corporate Governance

10.1 The Board fully supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that, as its securities are not listed on the Official List, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Combined Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.

The main features of the Company's corporate governance procedures, which do not constitute full compliance with the Combined Code, are as follows:

- the Board has two independent non-executive directors who take an active role in board matters;
- the Company has an audit committee and a remuneration committee, each of which consists of the non-executive directors, and meets regularly with executive directors in attendance by invitation. The audit committee has unrestricted access to the Company's auditors and ensures that auditor independence has not been compromised;
- all business activity is organised within a defined structure with formal lines of responsibility and delegation of authority, including a schedule of "matters referred to the board"; and
- regular monitoring of key performance indicators and financial results together with comparison of these against expectations.

10.2 Audit Committee

The following is a summary of the terms of reference under which the Company's Audit Committee operates. The Audit Committee comprises Stephen Mulligan and Alastair Stoddart, both of whom are non-executive directors of the Company.

The Audit Committee shall have at least two members and each member shall be an independent non-executive director. The Audit Committee shall meet at least two times in every year and any other time as required by either the chairman of the Audit Committee, the finance director of the Company or the external auditors of the Company. In addition, the Audit Committee shall meet with the external auditors of the Company (without any of the executives attending) at least once a year.

The Audit Committee shall, *inter alia*:

- apply the financial reporting and internal control principles of the Company;
- maintain appropriate relationships with external auditors including considering the appointment and remuneration of external auditors;
- review all financial results of the Company, including all announcements in respect thereof before submission of the relevant documents to the Board;
- review and discuss (where necessary) any issues and recommendations of the external auditors including reviewing the external auditors' management letter and management's response;
- consider all major findings of internal operational audit reviews and management's response and ensure co-ordination between internal and external auditors;
- review the Board's statement on internal reporting systems and keep the effectiveness of such systems under review; and
- consider all other relevant findings and audit programmes of the Company.

The chairman of the Audit Committee shall report annually to the Board on behalf of the Company's shareholders on all matters within its duties and responsibilities. The Audit Committee shall compile a report to Shareholders on its activities to be included in the Company's annual report.

The Audit Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company; and
- obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

10.3 *Remuneration Committee*

The following is a summary of the terms of reference under which the Company's Remuneration Committee operates. The Remuneration Committee comprises Stephen Mulligan and Alastair Stoddart, both of whom are non-executive directors of the Company.

The Remuneration Committee shall have at least two members and each member shall be an independent non-executive director. The managing director of the Company will normally be invited to meetings of the Remuneration Committee to discuss the performance of other executive directors but shall not be involved in any of the decisions. The Remuneration Committee shall meet at least two times in every year and any other time as required by either the chairman of the Remuneration Committee, the finance director of the Company or the external auditors of the Company.

The Remuneration Committee shall, *inter alia*:

- ensure that the executive directors are fairly rewarded for their individual contributions to the overall performance of the Company;
- consider the remuneration packages of the executive directors and any recommendations made by the managing director for changes to their remuneration packages including in respect of bonuses (including associated performance criteria), other benefits, pension arrangements and other terms of their service contracts and any other matters relating to the remuneration of or terms of employment applicable to the executive directors that may be referred to the Remuneration Committee by the Board;
- oversee and review all aspects of the Share Option Schemes including the selection of eligible directors and other employees and the terms of any options granted;
- demonstrate to the Company's shareholders that the remuneration of the executive directors is set by an independent committee of the Board; and
- consider and make recommendations to the Board about the public disclosure of information about the executive directors' remuneration packages and structures in addition to those required by law or by the London Stock Exchange.

The chairman of the Remuneration Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Remuneration Committee shall produce an annual report which will form part of the Company's annual report and consider each year whether such report should be put to the Company's Shareholders for approval at the annual general meeting.

The Remuneration Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company;
- assess the remuneration paid by other UK listed companies of a similar size in any comparable industry sector and to assess whether changes to the executive directors' remuneration are appropriate for the purpose of making their remuneration competitive; and
- obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

11 **United Kingdom Taxation**

The following paragraphs, which are based on current legislation, summarise the position of shareholders who are ordinarily resident in the UK for taxation purposes and who hold their shares as an investment.

11.1 *Taxation of dividends*

No tax will be withheld by the Company when it pays a dividend.

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of $\frac{1}{9}$ th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The lower rate of income tax on dividend income is currently 10 per cent.

An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 22 per cent.) will have no income tax to pay in respect of the dividend.

The higher rate of income tax on dividends is currently 32.5 per cent. This means that a shareholder who is a higher rate taxpayer (currently 40 per cent.) will have further income tax to pay at a rate of 22.5 per cent. of the cash dividend paid plus the related tax credit (or 25 per cent. of the net dividend). For example, a dividend of £90 will carry a tax credit of £10. The income tax payable by a higher rate taxpayer would be 32.5 per cent. of £100, namely £32.50 less the tax credit of £10 leaving a net tax liability of £22.50.

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HM Revenue & Customs.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from the Company and the dividend received and related tax credit will constitute franked investment income.

Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

11.2 *Taxation of chargeable gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding. If a Shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on their circumstances arise subject to, in the case of individuals and trustees, a deduction for so called taper relief the amount of which depends on various factors, in particular the length of the period of ownership of the shares.

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

11.3 *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax (SDRT) will generally be payable on the issue of the New Ordinary Shares.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than in the UK, you should consult your professional adviser immediately.

12 **Share Option Schemes**

12.1 *The Worthington Nicholls Group plc EMI Option Scheme*

Options (the "EMI Options") have been granted over Ordinary Shares to certain Directors and employees of the Group under the provisions of the Enterprise Management Incentives ("EMI")

legislation contained in Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 (“Schedule 5”) the details of which are set out at paragraph 3.10 of this Part VIII. The EMI Options take the form of an individual contract (the “EMI Option Agreement”) between the Company and each of the relevant Directors or employees.

12.1.1 *Tax Treatment*

The EMI Options are to be granted over the Ordinary Shares (the “Option Shares”) of the Company. Provided the EMI Option is not capable of being exercised more than 10 years after the date of grant there will be no income tax or NIC liability on the occasion of the grant of the option.

If the option exercise price is set at below the market value of the Option Shares as at the date of grant the employees will be liable to income tax at the date of exercise on the discount, i.e. the difference between the option exercise price and the market value of the Option Shares as at the date of the option grant or, if lower, the market value of the Option Shares as at the date of exercise. In addition as the Option Shares will be readily convertible assets as a result of having a ready market, NIC will be due on this amount and both the income tax and any employee NIC due will have to be accounted for under the PAYE system.

Under the terms of the EMI Option Agreement the Company is entitled to be indemnified by the employees for all employer’s NIC liability arising on exercise. The employees would be entitled to a tax deduction on the amount so indemnified.

On the sale of the Option Shares the employee will be liable to capital gains tax on chargeable gains after any taper relief on the difference between the market value of the Option Shares at the date of disposal and the price paid for the acquisition of those shares subject to a credit for any income tax liability which may have already arisen on the exercise of the option. For taper relief purposes the period of ownership of the Option Shares starts from the date of grant of the EMI Option.

12.1.2 *Employee Eligibility*

Any employee of the Company or the Group who works either at least 25 hours per week or commits 75 per cent. of his working time to the business of the Company or the business of the Group and who does not already beneficially own either directly or indirectly through his associates more than 30 per cent. of the Ordinary Share capital of the Company may be granted an EMI Option.

12.1.3 *Individual Limit on Participation*

An individual employee’s participation under the EMI Option Scheme is limited so that the aggregate market value of the shares placed under the EMI Option Scheme, and of shares granted under any share option scheme approved by HM Revenue & Customs under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 (except those granted under a savings-related share option scheme) valued at the date of the grant of the EMI Option which is held by that employee, cannot exceed £100,000.

12.1.4 *Company Limit*

The maximum value of unexercised qualifying options (valued as at the date of grant) that may exist under an EMI Option Scheme is restricted to £3 million.

12.1.5 *Exercise*

The EMI Options to be granted will become exercisable on or after the third anniversary of the date of grant provided the Director or employee holding the EMI Option is still in continuous employment with the Company or the Group at that date. Any unexercised EMI Options will lapse on the cessation of employment except in the circumstances specifically prescribed under the Option Agreement. Early exercise may also be permitted in a Company takeover. In the event of a Company reorganisation the employees may be offered replacement options in the appropriate company involved in the reorganisation provided the relevant conditions set out in Schedule 5 are met.

12.1.6 *Non-transferability of options*

The EMI Options are non-transferable, except on death to the personal representatives of the employee. An EMI Option shall lapse immediately if it is purportedly transferred, mortgaged, charged or assigned.

12.1.7 *Variation of share capital*

For these purposes “variation” of share capital includes any capitalisation, rights issue, sub-division, consolidation or reduction or any other variation in the Ordinary Share capital of the Company occurring after the date of grant. Upon a variation of the Ordinary Share capital of the Company, the Directors may adjust either the number of Ordinary Shares an employee is entitled to acquire under the EMI Option Agreement or adjust the exercise price in a manner they consider fair and reasonable, provided this is confirmed in writing by the Company’s auditors and provided any such variation is approved in advance by the HM Revenue & Customs.

12.1.8 *Alterations*

Subject to procuring advance approval from HM Revenue & Customs the Directors may alter the provisions of the EMI Option Agreement provided any such variation is in writing and is signed by or on behalf of each party and it does not breach the provisions of Schedule 5.

12.1.9 *Disqualifying Events*

Schedule 5 sets out specific events which are to be treated as disqualifying events. The consequence of a disqualifying event occurring prior to the exercise of the EMI Options will be the loss of the qualifying status and the tax benefits under the EMI legislation unless the options are exercised within 40 days of the date of the occurrence of the disqualifying event.

Under the terms of the proposed EMI Option Agreements where certain disqualifying events occur the Board may permit exercise within the 40 day timescale or such longer period as they shall determine. Failure to exercise the option within the stipulated period would cause the option to lapse on the expiry of such period.

12.2 *The Worthington Nicholls Group plc Unapproved Share Option Scheme*

The Company has adopted an unapproved share option scheme “The Worthington Nicholls Group plc Unapproved Share Option Scheme”. Options have been granted to certain Directors. The details of these options are set out in paragraph 3.10 of this Part VIII. These options have not been granted pursuant to any statutory provisions and therefore do not enjoy the tax reliefs available under certain statutory schemes. They were granted for nil consideration and, save for a limited number, with no performance targets attached to them.

12.2.1 *Tax Treatment*

Income tax will be due on exercise on the difference between the market value of the option shares and the price paid for them. As the option shares will be readily convertible assets, NIC will also be due and both the income tax and any employee NIC will have to be accounted for under the PAYE system. Under the terms of the agreement pursuant to which the Unapproved Share Options are granted the option grantee agrees to indemnify the Company for all employer’s NIC liability on the exercise of the Unapproved Share Option.

Capital gains tax subject to taper relief will be due on disposal of the option shares on the growth in value between the date of exercise and the date of disposal. For taper relief purposes the period of ownership of the option shares starts from the date of exercise of the Unapproved Share Options.

12.2.2 *Exercise and Lapse*

Subject to the satisfaction of any applicable condition of exercise, the Unapproved Options may be exercised at any time on or after the third anniversary of the date of grant. If the option holders is an employee, director or consultant, they must continue to be so up to the period of exercise in order to be able to exercise the option unless the Board decides otherwise.

The Unapproved Share Options will lapse on the expiry of the tenth anniversary of the date of grant or on the cessation of full time employment. Early exercise is permitted in special circumstances such as a takeover of the Company.

12.2.3 *Non transferability of options*

The Unapproved Share Options are non-transferable and are personal to the option holder. The Unapproved Share Options shall lapse immediately if they are purportedly transferred, assigned or disposed of, except on death. The Unapproved Share Options may only be transferred on death to the option holder's personal representatives who are entitled to exercise the Unapproved Share Options during the period of twelve months from the date of death.

12.2.4 *Variations of share capital*

For these purposes "variation" means any alteration of the share capital of the Company which consists of or includes the creation or removal of a right or the imposition, variation or removal of a restriction attached to any shares in the Company; any conversion of shares in the share capital of the Company; and any other alteration to the share capital of the Company, including a capitalisation issue or rights issue or a sub-division, consolidation or reduction in the capital of the Company.

Upon a variation, the Board may vary either the number of shares the option holder is entitled to acquire on exercise of the Unapproved Share Options or adjust the exercise price, provided written confirmation is received from the Company's auditors that the course of action is in their opinion fair and reasonable.

12.2.5 *Alterations*

Any alteration to the terms of the individual option agreement will only be effective if agreed by both parties in writing.

13 Working Capital

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

14 Environmental issues

The Group is not aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Group.

15 Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) in which any Group company is involved by or against any Group company which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position or profitability.

16 Significant Changes

There has been no significant change in the financial or trading position of the Group since 31 March 2006, being the date on which the Company's latest audited interim accounts were prepared.

17 Arrangements relating to the Placing

- 17.1 On ● June 2006, (1) the Company, (2) the Directors Corporate Synergy, (3) the Selling Shareholder, and (4) Corporate Synergy entered into a placing agreement pursuant to which Corporate Synergy has agreed, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 12 June 2006 (or such later time or date as the Company and Corporate Synergy shall agree being not later than 30 June 2006) to use its reasonable endeavours to arrange for relevant placees to subscribe for the New Placing Shares and to purchase the Sale Shares. The Placing has not been underwritten. The Company will pay to Corporate Synergy a fee and a commission on the total aggregate value at the Placing Price of the New Placing Shares and the Selling Shareholder shall pay to Corporate Synergy a commission of four per cent. on the total aggregate value at the

Placing Price of the Sale Shares, together in both cases with all costs and expenses and VAT where appropriate; provided that Corporate Synergy will not be entitled to recover fees or expenses under the Placing Agreement to the extent that such fees and expenses have already been recovered pursuant to the agreement referred to in paragraph 9.16 above. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees payable in connection with Admission and the fees of the registrars. The Placing Agreement contains certain warranties given by the Company, the Directors and the Selling Shareholder in favour of Corporate Synergy and an indemnity from the Company and the Directors in favour of Corporate Synergy. Corporate Synergy may terminate the Placing Agreement in specified circumstances prior to Admission, including in the event of a breach of the warranties contained in the Placing Agreement. The liability of the persons giving the warranties (other than the Company) is limited in certain respects.

- 17.2 On ● June 2006, an option agreement made between (1) the Company and (2) Corporate Synergy pursuant to which the Company has agreed, conditional upon Admission, to grant Corporate Synergy an option to subscribe for Ordinary Shares up to a maximum of ●. This option will vest on the date of Admission. The exercise price in respect of the first ● shares over which the option is exercised will be ●p per Ordinary Share. The exercise price in respect of the second ● shares over which the option is exercised will be ● per Ordinary Share. The exercise price and the number of shares over which the option can be exercised are subject to adjustment in certain circumstances. The option will lapse at midnight on the fifth anniversary of the date of Admission to the extent that it is not exercised before that date.
- 17.3 The arrangements relating to the VCT Placing are summarised in paragraph 9.16 of this Part VIII.

18 Related Party Transactions

- 18.1 By an agreement dated 27 July 2004 and made between (1) WNL and (2) Alexander Court Developments Limited (“**Alexander Court**”), WNL agreed to sell to Alexander Court the land and buildings at Burstock Street, Peary Street and Bilbrook Street, Manchester (the “**Manchester Property**”) (the “**Agreement for Sale**”). Alexander Court is a company of which David Levis is a director. David Levis is a shareholder of Noah North West Limited, of which Alexander Court is a wholly owned subsidiary. The Agreement for Sale obliged WNL to sell the Manchester Property to Alexander Court for a consideration of £1,600,000 subject to satisfaction of the pre-conditions. The pre-conditions included, inter alia, Alexander Court receiving appropriate planning permissions and written licences to assign the leases under which WNL occupied the Manchester Property. The transfer of the Manchester Property between (1) WNL and (2) Alexander Court completed on 5 October 2004 for the proposed consideration of £1,600,000. A sum of £800,000 was paid at completion and the remaining £800,000 was to be paid six months later. The outstanding £800,000 has been paid by Alexander Court. Alexander Court granted to WNL a short lease for a term of two months from 5 October 2004 to enable WNL to complete its relocation to new premises. WNL no longer occupies the Manchester Property. All of the transactions set out in this paragraph 18.1 were entered into at arm’s length for full market value.
- 18.2 The landlord of the leased head office premises of AS Nicholls is the Seasonmaster Executive Pension Scheme. The trustees and the beneficiaries of the Seasonmaster Executive Pension Scheme include Peter Worthington, Mark Worthington and Elaine Butterworth. The rent payable is £12,000 per annum. All transactions arising out of this arrangement have been entered into at arm’s length for full market value.
- 18.3 The landlord of the leased residential property occupied by WNL in Cheadle is Southworth Property Developments Limited (“**Southworth**”). The sole director of Southworth is Peter Worthington, the Group’s chairman, and Peter Worthington, Mark Worthington and Elaine Butterworth own shares in Southworth. The rent payable is £1,500 per month. All transactions arising out of this arrangement have been entered into at arm’s length for full market value.
- 18.4 On ● 2006, Rutzler Filter Europe Limited, now called RFE Filters Limited, (“**RFE**”), a company in which Peter Worthington is a shareholder and director sold its business and assets to Volz Filters UK Limited (“**Volz**”) and entered into an agreement made between (1) Volz, (2) RFE and (3) WNL. Under the terms of the sale and purchase agreement RFE and WNL agreed to procure

that the Group enters into agreements to purchase goods from Volz on favourable terms. In addition, RFE and WNL have entered into restrictive covenants in relation to the provision of services competitive with the business of Volz. WNL has agreed to act as guarantor in respect of RFE's obligations and liabilities under the agreement.

- 18.5 None of the above transactions are considered material either in the context of the Proposals or in the context of the turnover of the Group in the relevant periods.

19 Selling Shareholder

Peter Worthington, the Chairman, is selling 2,400,000 Ordinary Shares prior to Admission, representing 3.69 per cent. of the Enlarged Share Capital.

20 General

- 20.1 It is estimated that the total expenses payable by the Company in connection with the Proposals will amount to approximately £930,000 (including VAT).
- 20.2 Corporate Synergy has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 20.3 HW Corporate Finance has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in respect of Parts III to VI in the form and context in which they appear.
- 20.4 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 Group's business.
- 20.5 There have been no interruptions in the business of the Group, nor are there any significant recent trends, which may have or have had in the 12 months preceding the publication of this document a significant effect on the financial position of the Group or which are likely to have a material effect on the prospects of the Group for the next 12 months.
- 20.6 The Placing Price represents a premium of 49p over the nominal value of 1p per Ordinary Share. The premium arising on the Placing amounts to approximately £7,350,000 in aggregate.
- 20.7 The Ordinary Shares are in registered form. No temporary documents of title will be issued.
- 20.8 Save as disclosed in this document there have been no payments by the Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 20.9 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 20.9.1 received, directly or indirectly from the Group within the 12 months preceding the date of application for Admission; or
- 20.9.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group, on or after Admission, any of the following:
- fees totalling £10,000 or more;
 - securities of the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - any other benefit with the value of £10,000 or more at the date of Admission.
- 20.10 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 20.11 Save as disclosed in this document, there are no investments in progress which are significant to the Group.
- 20.12 The financial information contained in Parts III to VII of this document do not constitute statutory accounts within the meaning of section 240 of the Act. The Company does not have any historical or financial information except as set out in this document.

- 20.13 This document does not constitute an offer to sell, or the solicitation of an offer to acquire, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful. The Ordinary Shares have not been, and will not be, registered under the US Securities Act or under the applicable securities laws of any state of the United States, any province or territory of Canada, Japan, The Republic of South Africa, Australia or the Republic of Ireland and may not be sold, directly or indirectly, within the United States or the Excluded Territories or to any citizen, national or resident of the United States or the Excluded Territories.
- 20.14 The information in Part I of this document which has been sourced from Market and Business Development and Daikin has been accurately reproduced and so far as the Company is aware and has been able to ascertain from information published by each of them, no facts have been omitted which might render the reproduced information inaccurate or misleading.
- 20.15 This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including such terms as “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “expects”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not matters of fact. They appear in a number of places throughout this document and include statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation: conditions in the markets, the market position of the Group, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the AIM Rules or other legal or regulatory requirements, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

21 Documents available for inspection

Copies of the following documents may be inspected at the Registered Office of the Company and at the offices of Corporate Synergy during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until one month following Admission:

- (a) the memorandum of association and the Articles of the Company;
- (b) the material contracts referred to in paragraph 9 above;
- (c) the Directors’ service contracts and letters of appointment;
- (d) the consent letters referred to in paragraph 20 above;
- (e) the letter from HW Corporate Finance set out in Parts III, IV, V, VI of this document; and
- (f) this document.

Dated ●

