



darwengroup™



Darwen Holdings plc
Admission to trading on AIM

Nominated adviser and broker
Cenkos Securities plc

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DARWEN HOLDINGS PLC

(incorporated and registered in England and Wales under number 06481690)

Admission to trading on AIM Nominated Adviser and Broker Cenkos Securities plc

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Neither this document nor the Ordinary Shares have been, nor will be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America or any applicable securities laws of Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of, or any person located in, the United States of America, Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland. This document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Copies of this document shall be available for collection only, free of charge, from the offices of Cenkos, Cobbetts and from the Company at its registered office during normal office hours on any weekday (except Saturdays, Sundays and public holidays) for a period of one month from the date of Admission.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	20 February 2008
Admission and dealings in Ordinary Shares expected to commence on AIM	25 February 2008

MARKET STATISTICS

Total number of Ordinary Shares in issue at Admission	49,293,145
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DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Roy Stanley (<i>Executive Chairman</i>) Andrew Brian (<i>Chief Executive Officer</i>) John Fickling (<i>Non-Executive Director</i>)
Registered Office	Lower Philips Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5UD
Company Secretary	Cobbetts (Secretarial) Limited C/o Cobbetts LLP 58 Mosley Street Manchester M2 3HZ
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Solicitors to the Company	Cobbetts LLP No 1 Whitehall Riverside Whitehall Road Leeds LS1 4BN
Solicitors to the Nominated Adviser	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
Reporting Accountants	Baker Tilly Corporate Finance LLP 2 Whitehall Quay Leeds LS1 4HG
Auditors	Baker Tilly UK Audit LLP 2 Whitehall Quay Leeds LS1 4HG
Registrar	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

PART I

INFORMATION ON THE GROUP

1. Introduction

Darwen Holdings Plc (“Darwen” or the “Company”) specialises in the design, assembly and supply of single and double deck buses to bus service operators in the UK through its subsidiary, Darwen Ltd.

Darwen Ltd was established in August 2007 from the business and assets of East Lancashire Coach Builders Limited (“ELC”) and in November 2007 acquired certain trade assets of Leyland Product Developments Limited (“LPD”). Since its formation, Darwen Ltd has been investing in its brand and infrastructure and building on its strong reputation in the market place for producing top-quality conventional diesel buses. During 2007 the Group built 170 units and has a strong order pipeline for 2008.

The Directors intend to establish Darwen as a leading vehicle manufacturing business. In addition to continuing to produce the conventional diesel models, the intention is to develop a line of hybrid vehicles which will enable the Company to provide low emission solutions to the Group’s existing and new customers in the UK and further grow its customer base. The Directors believe that the combination of technical know how, design innovation and engineering excellence contained within the Group give Darwen an opportunity to become a leading passenger vehicle assembly business and provider of low emission buses.

The Board believes that market demand for Darwen’s existing products will strengthen as a result of the Department of Transport’s overall transport strategy to facilitate the increased use of public transport in the UK. The Directors further anticipate that this transport strategy, combined with Government and social pressures to reduce society’s impact on the environment will create further opportunities for the Group in the lower emission vehicles marketplace. The Directors believe that the acquisition of certain trade assets of LPD in November 2007 has brought a complementary range of skills to the business which will enable the Group to capitalise on this opportunity. As such, Darwen is developing the next generation of low emission buses including buses powered by diesel electric hybrid technology.

The Directors expect that Admission will raise Darwen’s profile with commercial partners and customers and provide access to further capital thus supporting the Group’s growth and strategic progress.

2. Key strengths

The Board believes that the Group has a number of key strengths including:

- *high level technological and design capabilities* – with its skilled and experienced design and engineering staff, the Group is well placed to implement new hybrid technology and volume produce low emission buses;
- *strong brand in the bus industry* – with its existing products the Group has good relationships with a number of the major operators in the UK and is well placed to develop into a complete vehicle supplier and introduce hybrid buses to the market;
- *strong market* – the market place in which the Group operates is strong and growing. The annual demand for high capacity buses in the UK alone has consistently been around 1900 units with an annual market value of £342m;
- *experienced management team* – the Group has a strong and well regarded operational management team with a track record of achieving profit on underperforming businesses, implementing new technology and cost control mechanisms and managing supply chains, whilst maintaining customer focus;
- *infrastructure, process and work force* – since the incorporation of Darwen Ltd the management team has implemented significant changes and enhancements to the manufacturing facilities in order to improve production. Investments have also been made in ICT equipment and processes to improve both communications and operational efficiencies;

- *ability to exploit and capitalise on the operating synergies which exist in the Group* – as a result of the combination of skills and expertise acquired from both ELC and LPD the Group possesses characteristics which the Directors believe will provide a strong platform from which to develop hybrid vehicles; and
- *cash generation* – Darwen Ltd has a strong order book with its current manufacturing and after market service business, which the Directors expect to deliver strong cash generation.

3. East Lancashire Coachbuilders

ELC was founded in 1934 and originally manufactured lorries, lorry cabs and vans. In 1938 the company expanded its operations to include the manufacture of buses, initially for municipal bus companies. In order to facilitate and streamline the production process a new site was identified and the company moved to its current location on the Whitebirk Industrial Estate in Blackburn in 1994.

In 1995 ELC became a licensee of Alcan Alusuisse, a form of structural body design. Following this, all bus bodies were manufactured using their innovative and high quality aluminium bolted body system. ELC has introduced several new models to the market since 1997 most notably, the low floor Spryte and Flyte bodies on Dennis and Scania chassis.

In early 2007, British City Bus Limited (“BCB”) and its two subsidiaries, ELC and North West Bus and Coach Repairers Limited (“NW”) experienced financial difficulties. This was caused, principally, by ELC’s difficulty in sourcing Euro 4 compliant chassis (which relates to gas emission levels and impacts on chassis and engine configuration) leading to a reduction in production and resultant cash flow difficulties. BCB was put into administration in August 2007 and Darwen Ltd acquired the trade and certain assets of ELC, BCB and NW on 17 August 2007.

Darwen supplies single and double deck buses to national and local bus service operators in the UK. Currently these buses use conventional diesel technology but the Directors aim to bring to the market a range of buses powered by hybrid technology. Over time, the Directors expect the majority of sales to come from hybrid buses.

Darwen’s product line currently consists of 3 basic models of bus:

<i>Model</i>	<i>Details</i>
Olympus	Double Deck Seat 68–100
Visionnaire	Double Deck (open top) Seats 68–100
Esteem	Single Deck Seats 34–43

Options are available on each of these buses to allow customers to tailor the vehicles to their specific requirements.

Customers

Darwen supplies to well known national and local bus service operators in the UK including, Arriva, Scania (GB), First Group, Go Ahead Group and Metroliner. Sales enquiries arise from a variety of sources and the Directors believe that the Group’s new product portfolio will give the Company the ability to significantly increase sales. Traditionally sales enquiries arise from third parties including:

- group operating companies such as Stagecoach, Arriva and Go Ahead (Brighton & Hove Bus Company);
- individual bus operating companies such as Nottingham, Preston Bus and Cardiff Bus;
- chassis manufacturers such as Scania, Volvo and MAN; and
- finance companies such as Alliance and Leicester, Dawson Rentals and Hansar Finance.

It is expected that organic sales growth will be achieved through the introduction of the new product portfolio and competitive pricing, enabling Darwen to increase its market share in the UK and to expand into pan European markets.

Production

The Group manufactured and sold an average of 3.18 buses per week in 2007. The Group has and will continue to streamline the production process and the Directors estimate that production will be increased to six buses per week by June 2008. The Directors have identified areas in the current production process that are inefficient and have effected changes to improve the production process. For example, bus completion times have been impacted due to supply chain deficiencies. The Board believes that a combination of strategic out-sourcing, streamlining of the stock ordering process and material handling will deliver a reduction in the production hours per vehicle. The Board has implemented a review of the Group's staffing requirements to ensure that the Group is supported by the appropriate mix of experience and new skills. Results of this review have already been evidenced by an increase in output per operative.

Facility

The current facility in Blackburn is 90,000 square foot and has a workforce of 252 people. In 2007, 170 buses were built at the Blackburn plant. The Directors believe that the market for high capacity city buses will grow significantly and they have identified a new facility which they believe would allow a significant increase in production capacity. The current facility in Blackburn has space to provide between 26–30 buses. The Directors believe that as a result of the additional space provided by the new facility and investment and rationalisation, the short term production target will increase from six buses per week to twelve buses per week thereby giving the Company the capacity to grow its market share from the current 20 per cent. of the double deck market in the UK.

4. Leyland Product Developments

LPD, based in Leyland, Lancashire was established in 1994 following a management buyout of the product development division of the Volvo Corporation. The Directors believe that LPD has a strong reputation for designing commercial chassis and body structures for the bus and truck sector but also encompasses a manufacturing arm that carries out special vehicle conversions and prototype builds. Services that have been provided in the past include design projects such as natural gas vehicle installations, bus body optimisation and truck cab suspension consultancy.

LPD has, for over twelve years, delivered leading edge new commercial vehicle design programmes to major bus, coach and truck manufacturing companies such as Scania and Volvo. The staff of 30 has a valuable skill set which the Directors believe will ensure the competent delivery of the new vehicle programmes for the Group.

On 23 November 2007 the business and trade assets of LPD were acquired by Darwen LPD. These assets included the business name, customer contracts, goodwill, intellectual property, plant, stock, debtor books and records.

5. Market Overview

According to published statistics and market commentators the UK market for high capacity city buses is expected to grow significantly from its current level of 1,900 units per year as a result of the demand for lower emission vehicles and the replacement of ageing fleets.

The UK bus industry's requirement for new vehicles is estimated to be as follows:

	<i>Single Deck</i>	<i>Double Deck</i>	<i>Total</i>
Overdue	285	2202	2487
Due by 2011	2700	3300	6000
Due by 2016	5000	6000	11000

The Group has relationships with most of the major bus operators in the UK, including Arriva, Stagecoach and First Group, with no one operator comprising more than 15 per cent. of the Group's turnover.

In addition, market commentators forecast that, largely as a result of the growth in the Indian and Chinese markets, the total global market for buses over eight tons GVW will grow from 225,000 in 2006 to more than 270,000 units in 2008.

There are currently only about twenty hybrid buses operating in the UK. The majority of these have been supplied to London based operators via Transport for London (“TfL”) using equipment sourced from the USA. The USA has the largest fleet of hybrid buses in the world. These are operated in a number of cities. The hybrid bus first appeared, in volume, in the USA in the late nineties and there are now around 2,000 vehicles of various types in service. It is understood that the majority of the hybrid buses in service in the UK do not have regenerative braking and so do not benefit from maximising the opportunity for re-charging the vehicle’s battery whilst in service and therefore do not achieve the levels of energy regeneration, fuel savings and emission reductions that the Directors expect to achieve with Darwen’s diesel electric hybrid vehicles.

TfL is also investing heavily in hybrid vehicles in order to reduce the fuel consumption and emissions of the vehicles used by operators on the TfL routes and is directly subsidising the increase in the purchase price of a hybrid bus over the equivalent conventional bus. TfL is working with the Company in the development of the hybrid product and assisting in providing the Company with input based on the operational experience it has had with its current fleets. Two further London operators have also agreed to help in the development of the Darwen hybrid product.

6. Opportunities for growth

Historically, the Group’s vehicles have utilised traditional diesel powered technology. The Directors intend to increase the production and sales of its existing product through improved manufacturing processes and the strengthening of the sales team. It is intended that these improvements will involve investing in plant and equipment, internet and communication infrastructure. At the same time, the Directors believe that there is a strong desire from bus operators for a more fuel efficient, affordable, and higher capacity bus and a lower emission alternative to the traditional diesel powered vehicles.

Darwen’s new product suite is expected to deliver a complete vehicle solution to its customers. The programme has at its core a light weight, diesel engined vehicle with a low emission hybrid variant. In the field of automotive engineering, the hybrid term has become associated with combining electrical energy and mechanical energy to drive a motor vehicle. The electrical energy is used to drive a motor that either replaces the role of the internal combustion engine (“ICE”) and gearbox or augments the power available from the ICE. The electrical energy is supplied from an on-board storage device such as a battery and is provided to the battery by on-vehicle charging either from a generator driven by an ICE or re-generation during the retardation of the vehicle or in some instances, opportunistic off-vehicle charging of a vehicle’s battery pack. The mechanical energy is generated by burning fuel in an ICE that either drives a generator or drives through a motor/generator machine. The main purpose of using hybrid technology in a vehicle is to optimise the use of both energy forms in order to bring about an overall reduction in fuel consumption and emissions from a vehicle.

The semi-integral double deck body arrangement in the Group’s new product suite will be the first “complete vehicle” product from Darwen. The new products will require significant innovations being made to the manufacturing process and it is intended that these innovations will materially reduce the number of man hours required for final assembly. The technology required will be supplied from both internal and external sources and with the experience of LPD, the Directors believe that Darwen is well positioned to develop a market leading range of hybrid bus products. The in-house skills within the Group include, but are not limited to, complete vehicle engineering and chassis design together with body and systems design. The Directors believe that these skills will offer many innovations and will play an integral part in expanding the range of products offered by the Group whilst reducing its dependency on the bus chassis manufacturing companies.

Following the introduction of the base double deck product, a single deck variant will be developed, with both the vehicles providing increased passenger capacity in comparison to the Group’s current vehicle range.

The Directors believe that there are a number of factors influencing the market for new buses and effecting bus operators as they seek a competitive advantage, including:

Fuel Economies

Increasing fuel costs are impacting upon operator profitability. Hybrid systems can provide a fuel cost saving to operators of up to 25 per cent.

Environment /Climate Change

The national desire in the UK to reduce carbon emissions has the potential to lead to an increase in the use of public transport and replacement of the current bus fleet with more environmentally friendly buses;

Introduction of Low Emission Zones (“LEZ”) and Congestion Charging

- The SMMT estimates that there are around 22,000 heavy-duty coaches in the UK, of which 8,000 date from the 1980s or earlier. On present replacement cycles it is believed that by 2010 only 3,000 coaches would be eligible to enter the LEZ without paying;
- The SMMT also suggests that whatever standards are adopted in London could be copied by other urban areas. Were this to be the case, it is likely that the schemes would affect local buses as well as coaches due to the older age profile of the bus fleet outside London;

Quality

Quality incentive contracts for London’s bus service were introduced in October 2001. Under these contracts bus operators are given incentives and deductions relating to delivering quality and reliability according to set targets. The performance of each route is monitored by TfL and national and local authorities. Action can be taken at any time if the bus or route is not up to standard. Contracts are awarded in tranches for routes and are for five years with an option for a two-year extension. Around twenty per cent of the market comes up for re-tender in a year and the Directors believe that these quality incentive contracts will underpin the demand for new buses;

Accessibility

Removal of step access buses to meet requirements of the Disability Discrimination Act by 2014 for single deck and 2017 for double deck will have an impact on replacement profile; and

Responsiveness

Operators require integration of activities that allow a quicker response to their needs. Operators are increasingly looking for a “single source” solution providing the bus, service and maintenance as well as an appropriate finance package.

In addition to these issues, the Directors believe that there are a number of factors impacting on investment in buses, including:

- TfL having given the green light to the introduction of hybrid buses in London to reduce greenhouse gas emissions, air pollution and noise. Around 60 buses will be phased into the TfL fleet by March 2008 with a further 500 being phased in by March 2011.
- TfL has indicated that it will require all new buses to be of the hybrid variety by 2012.
- The London Olympics will have an impact on investment. It is estimated that 1100 additional buses will be required to meet the transport requirements.

7. Addressing the Growth opportunities

The Directors believe that Darwen is well placed to capitalise on these opportunities as follows:

Design

The Company is designing a new generation of chassis and body in order to produce complete buses that have an increased passenger carrying capacity and can be manufactured more efficiently. It is expected that this, together with the inclusion in the product range of alternative drive technologies that deliver buses that are less polluting and thus less damaging to the environment, will be an attractive proposition for bus operators. Through innovative design it is expected that Darwen’s buses will be both ergonomically more convenient to use and the cost of operation will be significantly lower than that for

the older generation buses. The new product development programme is currently concluding the initial design concept phase with detailed design due to commence by March 2008. A prototype build is scheduled for June 2008.

Joint Ventures

Darwen intends to work in collaboration with global partners in developing technologies that address the issues of fuel economy, environmental controls and passenger access. The Company is currently in dialogue with several vehicle manufacturers/component suppliers in the Far East and has had advanced discussions with suppliers of low emission drive lines in the USA.

Capacity

Darwen intends to increase production capacity by efficiently managing a low cost supply chain and integrating the manufacturing processes.

After sales service

The Directors recognise that in supplying a complete vehicle, the Company's customer support operation must be capable of supporting the product and not just the body side of the vehicle. In order to facilitate this, key suppliers for the complete vehicle will be selected taking into consideration their own after sales product support.

Parts supply operation

Darwen has an extensive number of vehicles in the field from its current business and that of the former ELC business. All of the Company's vehicles require spare parts, mostly through acts of vandalism and accident damage. The parts supply operation is a significant revenue earner and the Directors expect that it will be developed further through more effective marketing to customers for body parts and the additional scope of parts required by a complete vehicle.

As well as expecting to deliver strong organic growth the Directors will consider strategic acquisition opportunities where appropriate.

8. Competition

The Directors are of the opinion that there is no one competitor who offers the same in-house technical capability as the Group or that has the flexibility to develop the products required by the market in the same way as Darwen. The Directors recognise that the Group competes generally with UK bus, coach and bodybuilder manufacturers and consider the Group's main competitors to be:

- ***Alexander Dennis (ADL)***
Located in Falkirk and Guildford, this business has both a chassis and body building division. Its body building business currently has around 30 per cent. of the heavy bus market.
- ***Wrightbus Group***
Located in Ballymena, this business also has around 30 per cent. of the body building business for the UK's heavy bus market. It currently does not supply complete vehicles but has announced its intention to do so in the future.
- ***Optare***
Located in Leeds and Rotherham, this business has around 5 per cent. of the current heavy bus market but also builds a range of lighter buses and some of these have been built with hybrid drive lines.
- ***Plaxton***
Located in Scarborough, this business is now part of the ADL Group and whilst predominantly a supplier of coach bodies it also manufactures single deck bus bodies. Its market share of the bus body business is currently less than 3 per cent.

- ***Others***

The remaining 17 per cent. of the heavy bus business is currently provided by various overseas manufacturers who sell complete vehicles that are manufactured overseas and brought into this country. Such companies are the likes of Mercedes Benz (Evo bus) and Scania Omni.

9. Directors and Senior Management

The Board consists of three Directors in respect of whom brief biographies are set out below. The Directors expect to appoint a further non-executive Director as soon as practicable following Admission. Details of service contracts relating to the Directors are set out in paragraph 6.8 of Part VI of this document.

Roy Stanley (aged 56), Executive Chairman

Roy has a strong background in growing businesses. Roy was responsible for strategic and business development at Express Group from 1996 to 1999 and his experience over the past fifteen years has included managing directorships in a manufacturing business involved in providing capital equipment for the automotive market, a vehicle manufacturing business and as a corporate director of a engineering group. Roy is Chairman of the Tanfield Group plc, a company which manufactures zero emission electric vehicles and aerial work platforms. He also holds directorships at Walkerwalls Limited, Training and Development Resource Limited, Obus Plc, Young Enterprise North East Limited and Lovely Bubbly Limited. He has a strong interest in Enterprise Education and is also involved in a number of local charitable activities. He is a graduate with an MBA from the University of Newcastle upon Tyne.

Andrew Brian (aged 42), Chief Executive Officer

Andrew Brian led Darwen Group's acquisition of East Lancashire Coachbuilders in August 2007. Prior to this he held a number of board positions within private and publicly owned businesses, including Global Graphics. A graduate in Industrial Design Transportation, Andrew has knowledge and experience of product innovation, manufacturing, market development and international acquisitions.

John Fickling (aged 57), Non-Executive Director

John Fickling has considerable experience in the transport industry as a former major shareholder in Northumbria Buses and Kentish Bus. He was Chief Executive of Sunderland AFC for seven years and Executive Vice Chairman for four years, where he oversaw the building of the Stadium of Light and the new training academy and had significant involvement in its full stock market listing in the late 1990s. John has a keen interest in environmental issues, particularly in relation to public transport. John is the Chairman of the remuneration committee and a member of the audit committee.

Finance Director

The Company is seeking to appoint a Finance Director and expects to have made an appointment prior to May 2008.

10. Senior Management

Chris Powell, Group Operations Director

Chris Powell is an operations professional with wide ranging experience in a broad cross-section of businesses. Accountable for the operations at Darwen Group including supply chain, production quality and health and safety, Chris is also responsible for human resources. Prior to joining Darwen he spent eight years at Avery Dennison, a global supplier of self-adhesive materials to the FMCG sector.

Mark Houlton, Product Development Director

Mark Houlton initially joined Leyland Truck & Bus as an electrical system designer, before becoming the Vehicle Systems Manager for the Leyland Rail Products Team. Following Volvo's acquisition of Leyland Truck & Bus in 1985, Mark became responsible for prototype, test and development services within the Volvo Bus organisation. A co-founder of LPD when it became independent through a management buy-out, Mark was Managing Director until the firm's acquisition by Darwen Ltd in November 2007. As Group Product Development Director for Darwen, Mark is now responsible for developing and bringing to market the Company's new products.

John Horn, Sales Director

John Horn has been employed as Sales Director of ELC and now Darwen Ltd for a total period of 12 years. He is responsible for revenue generation, business, development and key account management.

Charles Murray, Technical Director,

Charles Murray joined Leyland Truck & Bus in August 1976. During his years with Leyland Truck & Bus, Volvo Bus and LPD, he has held a number of senior management positions, most recently overseeing the Scania Omni and Double Deck bus projects. Charles has extensive expertise in all aspects of vehicle design, particularly in the field of vehicle dynamics, where he has been involved with many brakes, steering and suspension projects throughout Europe and South East Asia. As Technical Director at Darwen LPD, Charles leads an experienced design and analysis team and has a considerable technical input into all of the company's projects.

11. Share Option Scheme

The Company recognises the need to attract, incentivise and retain employees and therefore intends to adopt an appropriate share option scheme following Admission.

12. Dividend policy

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the years immediately following Admission. The Directors believe that the Company should seek to generate capital growth for its Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits, when it becomes commercially prudent to do so.

13. Environmental issues

Darwen Ltd is the holder of two environmental permits from Blackburn with Darwen Borough Council dated 4 January 2008 for coating / re-spraying road vehicles – LA PPC Permit BB60 (Whitebirk Industrial Estate, Blackburn) and LA PPC Permit BB95 (Appleby Business Centre, Blackburn).

14. Taxation

Information regarding taxation is set out in paragraph 11 of Part VI of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.

15. Corporate governance and internal controls

The Directors recognise the importance of sound corporate governance. The Directors intend, insofar as is practicable given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code.

The Directors have established an audit committee and a remuneration committee. The remuneration committee will determine the terms and conditions of service, including the remuneration and grant of options to executive Directors. The audit committee has primary responsibility for monitoring the quality of internal financial controls and ensuring that the financial performance of the Company is properly measured and reported on, and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls.

The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will also take all reasonable steps to ensure compliance by the Company's applicable employees. The Group has adopted a share dealing code which is on the same terms as the Model Code on share dealings set out in the Listing Rules made under Section 73A of FSMA as in force as at the date hereof and this share dealing code will apply to the Directors and applicable employees of the Group.

16. Lock-in and orderly market arrangements

Certain of the Directors who hold, or are interested in, an aggregate of 25,750,000 Ordinary Shares representing 52.2 per cent. of the Enlarged Share Capital, have entered into lock-in and orderly market arrangements in respect of all of their shareholdings, the terms of which are described more fully in paragraph 9.3 of Part VI of this document.

Under the terms of these arrangements, certain of the Directors have, conditional on Admission, agreed (except in certain limited circumstances) not to sell, transfer or otherwise dispose of any Ordinary Shares held by them for a period of 12 months following Admission without the consent of Cenkos.

Certain of the Directors have also agreed that, during the period of 12 to 24 months following Admission, any sale or disposal of their Ordinary Shares will be effected through the Company's broker on a best price and execution basis.

17. Settlement, dealings and CREST

Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 25 February 2008. No application has been made, or will be made for the Ordinary Shares to be admitted to trading or to be listed on any other stock exchange.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of the Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. All of the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

18. Risk factors

The Group's business is dependent on many factors and potential investors are advised to read the whole of this document and in particular Part II entitled "Risk Factors".

19. Additional information

Your attention is drawn to the additional information set out in Parts II to VI of this document.

PART II

RISK FACTORS

Potential investors should carefully consider the specific risks described below before making a decision to invest in the Company. If any of the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Group's results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group, which are described below and elsewhere in the document. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Group's business. The information set out below does not constitute an exhaustive summary of the risks affecting the Group and is not set out in any order of priority. In particular, the Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or any of its subsidiary companies operate or intend to operate as well as overall global financial conditions.

General

- Prior to Admission, there has been no public market in the Ordinary Shares. Whilst the Company is applying for Admission of the whole of the Ordinary Share capital of the Company to trading on AIM, there can be no assurance that an active trading market for Ordinary Shares will develop, or if developed, that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide liquidity normally associated with the Official List or other Exchanges.
- The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may be, or may become, illiquid (particularly given the lock-in arrangements described in paragraph 16 of Part I) and therefore the Ordinary Shares may be or may become difficult to sell.
- An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an independent financial adviser authorised for the purpose of FSMA which specialises in the acquisition of shares and other securities in the UK before making any decision to invest.
- The market price of the Ordinary Shares may be subject to fluctuations in response to many factors, including variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Group's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares.

Share price volatility and liquidity

- The market price of Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or other securities or in response to various facts and events, including variations in the Group's interim or full year operating results and business developments of the Group and/or competitors.
- The market price of the Ordinary Shares may not reflect the underlying value of the Group.
- Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.

Operating history

- The Company itself has no prior operating history although it has acquired businesses or assets of businesses with operating histories. The Company's management has relevant experience in the management of similar businesses, of early stage businesses, project management and other relevant skills. The success of the Group is dependent upon the extent to which it is successful in its expansion programme. There can be no assurance that the Group will operate profitably or remain solvent. If Group's plans prove unsuccessful, the Shareholders could lose all or part of their investments.
- Whilst the Group has a full order book that extends beyond July 2008 and orders continue to be received, the Directors cannot guarantee receipt of future orders.
- The Company's ability to achieve profitability is dependent on a number of factors and the Group may incur operating losses.

Acquisition of assets out of administration

- In acquiring certain trade and assets (including intellectual property) of BCB, ELC, NW and LPD (each when in administration), Darwen Ltd did not receive the benefit of any warranties or indemnities in respect of those assets from BCB, ELC, NW or LPD or from their administrators. It therefore acquired those assets together with any potential risks and liabilities associated with them. Whilst such provisions are not unusual when acquiring assets from companies in administration, there can be no guarantee that liabilities will not be encountered in the future.

Strategy

- There can be no certainty that the Group will be able to implement successfully the strategy set out in this document.
- The ability of the Group to implement its strategy in a competitive market requires effective planning and management control systems. The Group's future growth will depend on its ability to expand and improve operational, financial and management information and control systems in line with the Group's growth. Failure to do so could have an adverse effect on the Group's business, financial condition and results of operations.
- There may be a change in government regulation or policies that materially and adversely affects the Company's ability to implement successfully the strategy set out in this document.

New vehicle programme

- The growth of the business is to a large extent dependent upon the success of its new product development programmes. The Directors cannot guarantee that these programmes can be successfully delivered on time and to budget.

Early stage development of hybrid technology

- The hybrid technology upon which the Group intends to rely in the future is at an early stage of development. It may require further investment, research, development, testing and regulatory approval prior to full commercialisation. There can be no assurance as to the extent to which the hybrid technology, or any vehicles developed by the Group using the hybrid technology, will be able to penetrate its potential markets or gain market acceptance. There is a risk that the Group will be unable to develop the levels of reliability required by bus operators and that vehicles developed by the Group using the hybrid technology will not be sufficiently reliable in service.

Loss of key personnel

- Loss of key management could have adverse consequences for the Group. While the Group has entered into service agreements with each of the executive directors and senior management, the retention of their services cannot be guaranteed.
- The Group currently depends upon the expertise and continued service of key executives and other personnel. Furthermore, the Group's ability to expand its operations to accommodate its anticipated growth will depend on its ability to attract and retain additional qualified managers, finance, marketing, technical and other personnel. Competition for these employees is intense due to the

limited number of qualified professionals. The Group's ability to compete effectively depends upon its ability to attract new employees and to retain and motivate its existing workforce. If the Group fails to attract and retain such personnel it may be difficult for the Group to manage its business and meet its objectives and its operational result or financial condition may be adversely affected.

Competition

- The Group operates in a market where there are a number of competitors and it can be expected that competition will continue and/or increase in the future both from established competitors and new entrants to the market. The Group's competitors could include companies with greater financial, technical and other resources than the Company. Such competitors may compete directly with the Group for clients and industry personnel and may be in a better position than the Group to compete for future business opportunities. Competitors may be able to develop products that are more attractive to customers than the Group's products. In order to be successful in the future the Group will need to continue to respond promptly and effectively to the challenges of changing customer requirements. An inability to devote sufficient resources to the development of its products in order to achieve this, the development of more aggressive competition in the market in which the Group operates and/or the introduction of new entrants into those markets, could lead to a material and adverse effect on the Group's business, financial condition and operating results and could negatively affect the price of Ordinary Shares. Further information on the competition faced by the Group is set out in Part 1 of this document under the heading "Competition".

Risk relating to the business of the Group

Significance of major customers

- A relatively small number of customers account for a significant proportion of the Group's turnover at present. The Directors estimate that a limited number of customers will continue to represent a significant proportion of Darwen's sales for the foreseeable future. The loss of one or more key customers, fewer or smaller orders from them or the under-performance of any of Darwen's key customers could result in lower than expected turnover and could adversely affect Darwen's business, financial condition and operating results.

Supply chain

- Darwen are currently dependent upon key suppliers to ensure continuity of production. Interruption of such supply may have a detrimental effect on the Group's revenue stream and resultant operating results.

Customer relationships

- Darwen continues to trade with a number of customers, the future business of which cannot be guaranteed beyond the terms and conditions of existing contracts as referred to by separate disclosure.

Health and safety

- Although the Group is covered by insurance policies suitable for a business of its size in the industry in which it operates and has health and safety practices consistent with industry standards, there is no guarantee that a severe accident leading to a litigation claim against the Group will not happen. This could impact on the Group's reputation for health and safety and have an adverse effect on the Group's business, financial condition and operating results.
- Members of the engineering industry engage in operations which are inherently dangerous. The Group's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines, penalties, and/or litigation. Employees and former employees may in the future make claims against any member of the Group in respect of any injury or illness suffered as a result of their working conditions, which may in the aggregate have an adverse effect on the results of operations or financial condition of the Group.

Labour and union relations

- A significant proportion of Darwen's workforce is governed by the union, AMICUS. Whilst relations between the Group and AMICUS are reasonable and there has been a low level of intervention whilst the group restructuring has been in progress such intervention may increase in

the future. Were the union to become more active they could organise work stoppages or other activities which may be disruptive to production at Darwen's manufacturing site. This could adversely affect the Group's business, financial condition and operating results.

Environment

- The Group's operations are subject to environmental risks inherent in the engineering industry. Environmental and health & safety regulation may cover a wide variety of matters, including, *inter alia*, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. Local, regional and national authorities may adopt stricter environmental standards than those now in effect and may move towards more stringent enforcement of existing laws and regulations. The Group may require further approvals before it can undertake activities which may affect the environment. The Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations or previous operations at any of its properties. There may be existing or future unforeseen liabilities from the Group's activities which could potentially adversely affect the Group's future financial condition. The activities of the Group may be suspended if it has not complied with environmental laws and regulations.
- New legislation or regulations may also require the Company or its customers to change operations significantly or incur increased costs which could have an adverse effect on the results of operations or financial condition of the Group.
- The Company currently holds environmental permits for the site in Blackburn permitting it to coat and re-spray road vehicles. Whilst the Directors are not currently aware of any non compliance issues that may result in the removal of the permits if any such issues were to arise they could result in the revocation or amendment of the permits which could adversely affect the Group's business, financial condition and operating results.

Risks associated with the industry

- ***Changes in legislation***
Whilst every effort is made to comply with industry specific legislation, the Directors cannot guarantee that the introduction of new vehicle legislation will not have a detrimental effect on the performance of the business.
- ***Decrease in market demand***
The Directors have endeavoured to appraise themselves with information to assess current and future market demand. However, they cannot guarantee the accuracy of such forecasts and the resultant interpretation placed upon it.
- ***Introduction of new technologies***
It is expected that the introduction of new technologies will play a significant part in the development of the passenger service vehicle sector. The Directors cannot guarantee the delivery of such technologies.

PART III
FINANCIAL INFORMATION ON THE COMPANY
ACCOUNTANTS' REPORT ON THE COMPANY'S HISTORICAL
FINANCIAL INFORMATION

The following is the full text of a report on Darwen Holdings plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Darwen Holdings plc.



BAKER TILLY

2 Whitehall Quay
Leeds LS1 4HG
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The Directors
Darwen Holdings plc
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

20 February 2008

Dear Sirs

DARWEN HOLDINGS PLC (“the Company”)

We report on the financial information set out on pages 20 to 21. This financial information has been prepared for inclusion in the Admission Document dated 20 February 2008 (“the Admission Document”) of Darwen Holdings plc on the basis of the accounting policies set out in note 1.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the Historical Financial Information and in accordance with International Financial Reporting Standards as adopted for use in the European Union.

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 significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

Declaration

For the purposes of part (a) of Schedule Two to 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.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B3ST

FINANCIAL INFORMATION ON THE COMPANY

The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss and has neither declared nor paid dividends or made any other distributions since the date of incorporation. Accordingly, no income statement information is presented.

The Company was incorporated on 23 January 2008 with an authorised share capital of £600,000 divided into 60,000,000 ordinary shares of 1 pence each, of which 4 shares were issued on incorporation.

BALANCE SHEET

	<i>As at 31 January 2008 £</i>
Current assets	
Issued share capital unpaid	—
Net assets	—
Equity	
Share capital	—

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the historic financial information are set out below.

The historic financial information has been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (“Endorsed IFRS”) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under Endorsed IFRS.

In preparing the historic financial information the Company has not adopted the following standards and interpretations which are not mandatory for the period:

<i>Standard or Interpretation</i>	<i>Effective for periods beginning</i>	<i>Endorsed for use in the EU</i>
IFRS 8 Operating Segments	1 January 2009	✓
IAS 23 Amendment Borrowing costs	1 January 2009	×
IAS 1 Amendment Presentation of Financial Statements	1 January 2009	×
IFRIC 12 Service Concession Arrangements	1 January 2008	×
IFRIC 13 Customer Loyalty Programmes	1 July 2008	×
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction	1 January 2008	×

2. Share capital

	<i>Authorised</i>		<i>Issued and unpaid</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary shares of 1p each	<u>60,000,000</u>	<u>600,000</u>	<u>4</u>	<u>—</u>

The company was incorporated with 60,000,000 ordinary shares of 1 pence each.

All shares in issue were issued during the period as detailed below:

	<i>Number</i>	<i>Nominal</i>	<i>Premium</i>	<i>Consideration</i>
		<i>£</i>	<i>£</i>	<i>£</i>
23 January 2008 – Subscriber shares	<u>4</u>	<u>0.04</u>	<u>—</u>	<u>—</u>

3. Events after the balance sheet date

On 15 February 2008 the Company acquired the entire shareholding in Darwen Group Limited. The consideration was satisfied by the allotment and issue of 49,293,141 1 pence Ordinary Shares and the transfer of the 4 subscriber shares, each for 10 pence, a premium of 9 pence, credited as fully paid to the existing shareholders of Darwen Group Limited.

PART IV
FINANCIAL INFORMATION ON DARWEN GROUP LIMITED
ACCOUNTANT'S REPORT ON DARWEN GROUP LIMITED'S HISTORICAL
FINANCIAL INFORMATION

The following is the full text of a report on Darwen Group Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Darwen Holdings plc.



BAKER TILLY

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Leeds LS1 4HG
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The Directors
Darwen Holdings plc
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

20 February 2008

Dear Sirs

DARWEN GROUP LIMITED

We report on the financial information set out on pages 24 to 41. This financial information has been prepared for inclusion in the Admission Document dated 20 February 2008 (“Admission Document”) of Darwen Holdings plc on the basis of the accounting policies set out in note 1.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of Darwen Holdings plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the Historical Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union.

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 significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Darwen Group Limited as at the date stated and of its loss, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

Declaration

For the purposes of part (a) of Schedule Two to 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.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B3ST

**Consolidated income statement
for the 83 day period ended 31 October 2007**

	<i>Note</i>	<i>2007</i> £
Revenue	2	2,101,525
Cost of sales		(2,197,399)
Gross Loss		(95,874)
Other administrative expenses		(1,004,996)
Restructuring expenses	4	(916,983)
Amortisation of intangibles		(11,333)
Negative goodwill	24	460,323
Administrative expenses		(1,472,989)
Loss from operations	4	(1,568,863)
Finance income	6	6,947
Finance costs	6	(87,512)
Loss before taxation		(1,649,428)
Tax expense	7	231,294
Loss for the financial period attributable to equity holders	22	(1,418,134)
Loss per share		
Basic and diluted (pence)	8	(8.55)p

**Consolidated statement of changes in equity
for the 83 day period ended 31 October 2007**

	<i>Note</i>	<i>Share capital £</i>	<i>Convertible debt option £</i>	<i>Share premium £</i>	<i>Retained earnings £</i>	<i>Total £</i>
Net loss for the period	22	—	—	—	(1,418,134)	(1,418,134)
Total recognised income and expense for period		—	—	—	(1,418,134)	(1,418,134)
Issue of ordinary shares	21	2,810,947	—	110,102	—	2,921,049
Convertible loan notes	22	—	1,483,868	—	—	1,483,868
Cost of raising equity	22	—	—	(110,102)	—	(110,102)
At 31 October 2007		<u>2,810,947</u>	<u>1,483,868</u>	<u>—</u>	<u>(1,418,134)</u>	<u>2,876,681</u>

**Consolidated balance sheet
at 31 October 2007**

	<i>Note</i>	<i>2007</i> £
Assets		
Non-current assets		
Property, plant and equipment	10	313,784
Intangible assets	11	22,667
Total non-current assets		<u>336,451</u>
Current assets		
Inventories	13	3,472,635
Trade and other receivables	14	813,439
Cash and cash equivalents		1,908,104
Total current assets		<u>6,194,178</u>
Assets held for sale	25	<u>2,376,000</u>
Total assets		<u>8,906,629</u>
Liabilities		
Current liabilities		
Trade and other payables	15	(2,969,839)
Financial liabilities	16	(317,302)
Provisions	17	(1,025,368)
Total current liabilities		<u>(4,312,509)</u>
Non-current liabilities		
Financial liabilities	19	(1,717,439)
Total non-current liabilities		<u>(1,717,439)</u>
Total liabilities		<u>(6,029,948)</u>
Total net assets		<u>2,876,681</u>
Equity		
Share capital	21	2,810,947
Share premium account	22	—
Convertible debt option reserve	22	1,483,868
Retained earnings	22	(1,418,134)
Equity attributable to equity owners		<u>2,876,681</u>

**Consolidated cash flow statement
for the 83 day period ended 31 October 2007**

	2007 £
Operating activities	
Loss before tax	(1,649,428)
Adjustments for:	
Depreciation	13,303
Negative goodwill	(460,323)
Amortisation of intangibles	11,333
Interest income	(6,947)
Interest expense	87,512
Cashflows from operations before changes in working capital	<u>(2,004,550)</u>
Changes in working capital	
Increase in inventories	(2,520,511)
Increase in trade and other receivables	(587,333)
Increase in trade and other payables	2,940,321
Increase in provisions	320,909
Total changes in working capital	<u>153,386</u>
Net cash from operating activities	<u>(1,851,164)</u>
Investing activities	
Purchase of property, plant & equipment	(157,936)
Acquisition of business combination	(2,331,787)
Interest received	6,947
Net cash used in investing activities	<u>(2,482,776)</u>
Financing activities	
Net proceeds from issue of ordinary share capital	2,810,947
Net proceeds from issue of convertible debt	3,114,000
Interest paid	(205)
Net cash received in financing activities	<u>5,924,742</u>
Net increase in cash and cash equivalents	<u>1,590,802</u>
Cash and cash equivalents at 31 October 2007	<u>1,590,802</u>
	2007 £
<i>Cash and cash equivalents comprises:</i>	
Cash available on demand	1,908,104
Overdrafts	(317,302)
Cash and cash equivalents at 31 October 2007	<u>1,590,802</u>

Notes to the Historic Financial Information for the 83 day period ended 31 October 2007

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the historic financial information are set out below.

The Directors have prepared the historical financial information on the going concern basis because the Darwen Group has sufficient cash resources and available facilities to meet its forecast funding requirements for the foreseeable future.

The historic financial information has been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (“Endorsed IFRS”) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under Endorsed IFRS.

In preparing the historic financial information the Darwen Group has not adopted the following standards and interpretations which are not mandatory for the period:

<i>Standard or Interpretation</i>	<i>Effective for periods beginning</i>	<i>Endorsed for use in the EU</i>
IFRS 8 Operating Segments	1 January 2009	✓
IAS 23 Amendment Borrowing costs	1 January 2009	✗
IAS 1 Amendment Presentation of Financial Statements	1 January 2009	✗
IFRIC 12 Service Concession Arrangements	1 January 2008	✗
IFRIC 13 Customer Loyalty Programmes	1 July 2008	✗
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction	1 January 2008	✗

The following principal accounting policies have been applied consistently in the preparation of the historical financial information:

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated historic financial information presents the results of the company and its subsidiaries (“the Darwen Group”) as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

The consolidated financial information incorporates the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Revenue

The Darwen Group revenue arises from the sale of vehicles, parts and the provision of repairs. Revenue is recognised upon the transfer of all risks and rewards in relation to the Darwen Group’s products. For the sale of vehicles and parts this is recognised on delivery of the goods and for repair is recognised on completion of the relevant repair.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

Foreign currency

Transactions entered into in a currency other than the currency of the primary economic environment (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

Financial assets

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Financial liabilities

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings and the debt element of convertible debt issued by the Darwen Group are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Convertible debt

The proceeds received on issue of the Darwen Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost (see above).

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement in the period to which they relate.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Darwen Group (a “finance lease”), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an “operating lease”), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives. The amortisation expense is included within the administrative expenses line in the income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Darwen Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

<i>Intangible asset</i>	<i>Useful economic life</i>	<i>Valuation method</i>
Order book	On completion of the relevant orders (within one year)	Multiple of estimated contribution per vehicle in order book

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Darwen Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Darwen Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Plant and machinery	–	25% per annum straight line
Fixtures, fittings and equipment	–	10 – 33% per annum straight line
Motor vehicles	–	25% per annum straight line

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Work in progress and finished goods include labour and attributable overheads.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Critical judgements and estimates

The preparation of historic financial information in conformity with Endorsed IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

Valuation of intangibles acquired in business combinations

Determining the fair value of intangibles acquired in business combinations requires estimation of the value of the cashflows related to the identified intangibles and a suitable discount rate in order to calculate the present value.

Determination of equity and liability split on convertible debt

Determining the liability element of convertible debt requires judgement on an appropriate discount rate to be applied to the contracted cash flows inherent within the loan agreement.

Provision for warranty claims

The Darwen Group has estimated the cost of potential warranty claims arising on acquisition of the business. This requires an element of judgement about the likely future level of claims and their financial impact upon the business.

Provision for onerous contracts

On acquisition the Darwen Group has recognised the potential cost of onerous sales contracts entered into by the previous company in administration. There is an element of judgement required to estimate the financial impact of these contracts.

Functional and presentation currency

The functional and presentation currency for the Darwen Group is sterling.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Darwen Group's accounting policy; and fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

2. Revenue

	2007 £
Revenue arises from:	
Vehicle sales	1,737,487
Repairs and parts	364,038
	<u>2,101,525</u>

3. Segment information

The directors consider that the company has only one business segment being bus manufacture, other income is ancillary and does not constitute a segment in its own right. The company operates solely in the UK and hence has only one geographical segment.

4. Loss from operations

	2007 £
This has been arrived at after charging / (crediting):	
Depreciation of property, plant and equipment	13,303
Release of negative goodwill	(460,323)
Amortisation of intangibles	11,333
Foreign exchange differences	1,929
Restructuring expenses	916,983
Fees paid to Baker Tilly Corporate Finance LLP for non-audit services	
– corporate finance	54,970
– reporting accountant	30,000
	<u>30,000</u>

The restructuring expenses incurred during the period were predominantly redundancy costs.

5. Staff costs and directors' emoluments

	2007 £
<i>Staff costs</i>	
Wages and salaries	1,255,078
Employers' national insurance contributions	144,928
	<u>1,400,006</u>
<i>Directors' remuneration</i>	
Directors' emoluments	39,004
Amounts paid to third parties in respect of director's services	1,600
	<u>40,604</u>
Remuneration of the highest paid director	<u>21,533</u>
	<i>Number</i>
The average number of employees (including directors) during the year was as follows:	
Production	218
Administration	36
Management	8
	<u>262</u>

6. Finance income and expense

	2007 £
<i>Finance income</i>	
Bank interest received	6,947
<i>Finance expense</i>	
Bank borrowings	(205)
Convertible debt	(87,307)
	<u>(87,512)</u>
	<u>(80,565)</u>

7. Tax expense

	2007 £
<i>Current tax</i>	
Tax charge	—
<i>Deferred tax</i>	
Origination and reversal of temporary differences (see note 20)	(231,294)
	<u>(231,294)</u>

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the period are as follows:

	2007 £
Loss before tax	(1,649,428)
Expected tax charge based on the standard rate of corporation tax in the UK of 30%	(494,828)
Expenses not deductible for tax purposes	30,459
Release of negative goodwill	(138,097)
Deferred tax asset not recognised	371,172
	<u>(231,294)</u>

The company has estimated tax losses available for offset against future profits of £1,323,468.

8. Loss per share

	2007 £
Loss for the period	(1,418,134)
Weighted average number of shares	16,594,751
Basic loss per share	<u>(8.55)p</u>

The basic and diluted loss per share are the same as the effect of the convertible debt is anti-dilutive.

9. Dividends

The directors propose no dividend to be paid for the period.

10. Property, plant and equipment

	<i>Land and buildings</i> £	<i>Plant and machinery</i> £	<i>Motor vehicles</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Total</i> £
<i>Cost</i>					
Acquired through business combination	2,232,419	130,781	24,341	128,092	2,515,633
Additions	143,581	3,238	38,000	2,635	187,454
Transfer to assets held for sale	<u>(2,376,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,376,000)</u>
At 31 October 2007	<u>—</u>	<u>134,019</u>	<u>62,341</u>	<u>130,727</u>	<u>327,087</u>
<i>Depreciation</i>					
Provided for the period	<u>—</u>	<u>5,449</u>	<u>2,598</u>	<u>5,256</u>	<u>13,303</u>
At 31 October 2007	<u>—</u>	<u>5,449</u>	<u>2,598</u>	<u>5,256</u>	<u>13,303</u>
<i>Net book value</i>					
At 31 October 2007	<u>—</u>	<u>128,570</u>	<u>59,743</u>	<u>125,471</u>	<u>313,784</u>

11. Intangible assets

	<i>Order book</i> £
Acquired through business combination	34,000
Amortisation	<u>(11,333)</u>
Closing net book value	<u>22,667</u>
At 31 October 2007	
Cost	34,000
Accumulated amortisation	<u>(11,333)</u>
Net book value	<u>22,667</u>

12. Subsidiaries

The principal subsidiaries of Darwen Group Limited (both of which were dormant throughout the period) which have been included in the historic financial information are as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of ownership interest</i>
Chalgrave Limited	England and Wales	100%
East Lancashire Busbuilders Limited	England and Wales	100%

13. Inventories

	<i>2007</i> £
Parts and consumables	1,664,893
Work-in-progress	1,622,186
Finished goods	<u>185,556</u>
	<u>3,472,635</u>

14. Trade and other receivables

	<i>2007</i> £
Trade debtors	272,586
Other debtors	375,991
Accrued income	91,496
Prepayments	<u>73,366</u>
	<u>813,439</u>

15. Trade and other payables – current

	<i>2007</i> £
Trade creditors	2,425,229
Other tax and social security taxes	232,055
Other creditors	8,415
Accruals	<u>304,140</u>
	<u>2,969,839</u>

16. Other financial liabilities – current

	2007 £
Bank overdraft	<u>317,302</u>

An analysis of the interest rate payable on financial liabilities and information about fair values is given in note 18.

17. Provisions

	<i>Redundancy costs</i> £	<i>Onerous contracts</i> £	<i>Warranties</i> £	<i>Total</i> £
Arising on acquisition	—	404,459	300,000	704,459
Charged to income statement	916,983	—	98,376	1,015,359
Utilised	<u>(522,631)</u>	<u>(73,443)</u>	<u>(98,376)</u>	<u>(694,450)</u>
	<u>394,352</u>	<u>331,016</u>	<u>300,000</u>	<u>1,025,368</u>

Redundancy Costs

This relates to unpaid redundancy costs incurred in the period of trading, which have been negotiated on deferred terms in accordance with the service agreements of the respective employees.

Onerous Contracts

A provision has been made for loss making contracts to deliver public service vehicles at a fixed price which is less than the expected cost of manufacture.

Warranties

Warranty provisions is the estimated liability, based on historical trends over three years, for the cost of the 12 month standard warranty terms on which the vehicles are sold. This relates to remedial labour, replacement parts and temporary vehicle costs.

18. Financial instruments

The Darwen Group is exposed through its operations to one or more of the following financial risks:

- Liquidity risk
- Market price risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Finance Director. The policy for each of the above risks is described in more detail below.

Liquidity risk

The liquidity risk of the Darwen Group is managed centrally. Liquidity risk arises from the Darwen Group's management of working capital and the finance charges and principal payments on debt financing. It is the risk that the Darwen Group will have difficulty in meeting its financial obligations as they fall due. The Darwen Group currently has sufficient liquid resources to meet the liquidity requirements of the business and its future plans. The Darwen Group is currently negotiating bank facilities to ensure that short term fluctuations are manageable and that it will always have sufficient short, medium and long term funding in place. The Board monitors the cash flow forecast on a regular basis.

Maturity of financial liabilities

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

	<i>2007</i> <i>On</i> <i>Demand</i> <i>£</i>	<i>2007</i> <i>Long term</i> <i>borrowing</i> <i>£</i>
In less than one year	317,302	232,910
1 to 2 years	—	311,400
2 to 3 years	—	311,400
3 to 4 years	—	311,400
4 to 5 years	—	3,427,959

Included within long term borrowing are amounts repayable on convertible loan notes with a carrying value of £1,630,132 plus accrued interest of £87,307 and a face value of £3,114,000. The holders of the convertible debt have the option at any point before maturity to exchange each loan note at face value plus any accrued interest or premium for ordinary shares of the company.

Premiums on redemption which are contingent upon certain events are not included in the above analysis but the finance charge payable on the convertible loan notes is included.

In accordance with IAS 32 and the Darwen Group's accounting policy, the liability and equity element of the loan notes have been split with £1,483,868 being shown in equity and £1,630,132 recognised as a liability.

The convertible loan notes carry a fixed cumulative interest rate of 10 per cent. per annum and are convertible at the option of the note holder or in the event of certain trigger events including a listing of the company. The company has the right to redeem the loan notes at any time by agreement with the note holder. The loan notes are convertible 5 years from the date of issue with a premium arising if a listing has not been achieved by specific dates.

In arriving at the fair value of the liability component a discount rate of 52.5 per cent. was used which reflected the rate that the Directors believe would be applicable on a similar loan without the option to convert to equity with due regard for the level of risk attached to the Darwen Group, in recognition of the significant losses incurred and the existence of a number of onerous contracts.

Market price risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates, currency rates or other market factors. The Darwen Group balance sheet is not exposed to market price risk.

Fair value and cash flow interest rate risk

The Darwen Group has a policy to obtain long term debt at fixed rates and short term debt at flexible rates. Although the board accepts that this policy neither protects the Darwen Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

Foreign currency risk

The Darwen Group's primary foreign currency risk arises from suppliers who invoice in Swiss Francs. The Darwen Group does not currently utilise forward contracts to manage the risk but bulk purchases of stock enable management of the overall pricing of materials and monitoring of exchange rates ensures that the Darwen Group makes payments against trade receivables at an appropriate time to reduce the effect of exchange rate fluctuations.

The amount of trade payables denominated in Swiss Francs at the period end was £499,367.

Credit risk

The Darwen Group's credit risk is primarily derived from its trade receivables, this risk is managed daily by the Darwen Group's credit control function who monitor recovery and ensure that outstanding debts are identified when these become overdue and appropriate action is taken to recover the amounts outstanding.

The Darwen Group also has credit insurance to mitigate the risk of non-recovery. The Darwen Group's customers are also the main major bus operators who have significant resources and facilities in place to fund their vehicle acquisitions thus limiting the Darwen Group's exposure to credit risk.

Credit checks are also made for new customers and appropriate credit limits are set from this information. Credit limits may only be exceeded with the express authorisation of the directors.

The Darwen Group's recovery profile is such that approximately 90 per cent. of sales are made to 3 key customers. The Board receives management information each month regarding sales and trade receivables and monitors the Darwen Group's performance. The following table illustrates the concentrations of credit risk within the Darwen Group as at the balance sheet date and shows that no unprovided debtors are overdue:

	<i>Turnover</i> £	<i>Total</i> £	<i>Current</i> £	<i>30 – 60 days overdue</i> £	<i>+ 60 days overdue</i> £
Key customers	1,737,487	205,374	205,374	—	—
Other customers	364,038	67,212	67,212	—	—
Total	<u>2,101,525</u>	<u>272,586</u>	<u>272,586</u>	<u>—</u>	<u>—</u>

The Darwen Group's maximum credit risk is equal to the carrying value for trade receivables and cash and cash equivalents.

The Darwen Group's credit quality is considered by the Directors to be high as 90 per cent. of sales are derived from 3 key customers who are all substantial vehicle manufacturing companies.

The analysis of the Darwen Group's provisions against trade receivables is shown in the table below:

	<i>Gross value</i> £	<i>Provision</i> £	<i>Net carrying amount</i> £
Key customers	205,374	—	205,374
Other customers	142,147	(74,935)	67,212
Total	<u>347,521</u>	<u>(74,935)</u>	<u>272,586</u>

Capital

The Darwen Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings.

It is the Darwen Group's policy to maintain its gearing ratios at a level that balances risks and returns and ensures that the company has sufficient liquidity in the business. The Directors currently believe that gearing should be kept below 75 per cent.

The Darwen Group's gearing ratio at the balance sheet date is:

	<i>Gross value</i> £
Cash and cash equivalents	1,908,104
Bank overdraft	(317,302)
Convertible debt (liability element)	<u>(1,717,439)</u>
	(126,637)
Share capital	2,810,947
Share premium	—
Convertible debt (equity element)	1,483,868
Retained losses	<u>(1,579,752)</u>
Total capital	<u>2,715,063</u>
Gearing ratio	4.7%

19. Non-current financial liabilities

	2007 £
Convertible debt	1,717,439
	<u>1,717,439</u>

The carrying value above includes the liability component of £1,630,132 and accumulated interest of £87,307.

20. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30 per cent.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of the deferred tax liability, amounts charged/(credited) to the consolidated income statement and amounts charged/(credited) to reserves are as follows:

	<i>Arising on acquisition</i> £	<i>Recognised in income</i> £	<i>Recognised in equity</i> £	2007 £
Deferred tax assets				
Warranty provision	90,000	—	—	90,000
Onerous leases	121,338	(22,153)	—	99,185
Losses	—	93,863	—	93,863
	<u>211,338</u>	<u>71,710</u>	<u>—</u>	<u>283,048</u>
Deferred tax liabilities				
Property plant and equipment	(202,278)	(5,975)	—	(208,253)
Intangible assets	(10,200)	3,400	—	(6,800)
Inventory	(197,305)	129,310	—	(67,995)
Receivables	(32,849)	32,849	—	—
	<u>(442,632)</u>	<u>159,584</u>	<u>—</u>	<u>(283,048)</u>
Net	<u>(231,294)</u>	<u>231,294</u>	<u>—</u>	<u>—</u>

In addition there is an unprovided deferred tax asset of £303,177 relating to unutilised trading losses.

21. Share capital

	<i>Authorised Number</i>	£	<i>Issued and fully paid Number</i>	£
Ordinary shares of 10p each	<u>300,000,000</u>	<u>30,000,000</u>	<u>28,109,477</u>	<u>2,810,947</u>

The company was incorporated with 100 ordinary shares of £1 each; these were subsequently divided into 1,000 ordinary shares of 10p each and the authorised share capital was increased to 300,000,000 ordinary shares of 10p each on 12 September 2007.

All shares in issue were issued during the period as detailed below:

	<i>Number</i>	<i>Nominal £</i>	<i>Premium £</i>	<i>Consideration £</i>
9 August 2007 – Subscriber shares	10	1	—	1
12 September 2007 – Placing	25,749,990	2,574,999	—	2,574,999
12 September 2007 – Placing	2,359,477	235,947	110,102	344,824
	<u>28,109,477</u>	<u>2,810,947</u>	<u>110,102</u>	<u>2,921,049</u>

The fair values of receivables, payables and bank loan are the same as the IFRS carrying amounts immediately prior to the acquisition. The IFRS carrying amount of identifiable intangibles immediately prior to acquisition would have been zero. It is impracticable to determine the IFRS carrying amounts of the other assets and liabilities immediately prior to acquisition as the company did not prepare its accounts in accordance with IFRS.

25. Assets and liabilities classified as held for sale

On 30th November 2007 Darwen Group Limited completed the sale and leaseback of the Whitebirk Industrial Estate premises for the sum of £2.4m.

The decision to dispose of this property was made in August 2007 and hence the property has been classified as held for sale in the consolidated balance sheet with a carrying value of £2,376,000 representing the fair value on acquisition of the property.

26. Related party transactions

A fee of £150,000 was paid in connection with the acquisition disclosed in note 24 to Andrew Brian who subsequently became a Director of the company, for identifying the market opportunity and achieving a successful acquisition. This amount was approved by the Board and is included within the cost of acquisition.

Directors' emoluments are disclosed in note 5, aggregate remuneration paid to directors and key management in total was £72,930.

27. Events after the balance sheet date

On 23rd November 2007 the Darwen Group acquired, out of administration, the business and certain assets of Leyland Product Developments Limited (In Administration) for a cash consideration of £315,000 via a newly formed and 100 per cent. owned subsidiary Cobco 862 Limited (renamed Darwen LPD Limited).

On 30th November 2007 Darwen Group Limited completed the sale and leaseback of the Whitebirk Industrial Estate premises for the sum of £2.4m. The leaseback arrangement is for 18 months at an annual rental of £200,000.

On 15 February 2008 3,114,000 £1 10 per cent. convertible loan notes 2012 were converted into 21,183,673 Ordinary shares of 10 pence each at a conversion price of 14.7 pence each.

On 15 February 2008 the entire shareholding in Darwen Group Limited was acquired by Darwen Holdings plc. The consideration was satisfied by the allotment and issue of 49,293,141 1 pence Ordinary Shares and the transfer of the 4 subscriber shares, each for 10 pence, a premium of 9 pence, credited as fully paid to the existing shareholders of Darwen Group Limited.

PART V

PROFORMA STATEMENT OF NET ASSETS OF DARWEN HOLDINGS PLC

The following is the full text of a report on Darwen Holdings plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Darwen Holdings plc.



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Leeds LS1 4HG
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The Directors
Darwen Holdings plc
Lower Philips Road
Whitebirk Industrial Estate
Blackburn
Lancashire
BB1 5UD

20 February 2008

Dear Sirs

DARWEN HOLDINGS PLC (“the Company”)

We report on the pro forma statement of net assets (the “Pro Forma Statement of Net Assets”) set out in Part V of the Admission Document dated 20 February 2008 (“Admission Document”) of Darwen Holdings plc which has been prepared on the basis described in notes 1 to 5, for illustrative purposes only, to provide information about how the conversion of loan stock might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 31 January 2008.

This report is required by paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of the Prospectus Rules if it had been applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Statement of Net Assets in accordance with paragraph 20.2 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, as to the proper compilation of the Pro Forma Statement of Net Assets and to report that opinion to you.

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

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Statement of Net Assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Statement of Net Assets has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the Pro Forma Statement of Net Assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of part (a) of Schedule Two to 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.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST.

PRO FORMA STATEMENT OF NET ASSETS OF THE COMPANY

The following pro forma statement of net assets of the Company has been produced to illustrate the acquisition of Darwen Group Limited and the impact of the conversion of loan instruments which have occurred since 31 January 2008 as if they had occurred on 31 January 2008. The pro forma financial information is based on the financial information relating to the Company as at 31 January 2008 and Darwen Group Limited as at 31 October 2007 extracted from the financial information in Parts III and IV of this document adjusted for the matters set out below.

The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position or results of the Company.

	<i>Net assets of the Company at 31 January 2008</i>	<i>Net assets of Darwen Group Limited at 31 October 2007</i>	<i>Conversion of loan stock ("the Conversion") Note 1</i>	<i>Pro forma net assets of the Company following the Conversion</i>
	£	£	£	£
Non-current Assets				
Intangible assets	—	22,667	—	22,667
Property, plant and equipment	—	313,784	—	313,784
Current assets				
Inventories	—	3,472,635	—	3,472,635
Trade and other receivables	—	813,439	—	813,439
Cash and cash equivalents	—	1,908,104	(87,307)	1,820,797
Assets held for sale	—	2,376,000	—	2,376,000
Total assets	—	8,906,629	(87,307)	8,819,322
Current liabilities				
Trade and other payables	—	(2,969,839)	—	(2,969,839)
Financial liabilities	—	(317,302)	—	(317,302)
Provisions	—	(1,025,368)	—	(1,025,368)
Non-current liabilities				
Financial liabilities	—	(1,717,439)	1,717,439	—
Total liabilities	—	(6,029,948)	1,717,439	(4,312,509)
Net assets	—	2,876,681	1,630,132	4,506,813

Notes to the pro forma statement of net assets

- 1 On 15 February 2008 3,114,000 £1 10 per cent. convertible loan notes 2012 were converted into 21,183,673 Ordinary Shares of 10 pence each at a conversion price of 14.7 pence each. In accordance with IAS 32 the financial information in Part IV split the liability and equity element of the loan notes with £1,483,868 shown in equity and £1,630,132 in liabilities. The pro forma statement of net assets assumes that the accrued interest at 31 October 2007 of £87,307 is paid in cash.
- 2 On 15 February 2008 the entire shareholding in Darwen Group Limited was acquired by the Company. The consideration was satisfied by the allotment and issue of 49,293,141 1 pence Ordinary Shares and the transfer of the 4 subscriber shares, each for 10 pence, a premium of 9 pence, credited as fully paid to the existing shareholders of Darwen Group Limited.
- 3 No adjustment has been made to the fair value of Darwen Group Limited assets on acquisition.
- 4 No adjustment has been made for the acquisition of certain trade and assets of Leyland Product Developments Limited and the sale and leaseback of the Whitebirk Industrial Estate premises detailed in note 27 to the financial information in Part IV.
- 5 No adjustment has been made for any movement in net assets of the Company since 31 January 2008 and Darwen Group Limited since 31 October 2007 other than the conversion of loan instruments as detailed at note 1.

PART VI

ADDITIONAL INFORMATION

1 Responsibility

- 1.1 The Directors, whose names appear on page 11 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge of the Directors and the Company (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 Company

- 2.1 The Company was incorporated on 23 January 2008 in England and Wales under the 2006 Act with registration number 06481690 under the name Darwen Holdings plc.
- 2.2 The liability of the members of the Company is limited.
- 2.3 The Company and its activities and operations are principally regulated by the 2006 Act and the Regulations made thereunder.
- 2.4 The registered office of the Company and the subsidiaries and its principal place of business is Lower Philips Road, Whitebirk Industrial Estate, Blackburn, Lancashire, BB1 5UD, United Kingdom, telephone number 01254 504 150.
- 2.5 On 19 February 2008, the Registrar of Companies issued the Company with a certificate to commence business and to borrow pursuant to section 117 of the 1985 Act.
- 2.6 The Company is the holding company of the Group. The Company currently has one wholly owned subsidiary the details of which are set out below:

<i>Name and Registered Office</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by the Company</i>
Darwen Group Limited Lower Philips Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5UD	£30,000,000	England and Wales	bus manufacturing	100

2.7 Darwen Ltd in turn has three wholly owned subsidiaries details of which are set out below:

<i>Name and Registered Office</i>	<i>Authorised Share Capital</i>	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Percentage owned by the Company</i>
Darwen LPD Limited Lower Philips Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5UD	£1,000	England and Wales	bus manufacturing	100
East Lancashire Busbuilders Limited Lower Philips Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5UD	£100	England and Wales	Dormant	100
Chalgrave Limited Lower Philips Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5UD	£110	England and Wales	Dormant	100

3 Share Capital

3.1 The capital history of the Company during the period from 23 January 2008 (the date of incorporation of the Company) to the date of this document is as follows:

3.1.1 On incorporation the authorised share capital of the Company was £600,000 divided into 60,000,000 ordinary shares of £0.01 each, of which 4 ordinary shares of £0.01 each were in issue fully paid or credited as fully paid to the subscribers of the Company's memorandum of association.

3.1.2 By resolutions of the Company passed on 15 February 2008 the Company:

3.1.2.1 authorised the Directors generally and unconditionally to exercise all powers of the Company to allot, grant options over or otherwise deal with relevant securities (within the meaning of Section 80 of the 1985 Act) up to an aggregate nominal amount of the authorised but unissued share capital of the Company at the date of passing of the resolution being £599,999.96 shares of £0.01 such authority to expire five years after the passing of the resolution;

3.1.2.2 empowered the Directors pursuant to Section 95 of the 1985 Act to allot equity securities (within the meaning of Section 94 of the 1985 Act) for cash limited to the allotment and issue of equity securities pursuant to an offer by way of rights to ordinary shareholders and other persons entitled to participate in proportion as nearly as may be to their respective holdings of Ordinary Shares subject to any exclusion or other arrangements the Directors consider necessary or expedient such authority to expire five years after the passing of the resolution referred to in paragraph 3.1.2.1 above.

3.1.3 On 15 February 2008, the Company issued a total of 49,293,141 new Ordinary Shares of £0.01 each to former shareholders of Darwen Ltd in connection with the acquisition of Darwen Ltd by the Company. In order to maintain the same shareholdings in the Company following such acquisition as the shareholdings in Darwen Ltd prior to such acquisition,

one of the shareholders, Mr Roy Stanley, was allotted 4 fewer Ordinary Shares of £0.01 each in the Company and the existing 4 subscriber shares in the Company were transferred to Mr Stanley to redress this imbalance.

- 3.2 The Company's authorised and issued share capital is at the date of this document and following Admission is as follows:

	<i>As at the date of this document and at Admission</i>	
	<i>Amount (£)</i>	<i>Number of Ordinary Shares in issue</i>
Authorised	600,000	60,000,000
Issued	492,931.45	49,293,145

- 3.3 No share or loan capital of the Company has since 23 January 2008 been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or a consideration other than cash and no discounts or other special terms have been granted by the Company during such period in connection with the sale or issue of any share or loan capital of the Company.
- 3.4 The provisions of section 89(1) of the 1985 Act (to the extent not disapplied pursuant to section 95 of the 1985 Act) confer on the Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the 1985 Act) which are, or are to be, paid up in cash and apply to the authorised but unissued equity share capital of the Company. These provisions have been disapplied to the extent referred to in paragraph 3.1.2 .2 above.
- 3.5 Save as mentioned in this paragraph 3:
- 3.5.1 no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- 3.5.2 there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
- 3.5.3 there are no outstanding convertible securities issued by the Company; and
- 3.5.4 no share capital or loan capital of the Company or any of its Subsidiaries (other than intragroup issues by wholly-owned subsidiaries) is in issue and so such issue is proposed.
- 3.6 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.
- 3.7 Save as disclosed in this document, no commissions, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.
- 3.8 The share capital reconciliation as required to be disclosed in accordance with the AIM Rules is as follows:

	<i>On incorporation</i>	<i>As at the date of this document</i>
Issued Ordinary Shares	4	49,293,145

4 Memorandum and Articles of Association

4.1 Memorandum of Association

The objects of the Company are set out in full in clause 3 of the Memorandum 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.

4.2 *Articles of Association*

4.2.1 *Voting Rights*

Subject to the provisions of the 1985 Act and the 2006 Act (as respectively applicable) and to any rights or restrictions as to voting attached to any class of shares, at any general meeting 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 has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each Ordinary Share of which he is the holder.

4.2.2 *Major Shareholders*

- 4.2.2.1 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 above.
- 4.2.2.2 Pursuant to Rule 5 of the Disclosure Rules, holders of three per cent. or more of the voting rights of the Company's share capital are required to notify their interest in writing to the Company.
- 4.2.2.3 Pursuant to section 793 of the 2006 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 sections 793(3), (4) and/or (6) of the 2006 Act.

4.2.3 *Transfer of Shares*

- 4.2.3.1 Title to and interest in shares may be transferred without a written instrument in accordance with statutory regulations from time to time made under the 1985 Act and the 2006 Act respectively.
- 4.2.3.2 Transfer of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The 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 share until the name of the transferee is entered on the register of members in respect thereof.
- 4.2.3.3 All transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee.
- 4.2.3.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares unless:
- 4.2.3.5 the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid in respect of a share which is fully paid up;
- 4.2.3.6 it is in respect of a share on which the Company has no lien;
- 4.2.3.7 it is in respect of only one class of share;
- 4.2.3.8 it is in favour of a single transferee or not more than four joint transferees;
- 4.2.3.9 it is duly stamped (if required); and

- 4.2.3.10 the instrument of transfer duly stamped is deposited at the office or such other place as the directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, provided that, in the case of a transfer by a nominee of a recognised clearing house or of a recognised investment exchange, the lodgment of a share certificate will only be necessary if a certificate has been issued in respect of the share in question.
- 4.2.3.11 The Directors shall not refuse to register any transfer or renunciation of partly paid shares which are admitted to trading on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.
- 4.2.3.12 If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferor and the transferee.
- 4.2.3.13 The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.
- 4.2.3.14 The Ordinary Shares now in issue are in registered form. Title to the Ordinary Shares in issue or to be issued may be transferred by means of a relevant system such as the CREST System.
- 4.2.3.15 There are no other restrictions on the transfer of shares and no pre-emption rights in respect of them.

4.2.4 *Requirement to disclose interests in shares*

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the 2006 Act and has failed in relation to any shares (the “default shares”) to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

- 4.2.4.1 the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- 4.2.4.2 where the default shares represent at least 0.25 per cent. in nominal value of their class the defaulting member shall not be entitled to:
 - 4.2.4.2.1 receive dividends any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and
 - 4.2.4.2.2 to transfer or agree to transfer any of such shares, or any rights therein.

The above restrictions shall continue until either the default is remedied or the shares are registered in the name of the purchaser or offeror (or that of his nominee) pursuant to an arm’s length transfer. Any dividends withheld pursuant to shall be paid to the member as soon as practicable after the above restrictions lapse.

4.2.5 *Dividends*

Subject to the provisions of the 1985 Act, the 2006 Act and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

Any dividend unclaimed after a period of twelve years from its due date of payment shall be forfeited and cease to remain owing by the Company and shall thereafter belong to the Company absolutely.

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 1985 Act or Section 793 of the 2006 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.

4.2.6 *Distribution of assets on liquidation*

On a winding up of the Company, the liquidator may, with the authority of a resolution and any other sanction required by the 1985 Act and the 2006 Act, divide among the members in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such divisions shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares in respect of which there is a liability.

4.2.7 *General Meeting*

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 a general meeting pursuant to section 303 of the 2006 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.

The directors may whenever they think fit, and shall on requisition in accordance with the 2006 Act, proceed to convene a general meeting for a date not later than eight weeks after receipt of the requisition.

Subject to the provisions of the 2006 Act, an annual general meeting shall be called by twenty-one days' notice at the least, and all other general meetings shall be called by fourteen days' notice at the least. Every notice shall be in writing (or shall be given by electronic communication to an address being notified for that purpose to the Company) and shall specify the place, the day and the time of meeting, and in the case of special business the general nature of such business, and in the case of an annual general meeting shall specify the meeting as such. Notices shall be given in manner hereinafter mentioned to all the members, other than those who under the provisions of the Articles or the

conditions of issue of the shares held by them are not entitled to receive the notice, to the directors (including the alternate directors) and to the auditors for the time being and (where required by the 2006 Act) former auditors of the Company.

In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member.

4.2.8 *Redemption*

The Ordinary Shares are not redeemable.

4.2.9 *Conversion*

The Company may, by ordinary resolution and subject to the 1985 Act and the 2006 Act, 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.

4.2.10 *Changes in share capital*

The Company may alter its share capital as follows:

4.2.10.1 it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;

4.2.10.2 subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and

subject to the provisions of the 185 Act and the 2006 Act and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

4.2.11 *Variation of Rights*

Subject to the provisions of the 1985 Act and the 2006 Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the relevant class.

4.2.12 *Constitution of board of directors*

Subject to the Articles, the directors shall be not less than two in number but the Company may by ordinary resolution from time to time vary the minimum number and may also fix and from time to time vary a maximum number of directors. As at the date of this document there is no maximum number of directors.

4.2.13 *Permitted interests of directors*

Subject to the provisions of the 1985 Act and the 2006 Act, 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.

4.2.14 *Restrictions on voting by directors*

A director who is in any way, whether directly or indirectly, interested or deemed by the 1985 Act (as amended or replaced by the 2006 Act) to be interested in a contract, transaction or arrangement or a proposed contract, transaction or arrangement with the Company shall declare the nature of his interest at a meeting of the directors in accordance with Section 317 of the 1985 Act.

Save as provided below, a director (including an alternate director) shall not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or rights of the Company. However a director shall be entitled to vote in respect of any contract or arrangement or any other proposal in which he has any interest which is not material. 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 of the Company shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- 4.2.14.1 the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company;
- 4.2.14.2 the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part, under a guarantee or indemnity or by the giving of security;
- 4.2.14.3 any proposal concerning an offer for subscription or purchase of shares or debentures or other securities or rights of or by the Company or any of its subsidiaries or of any Company which the Company may promote or in which it may be interested in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- 4.2.14.4 any proposal concerning any other Company in which he is interested directly or indirectly and whether in any one or more of the capacities of officer, creditor, employee or holder of shares, debentures, securities or rights of that other Company, but where he is not the holder (otherwise than as a nominee for the Company or any of its subsidiaries) of or beneficially interested in one per cent. or more of the issued shares of any class of such Company or of any third Company through which his interest is derived or of the voting rights available to members of the relevant Company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);
- 4.2.14.5 any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefits scheme, share option scheme or share incentive scheme under which he may benefit; or
- 4.2.14.6 any arrangement concerning the purchase and/or maintenance of any insurance under which he may benefit.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any Company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such case each of the directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Company may by ordinary resolution suspend or relax the provisions relating to Directors' interests either generally or in respect of any particular matter or ratify any transaction not duly authorised by reason of the contravention thereof.

4.2.15 *Appointment and retirement of directors*

The directors shall have power at any time, and from time to time, to appoint any person who is willing to act to be a director, either to fill a vacancy or as an additional director, but so that the total number of directors shall not at any time exceed the maximum number (if any) fixed by or in accordance with the Articles. Subject to the provisions of the 1985 Act (as amended or replaced by the 2006 Act) and of the Articles, any director so appointed shall hold office only until the conclusion of the next following annual general meeting, and shall be eligible for reappointment at that meeting. Any director who retires shall not be taken into account in determining the directors who are to retire by rotation at such meeting and if not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof.

No person other than a director retiring at the meeting shall, unless recommended by the directors for appointment, be eligible for appointment to the office of director at any general meeting unless, not less than seven nor more than twenty eight days before the day appointed for the meeting, there shall have been given to the Company notice in writing by some member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors, and also notice in writing signed by the person to be proposed of his willingness to be appointed.

Each director shall retire by rotation at the annual general meeting held in the third calendar year following the year in which such director was elected or last re-elected. A director retiring by rotation shall be eligible for re-election.

Subject to the provisions of the 1985 Act the 2006 Act and the Articles, the directors to retire in every year shall include (so far as necessary to obtain the number required) any director who wishes to retire and not offer himself for re-election. Any further directors so to retire shall be those who have been longest in office since their last appointment or reappointment. Subject as aforesaid, a retiring director shall be eligible for re-election.

The Company may from time to time by ordinary resolution increase or reduce the number of directors, and may also determine in what rotation such increased or reduced number is to retire from office.

4.2.16 *Remuneration of directors*

The maximum aggregate annual fees payable to the directors for their services in holding office of director of the company shall be the sum of £200,000 or such larger sum as the company in general meeting by ordinary resolution shall from time to time determine, but this limit shall not apply in respect of the salaries, bonuses or other remuneration payable by the company or any subsidiary of the company or expenses reimbursed to any director.

Any director 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 remuneration by way of salary, lump sum, percentage of profits or otherwise as the directors may

determine. The directors shall also be entitled to be paid all traveling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the directors or of committees of the directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

4.2.17 *Borrowing powers*

Subject as hereinafter provided the directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, and (subject to the 1985 Act and the 2006 Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 3 times the aggregate of:

4.2.17.1 the nominal amount of the share capital of the Company issued and paid up as shown in the audited balance sheet of the Company last laid before the Company in general meeting; and

4.2.17.2 the amounts shown as standing to the credit of capital and revenue reserves, including share premium account, capital redemption reserve and profit and loss account (but deducting there from the amount, if any, standing to the debit of profit and loss account) in either a consolidation of the audited balance sheets of all the companies in the Group last laid before the members thereof respectively in general meeting or (at the directors' discretion) in the audited consolidated balance sheet of the Group last laid before the Company in general meeting; but:

4.2.17.2.1 adjusted in respect of any variations in the issued and paid up share capital, share premium account or capital redemption reserve effected or any distributions made (otherwise than within the Group) since the date of such balance sheets except insofar as provided therein; and

4.2.17.2.2 excluding there from any amounts set aside for taxation and, to the extent included, any amounts attributable to outside shareholdings in subsidiaries; and

excluding all amounts attributable to intangible items save goodwill arising on consolidation, notwithstanding the fact that these may previously have been written off against reserves.

5 **Director's and Other Interests**

5.1 The interests of the Directors (all of which are beneficial unless otherwise stated), and (so far as is known to the Directors, or could with reasonable diligence be ascertained by them) the interests of persons connected with the Directors with the meaning of sections 252 to 254 of the 2006 Act (a "connected person"), in the issued capital of the Company together with any options in respect of such capital as at 19 February 2008, being the latest practicable date prior to publication of this document and as they will be at Admission are as follows:

<i>Director</i>	<i>As at 18 February 2008</i>		
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of options</i>
Roy Robert Edward Stanley	25,000,000	50.72	NIL
Andrew Peter Brian	NIL	NIL	NIL
John Matthew Fickling	750,000	1.52	NIL

- 5.2 Save as disclosed in this document, none of the Directors or any connected person has any interest in the share capital of the Company or any of its subsidiaries.
- 5.3 Pursuant to Rule 5 of the Disclosure Rules, disclosure must be made in respect of any interest in shares (as defined therein) that is equal to or in excess of 3 per cent. of the nominal value of the issued share capital in the Company and of changes in such interest.
- 5.4 Other than the holdings of the Directors and connected persons which are set out at paragraph 5.1 of this Part VI and as set out below, the Directors are not aware of any person, other than the Directors and their immediate families, who as at 19 February 2008 (being the latest practicable date prior to publication of this document) and immediately following Admission will, directly or indirectly, be interested in 3 per cent. or more of the voting rights of the Company or who, directly or indirectly, jointly or severally exercise or could exercise control over the Company, or whose interest is notifiable under the Disclosure Rules or otherwise in the UK.

<i>Shareholder</i>	<i>As at the date of this document and as they will be at Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Roy Robert Edward Stanley	25,000,000	50.7
RC Grieg Nominees Ltd	5,385,765	10.9
Hargreave Hale Nominees Ltd a/c 056586	1,701,142	3.5

- 5.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 5.6 The persons, including the Directors, referred in paragraphs 5.1 and 5.4 of this Part VI, do not have any voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 5.7 Other than the protections afforded to Shareholders under the City Code (details of which are set out in paragraph 9 of Part VI there are no controls in place to ensure that any shareholder having a controlling interest in the Company does not abuse that interest.
- 5.8 Save as disclosed in this document, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 5.9 Save as disclosed in this document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which any Director is materially interested and which is significant in relation to the business of the Group.
- 5.10 There are no outstanding loans granted by the Company to any Director, nor are there any guarantees provided by the Company for their benefit.
- 5.11 No Director or any member of a Director's family has a related financial product referenced to the Ordinary Shares.

6 Additional Information on the Directors

- 6.1 The Directors' full names, previous names (if any) and ages at the date of this document are set out in paragraph 9 of Part I and in paragraph 6.3 of Part VI of this document.
- 6.2 The business address of each of the Directors is Lower Phillips Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5UD.
- 6.3 Details of the names of companies and partnerships (excluding directorships of the Company) of which the Directors are or have been members of the administrative, management or supervisory bodies or partners at any time in the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current Directorships</i>	<i>Previous Directorships</i>
Roy Robert Edward Stanley	<p>Darwen Group Limited Express 2 Automative Limited Tanfield Engineering Systems Limited 3 Digigraph Limited E-Comeleon Limited Express Finishing Systems Limited Radalec Engineering Company Limited Express Finishing systems Limited H.M.H. Sheet Metal Fabrication Limited Tanfield Group Plc Joeknowsit? Limited Walkerwalls Limited Sev Group Limited Sandco 854 Limited Saxon Specialist Vehicles Limited Saxon Sanbec Limited Norquip Limited Clickhere Limited Lovely Bubbly Limited Training and Development Resource Limited LB Holdings (UK) Plc Datasms Limited Datasms Holdings Plc</p> <p>Darwen Group Limited T Y I Holdings Limited The Picture House (Harrogate) Limited</p>	<p>Radalec Engineering Company Limited Northern Bear Plc</p>
Andrew Peter Brian	<p>Darwen Group Limited East Lancashire Busbuilders Limited Chalgrave Limited</p>	<p>Reporttrace Limited Basic device Limited Heights (U.K.) Limited Heights Technologies Limited Heat electric Limited Optical Equipment Ltd</p>
John Matthew Fickling	<p>K & F Developments Limited Justage Limited Pikedawn Limited</p>	<p>Sunderland Limited Sunderland Association Football Club Limited Sunderland Properties Plc Safe.com Plc Sunderland afc.com Limited</p>

- 6.4 Save as disclosed above, none of the Directors is currently a director of any company or a partner in any partnership or has been a director of a company or a partner in any partnership in the five years immediately preceding the date of this document.
- 6.5 Save as disclosed in paragraphs 6.6 and 6.7 none of the Directors has:
- 6.5.1 any unspent convictions relating to indictable offences;
 - 6.5.2 had a bankruptcy order made against him or entered into any individual voluntary arrangement;
 - 6.5.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company 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 at the time of, or within the twelve months preceding, such events;
 - 6.5.4 been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
 - 6.5.5 had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or
 - 6.5.6 been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.6 Roy Stanley was a director of B.E.T.A.C. Limited from 1991 until 1994 when the company was sold to a management team. The company was placed into compulsory liquidation on 9 November 1994. Roy Stanley had resigned as a director on 14 January 1994.
- 6.7 Andrew Brian was appointed as a director of Holme House Management Limited ("Holme House") on 31 July 2001 and resigned on 24 June 2005. Holme House was placed into voluntary liquidation by its creditors on 24 June 2005.
- 6.8 The following Directors have entered into service agreements or letters of appointment with the Company:
- 6.8.1 Roy Stanley

Roy Stanley was appointed as a director of the Company on 23 January 2008 and entered into a service agreement with the Company dated 19 February 2008 for his employment with effect from 23 January 2008 as the Company's Chairman. The agreement is terminable by the Company on 12 months' written notice. Mr Stanley is entitled, under the terms of the agreement, to an annual salary of £60,000. The Company may pay Mr Stanley a bonus of such amount as may be determined by the Remuneration Committee at its absolute discretion and he may participate in any stake holder pension scheme. Mr Stanley is subject to certain restrictive covenants following termination and has agreed not to compete with the Company for a 12 month period and not to solicit or entice away the customers or employees of the Company for a 12 month period following termination of his service agreement.
 - 6.8.2 Andrew Brian

Andrew Brian was appointed as a director of the Company on 23 January 2008 and entered into a service agreement with the Company dated 19 February 2008 for his employment with effect from 23 January 2008 as the Company's Chairman. The agreement is terminable by the Company on 12 months' written notice. Mr Brian is entitled, under the terms of the agreement, to an annual salary of £120,000. The Company may pay Mr Brian a bonus of such amount as may be determined by the Remuneration Committee at its absolute discretion; he may participate in any stake holder pension scheme and he is entitled to a car allowance of £1,000 per calendar month. Mr Brian is subject to certain restrictive covenants

following termination and has agreed not to compete with the Company for a 12 month period and not to solicit or entice away the customers or employees of the Company for a 12 month period following termination of his service agreement.

6.8.3 John Fickling

John Fickling was appointed as a director of the Company on 23 January 2008. On 19 February 2008, the Company confirmed the terms of his appointment as a non-executive director on a rolling basis subject to the giving of 1 month's notice by either party, although Mr. Fickling's letter of appointment which provides for termination by the Company on written notice. In the event of termination the Company would be obliged to pay one month's fees (or the remainder of the fees for the initial period). In respect of Mr. Fickling's appointment, he is being paid an annual fee of £20,000. The agreement contains certain restrictions relating to confidentiality and non compete.

- 6.9 Save as set out above, there are no service agreements or letters of appointment in existence or proposed between any of the Directors and the Company.
- 6.10 Save as set out above, there are no service agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year and no such agreements are proposed.
- 6.11 No service contracts with the Company or any of its Subsidiaries provide for benefits upon termination of employment.
- 6.12 Save as disclosed above and elsewhere in this document, there is no contract or arrangement to which the Company is a party and which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.
- 6.13 The aggregate remuneration payable and benefits in kind to be granted to the Directors in the last financial period ending 31 October 2007 was £47,890 and the aggregate remuneration payable and benefits in kind to be granted to the Directors in the current financial period ending 31 December 2008 under the arrangements in force at the date of this document is estimated to be £512,000.
- 6.14 As at 15 February 2008, the Group had 252 permanent employees, 183 employees are associated with direct labour with the remaining 69 providing management, administrative and finance support.

7 **Mandatory Bids, Squeeze-Out and Sell-Out Rules Relating to the Ordinary Shares**

7.1 ***Mandatory bid***

The City Code applies to the Company. Under the City Code, where:

- 7.1.1 any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which he is already interested, and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or
- 7.1.2 any person who, 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 shares carrying voting rights in which he is interested;

such person shall, except in limited circumstances, be obliged to extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the City Code, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable; the Panel should be consulted in advance in such cases.

7.2 *Squeeze-out*

Under sections 979 to 982 of the 2006 Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares 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, provided that no such notice may be served after the end of (a) the period of three months beginning with the day after the last day on which the offer can be accepted, or (b) if earlier, and the offer is not one to which section 943(1) of the 2006 Act applies, the period of six months beginning with the date of the offer.

Six weeks following service of the notice, the offeror must send a copy of it to the Company together with the consideration for the Ordinary Shares to which the notice relates, and an instrument of transfer executed on behalf of the outstanding Shareholder(s) by a person appointed by the offeror.

The Company will hold the consideration on trust for the outstanding Shareholders.

7.3 *Sell-out*

Sections 983 to 985 of the 2006 Act also give 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 is 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, or, if longer a period of three months from the date of the notice.

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.

7.4 There have been no take-over bids by third parties in respect of the Company's equity, which have occurred during the last financial year or the current financial year.

8 **CREST**

The Ordinary Shares are in registered form and capable of being held under most circumstances in uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealings through Euroclear as a participating security.

9 **Material Contracts**

Save as set out in this document, the following are the only contracts: (i) (being contracts otherwise than in the ordinary course of business) which have been entered into by members of the Group as at the date of this document and are or may be material to the Group or have been entered into by any member of the Group at any time and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document; and (ii) which are material subsisting agreements which have been entered into by any member of the Group at any time and which are included within, or which relate to the assets and liabilities of any member of the Group (notwithstanding whether such agreements are (i) within the ordinary course or (ii) were entered into outside of the two years immediately preceding the date of this document).

9.1 *NOMAD/Broker Agreement*

On 11 January 2008, the Company (1) and Cenkos (2) entered into an agreement pursuant to which Cenkos agreed to act as nominated advisor and broker for the following fee: Following Admission, an annual fee of £ 50,000 which may be reduced to £30,000 in certain circumstances, plus VAT if applicable, the first such payment to be made on Admission. The agreement is terminable by either party giving not less than one month's written notice.

9.2 **Introduction Agreement**

On 19 February 2008, the Company (1), the Directors (2), and Cenkos (3) entered into the Introduction Agreement pursuant to which Cenkos has agreed, conditionally upon, *inter alia*, Admission taking place not later than 25 February 2008, to use its reasonable endeavours to assist the Company in connection with the application for and in obtaining Admission.

Under the Introduction Agreement, Cenkos will receive (exclusive of VAT) a corporate finance fee of £100,000. The Company has agreed to pay all costs, charges and expenses of, or incidental to the application for Admission and related arrangements.

The Introduction Agreement, which contains certain warranties, undertakings and indemnities by the Company and the Directors in favour of Cenkos, is conditional, *inter alia*, on (i) Admission occurring not later than 25 February 2008 (or such later date as the Company and Cenkos may agree not being later than 31 March 2008) and (ii) none of the warranties given to Cenkos prior to Admission being untrue, inaccurate or misleading prior to Admission.

Cenkos may terminate the Introduction Agreement in specified circumstances, including for breach of warranty at any time prior to Admission and in the event of force majeure at any time prior to Admission.

9.3 **Lock-in Agreement**

Pursuant to a separate deed of undertaking dated 19 February 2008, certain of the Directors who are holders of Ordinary Shares have agreed (subject to limited exceptions) not to dispose of their respective holdings of Ordinary Shares (being in aggregate 25,750,000 Ordinary Shares, representing 52.2 per cent. of the Enlarged Share Capital) following Admission, without the prior consent of Cenkos, for a period of 12 months from the date of Admission. In addition, such Directors have also agreed that, for a period of 12 months from the first anniversary of the date of Admission, they will only dispose of such shares through Cenkos, provided that Cenkos remains the broker to the Company, so as to ensure an orderly market for the Ordinary Shares.

9.4 **Agreements included within or which relate to the assets of the Group**

9.4.1 **Settlement Agreements**

By agreements dated 11 December 2007 and 20 December 2007 made between Darwen Ltd (1) and Alcan Aluminium Valais S.A. (2) (“Alcan”), Darwen Ltd agreed to pay to Alcan one million two hundred thousand Swiss Francs (CHF 1,200,000) (£499,000) in 12 monthly instalments. Alcan was a supplier to ELC prior to that company going into administration and subsequently upon Darwen Ltd acquiring certain assets of ELC, Alcan claimed retention of title over certain goods supplied by Alcan to ELC.

Darwen Ltd commenced the monthly settlement payments in November 2007. The final monthly payment is due in October 2008.

A condition of the agreements is that the title to the goods will pass to Darwen Ltd upon Alcan’s receipt of cleared funds in full payment of the settlement and that sale proceeds for the resale of the goods should be held in a separate bank account. The requirement for monies to be kept in a separate bank account was varied by an agreement between the parties dated 5 February 2008.

9.5 **Sale and Leaseback**

On 30 November 2007, Darwen Ltd entered into a sale and leaseback agreement with Khanjra Real Estates Limited for the Whitebirk Industrial Estate premises for the sum of £2.4 million. The leaseback arrangement is for 18 months at an annual rent of £200,000.

10 **Litigation**

- 10.1 There are certain claims lodged against Darwen Ltd arising out of a redundancy programme carried out by Darwen Ltd late in 2007. The total expected maximum liability is estimated to be no greater than £17,000.

- 10.2 Save as disclosed in paragraph 10.1 no member of the Group has engaged in, nor is currently engaged in, any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months prior to the date of this document, nor, so far as the Company is aware, are any such proceedings pending or threatened by or against the Company or any member of the Group which may have or have had in the recent past significant effects on the Company and or the Group's financial position or profitability.

11 Taxation

The following information is intended only as a general guide to the position under current United Kingdom law and HM Revenue & Customs practice as at the date of this document for Shareholders who are the beneficial owners of Ordinary Shares, resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Ordinary Shares as an investment (otherwise than under a personal equity plan) and is not a substitute for the investor obtaining professional advice before buying shares. Its applicability will depend upon the particular circumstances of individual Shareholders. The summary is not exhaustive and does not generally consider tax reliefs or exemptions.

United Kingdom Residents

11.1 *Taxation and Chargeable Gains*

If a Shareholder disposes of all or any Ordinary Share he or she may, depending on the Shareholder's particular circumstances, incur a liability to taxation on chargeable gains. Individuals, personal representatives and trustees may be entitled to taper relief, which will serve to reduce the gain chargeable. Companies are not entitled to taper relief, but are entitled to an indexation allowance which may also reduce the gain chargeable.

A proposal was announced in the Pre Budget Report on 8 October 2007 to change the capital gains tax regime for individuals. The effect of this proposal is to abolish capital gains taper relief for all capital gains arising on or after 6 April 2008 and replace this with a flat capital gains tax rate of 18 per cent. The impact of any change can not be fully assessed until the legislation is available but the position should be monitored going forward.

11.2 *Stamp Duty*

11.2.1 No stamp duty or stamp duty reserve tax will be payable on the issue of Ordinary Shares save that special rules apply to persons operating clearance services or depository receipt services, where stamp duty or stamp duty reserve tax will generally be payable at a higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares. Clearance services may however elect, provided certain conditions are satisfied, for the normal rate of UK stamp duty or stamp duty reserve tax (0.5 per cent.) to apply to issues of Ordinary Shares into, and to transactions within, such services instead of the 1.5 per cent. rate of stamp duty reserve tax applying to an issue or a transfer of chargeable securities into the clearance service.

11.2.2 Except in relation to certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements or clearance services, where special rules apply, the transfer or sale of Ordinary Shares will normally be subject to *ad valorem* stamp duty (rounded up to the nearest £5) at the rate of 0.5 per cent. of the consideration paid. An unconditional agreement to transfer such shares will normally give rise to stamp duty reserve tax, normally at the rate of 0.5 per cent. of the consideration paid but this liability will be cancelled, or any stamp duty reserve tax paid will be refunded, if the agreement is completed by a duly stamped transfer form within 6 years of the date when the agreement became unconditional.

11.2.3 Liability to stamp duty or stamp duty reserve tax is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the stamp duty reserve tax and will indicate that this has been done in any contract note issued to a purchaser. When shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or stamp duty reserve

tax will generally be payable unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to stamp duty reserve tax will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given.

11.2.4 When shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee), no stamp duty or stamp duty reserve tax will generally be payable.

11.2.5 Where a change in beneficial ownership of shares held in uncertificated form occurs and such change is for consideration in money or money's worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

The above statements are intended only as a general guide to the current stamp duty and stamp duty reserve tax position. Transfers to certain categories of person are not liable to stamp duty or to stamp duty reserve tax.

Taxation of Dividends and Distributions

11.3 Under current United Kingdom tax legislation, no withholding tax will be deducted from dividends paid by the Company.

11.4 An individual Shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend from the Company will be entitled to a tax credit in respect of the dividend and will be taxable on the aggregate of the net dividend received and the tax credit (such aggregate being the "**gross dividend**"). The value of the tax credit is currently one ninth of the net dividend (or 10 per cent. of the gross dividend). The gross dividend is treated as the top slice of such individual's income. An individual so resident who is not liable to income tax in respect of the gross dividend will not be able to claim repayment of the tax credit from the HM Revenue & Customs. In the case of an individual so resident who is not liable to income tax at a rate greater than the basic rate, the tax credit will discharge his liability to income tax in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from the HM Revenue & Customs. In the case of an individual so resident who is liable to income tax at the higher rate on dividends (currently 32.5 per cent.) the tax credit will be set against his tax liability in respect of the gross dividend and, accordingly, he will have to pay additional tax at the rate of 22.5 per cent. of the gross dividend, to the extent that the gross dividend falls above the threshold for higher rate income tax.

11.5 Subject to certain exemptions a Shareholder which is a company resident in the United Kingdom for tax purposes will not be liable to United Kingdom corporation tax on any dividend received from the Company.

11.6 United Kingdom pension funds are not entitled to reclaim tax credits paid by the Company.

Non-United Kingdom Residents

11.7 Subject to certain exemptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents in the Isle of Man or the Channel islands or states which are part of the European Economic Area and certain others, the right of a Shareholder who is not resident in the UK (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double taxation treaty between the UK and the country in which that person is resident. Persons who are not resident in the UK should consult their own tax advisers concerning their liabilities (in the UK and any other country) on dividends received, whether they are entitled to claim any part of the tax credit and if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

11.8 Prospective investors in the Ordinary Shares who are taxpayers in the United States should seek advice from an independent tax advisor concerning the potential US income tax consequences of the purchase, ownership and disposition of the Ordinary Shares, including among other things the possible application of state, local, foreign or other tax laws.

12 Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will, from the time the Ordinary Shares are admitted to AIM, be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

13 Contracts of Fundamental Importance

Save as set out in this document, the Company is not dependant on patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Group's business.

14 General

- 14.1 There are no amounts to be provided in respect of the matters specified in paragraph 3.4 of Annex 3 of Regulation 809/2004 of the European Commission relating to the Minimum Disclosure Requirements for a Share Securities Note.
- 14.2 The total costs, charges and expenses in connection with or incidental to Admission including London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees expenses are estimated to amount to £375,000 (exclusive of VAT) and are payable by the Company.
- 14.3 The principal activities of the Company and the most significant recent trends in production, sales and inventory, and costs and selling prices since 31 January 2008, being the end of the last financial year of the Company to the date of this document, are described in Part 1 of this document.
- 14.4 Save as disclosed in Part 1 and of this document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 14.5 The auditors of the Company for the period covered by the historical financial information and currently are Baker Tilly UK Audit LLP. Baker Tilly UK Audit LLP are members of the Institute of Chartered Accountants of England and Wales.
- 14.6 Baker Tilly Corporate Finance LLP has given and has not withdrawn its written consent to the inclusion of its reports on the Group in Parts III, IV and V, of this document in the form and context in which they appear.
- 14.7 Cenkos has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

15 Miscellaneous

- 15.1 Save as disclosed in this Document no person directly or indirectly has in the last twelve months received or is contractually entitled to receive directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise disclosed in this document and trade suppliers) (i) fees totalling £10,000 or more; (ii) its securities where these have a value of £10,000 or more calculated by reference to the expected opening price or (iii) any payment or benefit from the Company to the value of £10,000 as at the date of Admission.
- 15.2 No payments aggregating over £10,000 have been made to any governmental or regulatory authorities or similar bodies in any jurisdiction by or on behalf of the Company with regard to the acquisition or maintenance of any of the Group's interests or assets.
- 15.3 There has been no significant change in the financial or trading position of the Group since 31 January 2008 being the date to which the financial information set out in part III of this document has been prepared.
- 15.4 No exceptional factors have influenced the Group's activities.
- 15.5 The Company's accounting reference date is 31 December.

- 15.6 Save as disclosed in this document there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.
- 15.7 The financial information contained in Part III of this document does not constitute full statutory accounts as referred to in section 240 of the 1985 Act.
- 15.8 Save as set out in this document no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.
- 15.9 No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company or to constitute publication of accounts by it.
- 15.10 The Company intends to comply with the corporate governance guidelines contained in the Combined Code in so far as the Directors deem such practicable for a company of its size. Further details of the Company's level of compliance appear in paragraph 15 of Part 1 of this document.
- 15.11 The Company's International Security Identification Number (ISIN) is GB00B2PG5766.
- 15.12 The Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

16 Document Available for Collection

Copies of this document will be available for collection only, free of charge, from the offices of Cenkos, Cobbetts and from the Company at its registered office during normal office hours on any weekday (except Saturdays, Sundays and public holidays) for a period of one month from the date of Admission.

Date: 20 February 2008.

PART VII

DEFINITIONS AND GLOSSARY

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

“1985 Act”	the Companies Act 1985 (as amended)
“2006 Act”	the Companies Act 2006
“Admission”	the admission of the Existing Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published, from time to time, by the London Stock Exchange governing admission to, and the operation of, AIM
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers published by the London Stock Exchange containing the rules and responsibilities of nominated advisers
“Articles”	the articles of association of the Company as amended from time to time
“Board” or “Directors”	the board of directors of the Company at the date of this document whose names are set out on page 11 of this document
“Cenkos”	Cenkos Securities plc the Company’s nominated adviser and broker (as defined in the AIM Rules), a member of the London Stock Exchange and regulated by the Financial Services Authority
“City Code”	The City Code on Takeovers and Mergers (as published by the Panel)
“Combined Code”	the code of best practice including the principles of good governance published in June 2006 by the Financial Reporting Council
“Company” or “Darwen”	Darwen Holdings plc, a company incorporated in England and Wales with registered number 06481690
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertified Securities Regulations 2001 (SI 2001/3755) (as amended)
“Darwen Group”	Darwen Group Limited and its subsidiaries
“Darwen Ltd”	Darwen Group Limited
“Disclosure Rules”	Transparency Obligations Directive (Disclosure and Transparency Rules) Instrument 2006 (FSA 2006/70)
“Existing Ordinary Shares”	the 49,293,145 Ordinary Shares in issue at the date of this document
“FSA”	the Financial Services Authority

“FSMA”	the Financial Services and Markets Act 2000, including any statutory modification or re-enactment for the time being in force
“Group”	Darwen and its Subsidiaries
“GVW”	Gross Vehicle Weight
“ICT”	Information and communications technologies
“Introduction Agreement”	the conditional agreement dated 19 February 2008 between the Company (1) the Directors (2) and Cenkos (3) relating to Admission, further details of which are set out in paragraph 9.2 of Part VI of this document
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company
“Prospectus Rules”	the prospectus rules of the Financial Services Authority made under Part VI of the FSMA
“Shareholders”	holders of Ordinary Shares
“SMMT”	The Society of Motor Manufacturers and Traders
“Subsidiary”	as defined in sections 736 and 736A of the 1985 Act
“UK”	The United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List

