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This document constitutes an admission document in accordance with the rules of the AIM Market of London Stock Exchange plc.

The Directors and the Proposed Directors, whose names appear on page 1 of this document, accept responsibility for the information contained in this document, save for information relating to the members of the Concert Party. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), such information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The members of the Concert Party (as defined in this document) accept responsibility for the information contained in this document relating to the Concert Party. To the best of the knowledge and belief of the members of the Concert Party, who have taken all reasonable care to ensure such is the case, the information contained in this document in relation to the Concert Party is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for nominated advisers. London Stock Exchange plc has not itself examined or approved the contents of this document.

The Consideration Shares and the Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares after Admission. It is expected that admission to AIM will become effective and that dealings in the Enlarged Issued Share Capital will commence on AIM on or around 11 October 2007.

Pannal plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 04998151)
to be renamed

Eco City Vehicles plc

**Proposed acquisition of K.P.M. Autos Limited
Placing of 20,000,000 Ordinary Shares of 1p each at 5p per share
Notice of Extraordinary General Meeting
Approval of Waiver of Rule 9 of the City Code on Takeovers and Mergers
Application for admission to trading on AIM
Approval of the increase in limits on payments to Directors
Approval of the Eco City Vehicles plc Share Option Schemes**

Nominated Adviser and Broker

 **Numis**

Share Capital of the Company immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
600,000,000	£6,000,000	Ordinary Shares of 1p par value per share	302,050,200	£3,020,502

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This document contains forward looking statements, including, without limitation, statements containing the words “believe”, “anticipated”, “expected” and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in “Risk Factors” set out in Part III of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligations to update any such forward looking statements in this document to reflect future events or developments.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, the Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in the United States, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the registered securities legislation of any state of the United States of America. The relevant clearances have not been, and will not be, obtained from the Securities Commission or any province or territory of Canada. No document in relation to Admission or the Placing has been, or will be, lodged with, or registered by, the Australian Securities Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance, in relation to Admission or Placing of the Ordinary Shares. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or offered or sold to a person within the United States of America or a resident of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa.

A notice convening an extraordinary general meeting of the Company to be held at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH at 10 a.m. on 10 October 2007 is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting. To be valid, the Form of Proxy accompanying this document must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's Registrars as soon as possible but, in any event, not later than 48 hours before the time fixed for the meeting. Completion of a Form of Proxy will not preclude a member from attending the meeting and voting in person.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Jeremy Mark Fenn (<i>Chief Executive Officer, proposed Non-Executive</i>) John Paul Swingewood (<i>Non-Executive Chairman, proposed Non-Executive</i>)
Proposed Directors	Timothy Stephen Kenneth Yeo (<i>proposed Non-Executive Chairman</i>) Peter Harvey DaCosta (<i>proposed Chief Executive Officer</i>) Keith Leonard Marder (<i>proposed Chief Technical Officer</i>) Guy Saxton (<i>proposed Non-Executive</i>) Robert StJohn Smith (<i>proposed Finance Director</i>) Michael Troullis (<i>proposed Chief Operating Officer</i>) All of Hemming House, Hemming Street, London E1 5BL
Registered Office	Central House Beckwith Knowle Otley Road Harrogate HG3 1UG
Pannal Company Secretary	Richard Mark James
Nominated Adviser and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Auditors to Pannal	Deloitte and Touche LLP Stonecutter Court 1 Stonecutter Street London EC4A 4TR
Reporting Accountants to Pannal	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Auditors to K.P.M. Autos Limited	Gerald Edelman Edelman House 1238 High Road London N20 0LH
Solicitors to Pannal	Hammonds 7 Devonshire Square Cutlers Gardens London EC2M 4YH

Solicitors to K.P.M. Autos Limited

Holman Fenwick & Willan
Marlow House
Lloyds Avenue
London
EC3N 3AL

**Solicitors to the Nominated Adviser and
Broker**

Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

DEFINITIONS AND GLOSSARY OF TERMS

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

“Acquisition”	the proposed acquisition of the entire issued share capital of KPM pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 17 September 2007 between the Vendors and the Company relating to the Acquisition as described in paragraph 10 of Part V of this document
“Act” or “Companies Act”	the applicable provisions of the Companies Act 1985 and the Companies Act 2006 from time to time in force and as they are supplemented and amended
“Admission”	the admission of all the Ordinary Shares, issued and to be issued, to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to, and the operation of, AIM
“AQMA”	an air quality management area created by a local authority as required by the Environment Act
“Articles”	the articles of association of the Company
“Board”, “Board of Directors” or “Directors”	together, the board of directors of the Company whose names are set out on page 1 of this document
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the Principles of Good Governance and Code of Best Practice published in July 2006 by the Financial Reporting Council
“Company” or “Pannal”	Pannal plc
“Concert Party”	Peter DaCosta, Keith Marder and Michael Troullis
“Consideration Shares”	the 240,000,000 new Ordinary Shares to be issued to the Vendors pursuant to the Acquisition Agreement
“CREST”	the computerised settlement system to facilitate the transfer of title to or interests in securities in uncertificated form, of which Euroclear is the operator
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)

“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH at 10 a.m. on 10 October 2007, notice of which is set out at the end of this document
“EMI Share Option Scheme”	the Eco City Vehicles plc EMI Share Option Scheme
“Enlarged Group” or “Group”	the Company, KPM and each of their subsidiaries following the completion of the Acquisition
“Enlarged Issued Share Capital”	the Ordinary Shares in issue immediately following Admission
“Environment Act”	the Environment Act 1995 (as amended)
“Euro IV”	the European Union emission standards as specified in directives 98/69/EC (passenger cars and light commercial vehicles) and 1999/96/EC (new heavy diesels) (as amended by directive 2002/80/EC) applicable to new types of heavy duty engines from October 2005 and all types of heavy duty engines from October 2006
“Euro V”	the European Union emission standards as specified in directive 2005/55/EC applicable to new types of heavy duty engines from 1 October 2008 and to all types of heavy duty engines from 1 October 2009
“Euroclear”	Euroclear UK & Ireland Limited
“Existing Ordinary Shares”	the 42,050,200 Ordinary Shares in issue at the date of this document
“Form of Proxy”	the form of proxy which accompanies this document for use by holders of Existing Ordinary Shares in connection with the EGM
“Founders”	Peter DaCosta, Keith Marder and Michael Troullis
“FSMA”	the Financial Services and Markets Act 2000, as amended
“GLA”	Greater London Authority
“HGV”	heavy goods vehicle, greater than 3.5t gross vehicle weight
“Independent Shareholders”	the holders of Existing Ordinary Shares, excluding those members of the Concert Party
“Knowledge School”	KPM UK Knowledge School Limited a not-for-profit pre-qualification learning facility and training establishment, to provide prospective taxi drivers with teaching and resources to study for the Knowledge of London exams
“KPM”	K.P.M. Autos Limited, legal parent and holding company of KPM Group
“KPM Group”	KPM and its subsidiaries

“KPM UK”	KPM UK Taxis plc, a wholly owned subsidiary of KPM, and London’s only independent main dealer for London Taxis International
“LCV”	light commercial vehicle, greater than 1700kg gross vehicle weight
“LEZ” or “Low Emission Zone”	the area of the Low Emission Zone defined by the Greater London Low Emission Zone Charging Order 2006 made under the Greater London Authority Act 1999 and confirmed by the Mayor of London on 3 May 2007
“London Taxi”	a London Taxis International or Metrocab vehicle licensed by the PCO which is permitted to ply for hire in London
“London Taxis International”	London Taxis International Limited, manufacturer of the Fairway taxi
“London Stock Exchange”	London Stock Exchange plc
“Mann & Overton”	a division of London Taxis International
“NOx”	oxides of nitrogen formed by combustion
“Numis”	Numis Securities Limited, a company incorporated in England (registered number 02285918), and having its registered office at 10 Paternoster Square, London, EC4M 7LT
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Particulate matter”	particulates of diesel soot made up of carbon and absorbed hydrocarbons
“PCO”	the Public Carriage Office which is part of Transport for London’s Surface Travel Directorate and is responsible for licensing London Taxi cabs
“Placing”	the conditional placing by Numis, as agent for the Company, of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 17 September 2007 between Numis, the Company, the Directors and the Proposed Directors relating to the Placing, details of which are set out in Part II and Part VI of this document
“Placing Price”	5p per Placing Share
“Placing Shares”	the 20,000,000 Ordinary Shares to be placed on behalf of the Company in the Placing
“PLUS”	a market operated by PLUS Markets plc, which is regulated by the Financial Services Authority, and which allows trading in the shares of unquoted companies

“PLUS Rules”	the Rules for Issuers published by PLUS Markets plc
“Proposals”	the proposals which are the subject of this document, being, <i>inter alia</i> , the Acquisition, the change of name of the Company, the Waiver, Admission and the adoption of the EMI Share Option Scheme
“Proposed Directors”	Peter DaCosta, Keith Marder, Guy Saxton, Robert Smith, Michael Troullis and Timothy Yeo
“Registrars”	Computershare Investor Services PLC
“Resolutions”	the resolutions set out in the notice of the EGM attached to this document
“Share Option Schemes”	the EMI Share Option Scheme and the Unapproved Share Option Scheme
“Shareholder”	a holder of Ordinary Shares
“Sterling” or “£”	the legal currency of the UK
“TFL”	Transport for London, the integrated body responsible for London’s transport system by implementing the Mayor’s Transport Strategy for London
“TX1”	first of a new line of taxi models manufactured by London Taxis International from 1997 to 2002
“Unapproved Share Option Scheme”	the Eco City Vehicles Unapproved Share Option Scheme
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority, acting through the United Kingdom Listing Authority, in its capacity as the competent authority for the purposes of Part VI of the FSMA
“UK Taxi Services”	UK Taxi Services Limited, a London Taxi dealer
“Unidial”	Unidial is Unipart’s on line stock checking and order fulfilment system that enables next day delivery
“Vendors”	the shareholders of KPM as at the date of this document
“Waiver”	the conditional agreement by the Panel to waive the obligation on the Concert Party to make a general offer to all Shareholders pursuant to Rule 9 of the City Code
“Warrant”	the warrant dated 15 February 2005 granted to Numis by the Company, further details of which are contained in Part V, paragraph 10(c) of this document.

STATISTICS RELATING TO THE ACQUISITION AND PLACING STATISTICS

Issue price per Consideration Share.....	5p
Placing Price per Placing Share.....	5p
Number of Existing Ordinary Shares.....	42,050,200
Number of Consideration Shares.....	240,000,000
Number of Ordinary Shares being placed on behalf of the Company.....	20,000,000
Number of Ordinary Shares in issue following Admission.....	302,050,200
Consideration and Placing Shares as a percentage of the Enlarged Issued Share Capital.....	86.1 per cent.
Proceeds of the Placing receivable by the Company before expenses.....	£1.0 million
Proceeds of the Placing receivable by the Company after expenses.....	£0.1 million
Market capitalisation of the Enlarged Group at the Placing Price per share.....	£15.1 million
ISIN.....	GB0034353754
AIM Symbol.....	ECV-L

TIMETABLE OF EXPECTED PRINCIPAL EVENTS

Publication of the Admission Document.....	17 September 2007
Latest time and date for receipt of the Forms of Proxy for the EGM.....	10 a.m. on 8 October 2007
Extraordinary General Meeting.....	10 a.m. on 10 October 2007
Completion date of the Acquisition.....	11 October 2007
Admission and dealings expected to commence in the Ordinary Shares on AIM.....	11 October 2007
CREST accounts credited.....	11 October 2007
Despatch of definitive share certificates (where applicable).....	by 25 October 2007

Each of the times and dates in the above timetable is subject to change. All times are London times unless otherwise stated.

PART I

LETTER FROM THE DIRECTORS

Pannal plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 04998151)

Directors:

Jeremy Fenn (Chief Executive Officer)
John Swingewood (Non-Executive Chairman)

Registered Office:

Central House
Beckwith Knowle
Otley Road
Harrogate
HG3 1UG

To the holders of Existing Ordinary Shares

Dear Shareholder,

**Proposed acquisition of K.P.M. Autos Limited
Placing of Ordinary Shares
Notice of Extraordinary General Meeting
Waiver of Rule 9 of the City Code
Application for admission to trading on AIM
Approval of the increase in limits on payments to Directors
Approval of Share Option Schemes**

1. Introduction

The Directors are pleased to announce that the Company has today entered into a conditional agreement to acquire the entire issued share capital of KPM. The consideration for the Acquisition is £12 million, to be satisfied by the issue of 240,000,000 Consideration Shares of 1p each at 5p per share.

KPM UK, a subsidiary of KPM, has evolved as an established specialist vehicle distributor and one of London's two authorised main dealers for LTI London Taxis selling new and used vehicles and offering a range of after sales service. KPM is intending to expand its product lines by distributing environmentally friendly vehicles through its existing channels to market, targeting local authorities, urban vehicle fleet owners (e.g. supermarket chains) and other business users.

Due to the size of KPM in relation to the size of the Company, the Acquisition is classified as a reverse takeover under the PLUS Rules and is, therefore, subject to Shareholder approval at the EGM, which will take place at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH on 10 October 2007. If all of the Resolutions are passed at the EGM, the Company will apply for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that this will become effective and dealings on AIM will commence on or around 11 October 2007.

Following the Acquisition, the Concert Party will hold 79.46 per cent. of the Enlarged Issued Share Capital. As a result, in the absence of a waiver from the requirements of Rule 9 of the City Code, the Concert Party would be obliged to make a general offer for the Company. The Panel has agreed, however, to waive the obligation that would otherwise arise as a result of the Acquisition, subject to the approval of the Independent Shareholders voting on a poll, in a general meeting. Accordingly, a resolution seeking the agreement of Independent Shareholders to a waiver from the provisions of Rule 9 of the City Code will be proposed at the EGM.

This document, which constitutes an admission document for the purposes of the AIM Rules, sets out the background to and reasons for the Acquisition, explains why the Board considers that it is in the best interests of the Company and contains the Directors' recommendation that Shareholders vote in favour of all the resolutions at the Extraordinary General Meeting. It is the Directors' intention, in respect of their own beneficial shareholdings (representing 29.8 per cent. of the existing issued share capital), to vote in favour of all of the Resolutions.

2. Information on KPM

Background

In 1975 the Founders identified an opportunity to provide vehicle servicing and repairs for the owner-drivers of the London Taxi market and so established KPM as a specialist one-shop repair service. This was driven by the Founders' belief that fleet operators dominated the London Taxi market and frequently took precedence over owner-drivers for vehicle servicing by the manufacturer.

KPM grew significantly over the next 13 years. The Directors believe that the majority of cabs operating in Greater London and the suburbs are now owner-driven. Since 2004 approximately 87 per cent. of KPM's sales of new vehicles have been to owner-drivers.

Taxi distribution business

In 1989 KPM UK was informally granted franchised dealer status by London Taxis International which was formalised by way of agreement in 2003. London Taxis International manufactured the Fairway taxi and is a dominant supplier of new vehicles to the licensed London Taxi market. To date, Mann & Overton and KPM UK are the only authorised London Taxis International dealers in London.

Following its appointment as a dealer offering a "one-stop shop" for owner-drivers, KPM UK achieved strong growth. The Directors believe that the combination of KPM's owner-driver focussed after-sales support and being the only independent franchised dealer in London, further added to its reputation amongst independent London Taxi drivers.

In the six months to 31 March 2007, KPM UK supplied 388 new cabs representing approximately 30 per cent. of the new licensed taxis sold in London during that period. KPM also offers a wide range of complementary products and services to this market.

Taxi pre and post-sales service

The Directors believe that KPM UK's reputation has been established by engaging the market on several levels, offering a range of services from the Knowledge School (formed in 1991) through to providing one-stop repair and maintenance.

KPM UK supplied new London Taxis come with a comprehensive three year warranty. KPM UK also offers finance solutions where drivers require such a service.

In addition KPM UK has direct access to Unipart's "unidual" next day delivery system, enabling parts to be delivered within 24 hours of order. The directors believe that this has enabled KPM UK to become a major distributor of London Taxis International parts in the UK. KPM UK now employs over 100 staff and leases nearly 68,000 square feet at its premises in Hemming Street, London.

Vehicle finance

KPM has entered into an agreement with HBOS plc which will enable KPM, following Admission, to supply vehicle finance through its FSA registered subsidiary KPM UK Finance Ltd. KPM intends to offer its customers financing options for other products as well as London Taxis.

Environmentally friendly vehicles

The Directors believe that the introduction of new environmental legislation, notably the Mayor of London's emission strategy on 1 July 2006, will make it more likely that drivers and fleets of older vehicles will acquire new vehicles rather than to convert older vehicles to meet the new environmental specifications.

For those drivers of older cabs, who do not wish to change their vehicles, the Directors believe that an opportunity exists to provide lower emission vehicle conversions. KPM has agreed to act as a distributor for SST Emtec, makers of an emission-reduction technology called CleanCab, designed specifically for London Taxis. CleanCab is an emission-reduction system approved by the Energy Saving Trust and the PCO for the retrofit taxi programme. The system is based on technology such as turbo charging, exhaust gas recirculation, intercooler and exhaust gas recirculation cooling.

The Directors believe that the introduction of global automotive legislation and EU emission standards are, and will continue to be, a major factor for the growth in sales of emissions-reducing products and technologies such as selective catalytic reduction, exhaust gas recirculation and diesel particulate filters technology for NOx. KPM UK is able to provide an installation service for all these products.

This belief is driven by factors including:

- Euro V standards, for heavy duty vehicles, that will come into force in 2009;
- The phased introduction of the Low Emission Zone for different vehicles from 4 February 2008 through to January 2012 with tougher emissions standards applied across most of Greater London including HGVs and LCVs needing to meet Euro IV by 2012;
- Environment Act creation of AQMAs to focus on monitoring and reducing pollution locally with 208 AQMAs throughout the country including 29 out of the 32 London Boroughs;
- GLA endeavouring to ensure that its suppliers implement “green” contracts; and
- Environmental demands that UK government agencies are placing on companies through their social and corporate responsibility policies.

The Directors intend to build on their emission-reducing experience by creating a brand which will become synonymous with environmental protection.

KPM’s strategy is twofold; first to offer local councils, urban vehicle fleet owners (e.g. supermarket chains) and other business users, that have to enter into London on a daily basis, eco-friendly vehicles and second, to become a one-stop-shop for eco-friendly vehicles at the point of sale and for after-sales support.

Whilst the Company’s initial focus will be on London, it is expected that further cities will follow London’s lead in the introduction of LEZs. The Directors may look to focus on other cities which have shown an active interest in introducing LEZs including: Bristol, Bath, Liverpool, Manchester, Norwich, Nottingham, Oxford and Sheffield.

Investments and licences

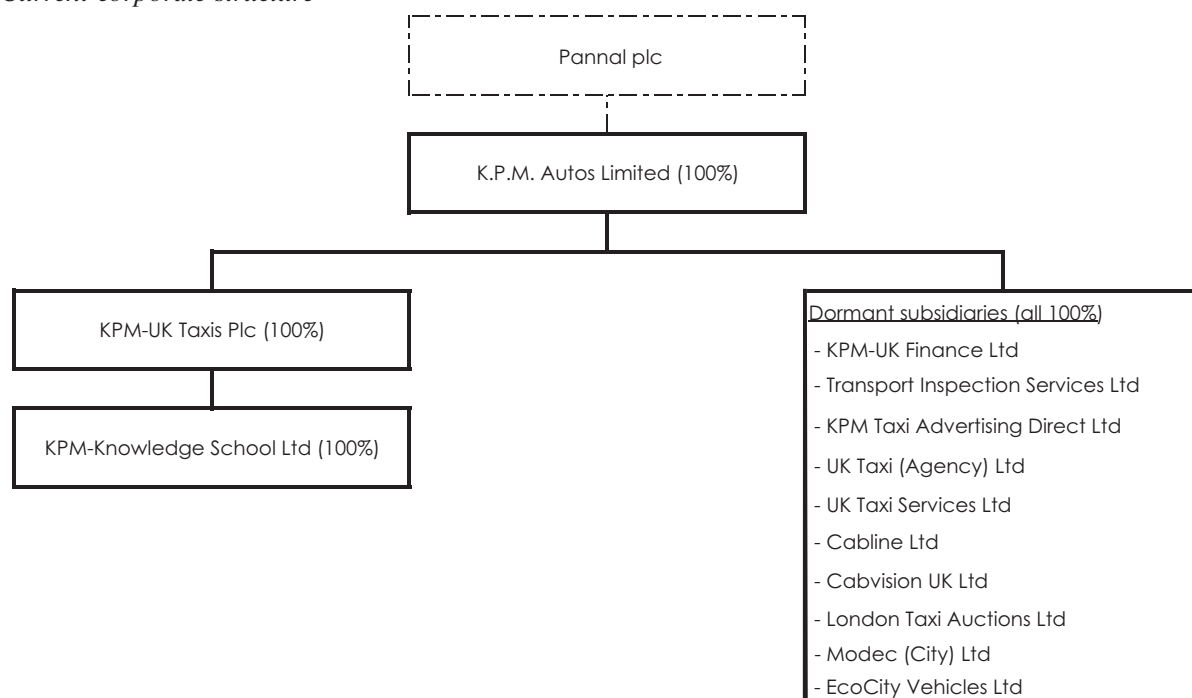
Cabvision UK Limited

Cabvision UK Limited, a wholly-owned subsidiary of KPM, operates, under licence a computer controlled digital technology, providing a platform in over 950 vehicles for advertisers to reach audiences in a captive, mobile environment.

One80 Limited

KPM has made an investment in One80 Limited, a company focused on developing engineering solutions for city vehicles. KPM currently owns 11% of the issued share capital of One80 Limited and is committed to pay £0.9m to increase its shareholding to 33.3% representing a total investment of £1.2 million. A summary of the principal terms of this agreement can be found in paragraph 10 of Part V of this document.

Current corporate structure



Competition

KPM is one of two distributors of London Taxis in London and has a long established reputation as both a distributor and after-sales service provider. The directors believe that KPM's reputation in these areas represent a significant barrier to entry for any new competitors.

The London Taxi market is controlled by the PCO which maintains regulations on the specification of vehicles. These restrictions limit the use of standard multi-purpose vehicles and other vehicles as taxis in London.

Market opportunities and key strengths

- A client and supplier base built up over 32 years.
- Approximately 87% of KPM's sales of London Taxis are to owner-drivers.
- Sales, service and repairs quality controls, certified by IS09001:2000.
- The Directors believe increased sales of new and used London Taxis, not only in the UK, but also across the globe is possible by utilising the existing customer base and the KPM website.
- The Directors believe the finance packages offering can include tailored leasing schemes.
- Vehicle Body Repairers Association accredited and recognised by a number of insurance companies for repairs.
- Economies of scale on spare parts sales utilising KPM's "just-in-time" delivery technology.
- Potential for distribution contracts with electric vehicle manufacturers.

Trading

For the six month period ending 31 March 2007 London Taxi sales made up approximately 76.7% of KPM Group's revenue, with 13.6% coming from servicing, 7.5% from the sale of parts and accessories and the remaining 2.2% coming from commissions. Sales have been rising over the last three years with first half year sales revenue and profit before tax (excluding exceptional items) in 2007 of £17,627,000 and £665,000 respectively. Sales revenue and profit before tax (excluding exceptional items) for the full year to 30 September 2006 were £27,268,000 and £198,000 respectively.

Brand

Following Admission, the taxis business will continue to trade under the established KPM brand, whilst trade in electric vehicles will be under the brand name Eco City Vehicles and the Directors intend to build a brand which will become synonymous with environmental improvement.

The Company also has ambitions to expand its brand into other major cities in UK and mainland Europe, basing their new projects on its existing after-sales support and service.

3. Directors and Proposed Directors

The Board of the Enlarged Group will initially comprise four executive directors and four non-executive directors. Details of the Directors and the Proposed Directors, their service agreements with the Company and, in the case of non-executive Directors, their letters of appointment, are set out in paragraph 8(a)(i)-(viii) of Part V of this document.

On completion of the Acquisition, the Proposed Directors will be appointed to the Board. Brief biographies of the Directors and the Proposed Directors and their positions on the Board following Admission are set out below.

Directors

Jeremy Fenn, (Chief Executive Officer, proposed Non-Executive Director) – Age 44

Jeremy Fenn has been a director of the Company since February 2004, acting historically as Managing and Finance Director.

Jeremy was Chief Executive of Sports Internet plc when it was sold to BskyB plc for £301 million in July 2000. He remained as an executive director of Skysports.com, a trading division of BskyB plc, until

January 2004. Before joining Sports Internet Group in July 1999 he was Managing Director of Leeds United Holdings plc for three years, and left them having reported record profits, minimal debt and a fourth place finish in the Premiership. Prior to this he held Finance Director positions at a number of media companies, having qualified as a chartered accountant with Coopers & Lybrand in 1988. He was a founding shareholder of DITG and TGC which were both sold to Yoomeia plc in December 2004. He is currently Finance Director of Mobile Tornado Group plc and Non-Executive Director of Yoomeia plc.

John Swingewood (Non-Executive Chairman, proposed Non-Executive Director) – Age 51

John Swingewood has been a director of the Company since 2004, acting historically as Non-Executive Chairman.

John founded both DITG and TGC in 2001 having previously been responsible for launching interactive TV sports betting whilst Director of New Media at Sky. Before joining Sky, he held a number of positions at British Telecom including Director of Internet and Multimedia, and General Manager, Broadcast TV Services. John was a founding shareholder of DTIG and TGC which were both sold to Yoomeia plc in December 2004. He is currently a Non-Executive Director of Mobile Tornado Group plc and Deputy Chairman of Yoomeia plc.

Proposed Directors

Peter DaCosta (proposed Chief Executive Officer) – Age 60

Peter DaCosta is a founder of KPM UK and has been Chairman since 1975. Peter was responsible for London Taxis International making KPM UK a Main Dealer. Peter is a prominent figure within the industry. Peter is a Freeman of the City of London, and a Fellow of both the Institute of Directors and the Institute of the Motor Industry. He is also Chairman of the Independent Taxi Dealers Association. Peter is a Founder member of Cabvision, the in-cab digital media network, where he was responsible for the design and gaining PCO approval.

Keith Marder (proposed Chief Technical Officer) – Age 53

Keith Marder is a founder and Director of KPM UK. Before setting up KPM UK, Keith served his apprenticeship with York Way Motors, a taxi fleet operator. Keith obtained his City and Guilds at Southgate Technical College and is accredited with the following qualifications: Fellow for the Institute of the Motor Industry (FIMI), Certified Automotive Engineer (CAE), National Craftsman Certificate and Authorised MOT Examiner. Keith is KPM's Senior Technical Director.

Robert Smith (proposed Finance Director) – Age 43

Rob Smith was Chief Executive of Densitron Technologies plc from October 2005 to December 2006, prior to that he was Finance Director from 2002 to October 2005. Rob led Densitron through a number of changes including the sale of subsidiary companies, fund raising and negotiation of sales and distribution agreements. Rob currently serves on the board of directors of Curidium Medica plc, a personalised medicine company, as part-time Finance Director. Rob is a Chartered Management Accountant, has an MSc in Management Accounting and over 20 years' experience in the engineering industry.

Michael Troullis (proposed Chief Operating Officer) – Age 54

Michael Troullis is a founder and Director of KPM UK. Michael has significant coach building experience and is accredited with the following qualifications: Fellow for the Institute of the Motor Industry (FIMI), Member of the Institute of Directors, Thatcham's Certificates of Competence for welding including BS 1140 and BS 4872, VOSA nominated MOT Tester and VOSA authorised MOT Examiner. Michael headed the team that instituted ISO9001/2000 for KPM UK and is also head of KPM Group's Health and Safety Team.

Timothy Yeo (proposed Non-Executive Chairman) – Age 62

Tim Yeo has been MP for South Suffolk since 1983. He held various Ministerial posts under Margaret Thatcher and John Major, including Minister of State at the Department of the Environment.

Between 1998 and 2005 he was a member of the Shadow Cabinet, shadowing a record seven different departments. Since 2005 he has been Chair of the Environmental Audit Committee. Tim holds a number of non-executive directorships in the energy, transport and health sectors including Groupe Eurotunnel SA, Univent plc, ITI Energy Ltd and AFC Energy plc.

Guy Saxton (proposed Non-Executive Director) – Age 42

Guy Saxton is a director of a number of companies including the Board of Countermine plc and a leading Corporate Adviser with New World Capital Management which represents Equilateral Limited in the UK. He was previously a Director of Fidelity Brokerage, part of the world's largest fund management and brokerage firm. Mr Saxton has been involved in the financial sector since 1988 when he started work in the City of London with AXA, the world's second largest fund manager.

Paragraph 8(e) of Part V of this document contains further details of the current and past directorships and certain other important information regarding the Directors and Proposed Directors of the Company.

Management Team

Steve McCarthy – Sales Director (8 years industry experience)

Andy Emilianou – Technical Director (32 years industry experience)

Chris Emilianou – Associate Director Body Division (30 years industry experience)

Chris Stoneham – Associate Director Body Division (9 years industry experience)

Carl Huggins – Associate Director Parts Division (9 years industry experience)

Nigel Andrew – Associate Director Mechanical Division (8 years industry experience)

Steve Ryder – Company Secretary (8 years industry experience)

As at the date of this document KPM Group employs approximately 105 employees at its Hemming House site, where it operates an equal opportunity policy for its workforce.

4. Reasons for the Acquisition

The Directors believe that the proposed acquisition of KPM represents an opportunity for investors to participate in a well-established cash-generative business with attractive growth prospects. The Directors consider that KPM's reputation in the market place gives a strong platform from which to consolidate revenues from lower emission vehicles. In the Directors' opinion the Group's licensing agreement with Cabvision also offers further opportunities for diversification of revenues.

5. Terms of the Acquisition

The Company is proposing to acquire the entire issued share capital of KPM for £12 million to be satisfied through the issue of the Consideration Shares. The Consideration Shares will rank pari passu in all respects with the Existing Ordinary Shares.

The Acquisition Agreement is conditional, inter alia upon:

- The granting of a waiver by the Panel from the requirement to make a general offer under Rule 9 of the City Code;
- The passing at the EGM of the Resolutions numbered 1, 2 and 3 in the notice of EGM, with Resolution 3 to be taken on a poll of the Independent Shareholders, the full text of which is set out in the notice of EGM at the end of this document;
- The Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission.

Summaries of the principal terms of the Acquisition Agreement and the Placing Agreement are set out in paragraph 10 of Part V of this document.

6. Change of Name

In order to reflect the new trading business of the Company following completion of the Acquisition, it is proposed to change the name of the Company to Eco City Vehicles plc. This proposal will be put to Shareholders at the EGM.

7. Reasons for the Placing and use of proceeds

It is intended that the net placing proceeds of £120,000 will be used for working capital purposes to help grow the business of the Enlarged Group.

8. Financial information on KPM

The following table sets out key financial information relating to KPM for the period from 1 October 2003 to 31 March 2007. The figures for revenue, operating profit/(loss) and profit/(loss) before tax have been extracted without material adjustment from the historical financial information on KPM, set out in Part IV Section B of this document.

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Revenue	17,627	27,268	27,766	20,581
Operating profit/(loss)	(463)	(244)	(181)	333
Profit/(loss) before tax	(423)	(321)	(162)	290

KPM's current trading continues to be in line with management expectations for the current financial year to 30 September 2007.

9. Risk Factors

Your attention is drawn to the risk factors set out in Part III of this document.

10. Background and Financial Information on the Company

Since 22 February 2005 when its shares were admitted to trading on AIM, the Company has operated as an investing company with no trading business. On 3 April 2006, the Company announced that trading in its shares on AIM was suspended and on 13 October 2006, the Company was admitted to trading on PLUS. As at 30 June 2007, the Company had cash balances of £1,438,000 and net assets of £1,429,000. Additional details in respect of the Company's corporate history and constitution are provided in Part V of this document.

11. Waiver of Rule 9 of the City Code

The terms of the Acquisition give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford to Shareholders are described below.

The Code is designed principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

Under Rule 9 of the City Code ("Rule 9"), when (i) any person acquires shares which, when taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the City Code and such person, or persons acting in concert with him, acquires any voting rights, that person is normally obliged to make a general offer in cash to all shareholders to purchase their shares at the highest price paid by him, or any person acting in concert with him, within the preceding 12 months.

Peter DaCosta, Keith Marder and Michael Troullis being directors of KPM, whose names and brief details are set out in paragraph 7(a) of Part V of this document, are deemed to be a Concert Party for the purposes of the City Code due to their position as Vendors and their relationship with each other.

At Admission, the shareholding of the Concert Party will be, in aggregate, 240,000,000 Ordinary Shares, representing 79.46 per cent. of the Enlarged Issued Share Capital of the Company as follows:

<u>Member Concert Party</u>	<u>At Admission</u>	
	<u>Number of Ordinary Shares</u>	<u>Percentage of Enlarged Issued Share Capital</u>
Peter DaCosta	80,001,600	26.49
Keith Marder	79,996,800	26.48
Michael Troullis	80,001,600	26.49
	<u>240,000,000</u>	<u>79.46</u>

The maximum potential controlling position of the Concert Party would be 79.46 per cent. of the Enlarged Issued Share Capital.

The Panel has agreed, subject to shareholders' approval, on a poll, to waive any general offer obligation resulting from the Proposals.

Following completion of the Acquisition and Admission, the members of the Concert Party will between them hold more than 50 per cent. of the Enlarged Issued Share Capital of the Company and (for so long as they continue to be treated as acting in concert) may accordingly be able to increase their aggregate shareholding without incurring any further obligation under Rule 9 to make a general offer, although individual members of the Concert Party will not be able to increase their percentage shareholding through a Rule 9 threshold without Panel consent.

In the event that the place of central management and control of the Company were to be determined by the Panel to no longer be within the UK (for example, as a result of a majority of the Company's directors ceasing to be domiciled in the UK), the City Code would cease to apply to the company and its shareholders would cease to be protected by the City Code.

12. Lock-in and orderly market arrangement

Following Admission, the Directors, Proposed Directors and persons connected and/or associated with them will be interested, in aggregate, in 250,100,000 Ordinary Shares representing approximately 82.8 per cent. of the Enlarged Issued Share Capital. Details of these shareholdings are set out in paragraph 7 of Part V of this document. Under the terms of the lock-in agreements, details of which are set out in paragraph 10(e) of Part V of this document, each of the Directors and the Proposed Directors have undertaken with the Company and Numis that, save in certain limited circumstances, including an offer for the Company, they will not dispose of any interest in any Ordinary Shares held by them for a period of twelve months from Admission. After the expiry of such period, the Directors have agreed that any sale or disposal of Ordinary Shares will only be effected through Numis for a further period of 12 months. The Directors and Proposed Directors have also undertaken to procure that their respective associates (as defined by the AIM Rules) comply with the terms of their lock-in agreements.

13. Share Option Schemes

The Directors and Proposed Directors consider that an important part of the Group's remuneration policy should include equity incentives through the grant of share options to directors and employees of the Group. Following the Acquisition and conditional upon Admission, the Directors and Proposed Directors intend to adopt employee share option schemes pursuant to which options to acquire Ordinary Shares may be granted to directors and employees of the Group. It is expected that the total number of Shares under option under the schemes, if implemented, will represent a maximum of 10 per cent. of the Company's issued ordinary share capital from time to time.

14. Dividend policy

The Directors and Proposed Directors currently intend to apply the Group's cash resources to invest in the growth of its operations and therefore do not anticipate paying dividends in the near future. They will reconsider the Company's dividend policy as and when the Company is in a position to pay dividends. The declaration and payment by the Company of any dividends will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

15. Taxation

Information regarding taxation in relation to the Placing and Admission is set out at paragraph 14 of Part V of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

16. Corporate Governance

The Directors and Proposed Directors recognise the importance of sound corporate governance. The Directors and Proposed Directors intend to comply with the Combined Code Principles of Good Governance and Code of Best Practice taking into account the Company's size and stage of development.

An audit committee, comprising Jeremy Fenn, Timothy Yeo and John Swingewood, has been established to determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Group's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. The audit committee is chaired by Jeremy Fenn who is a chartered accountant.

A remuneration committee, comprising Timothy Yeo, Guy Saxton and John Swingewood, has been established to review the performance of the executive directors and will set their remuneration and consider bonus and share options schemes. No Director or Proposed Directors will take part in discussions concerning their own remuneration. The remuneration committee is chaired by Guy Saxton.

The Company does not presently intend to form a nominations committee. However the Board will keep the situation under review.

The Company has adopted the Model Code for directors' share dealings which is appropriate for a company whose shares are traded on AIM. The Directors and Proposed Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

17. Extraordinary General Meeting

At the end of this document you will find a notice convening an Extraordinary General Meeting of the Company to be held at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH on 10 October 2007 at which the following resolutions will be proposed:

Resolution 1, which is an ordinary resolution, will if passed:

- approve the Acquisition;
- increase the authorised share capital of the Company;
- grant the Directors and the Proposed Directors authority to allot Ordinary Shares pursuant to section 80 of the Act in connection with the Acquisition and generally;

Resolution 2, which is a special resolution, will, if passed dis-apply statutory pre-emption rights upon the issue of Ordinary Shares for cash in connection with *inter alia* the Placing;

Resolution 3, which is an ordinary resolution, will, if passed on poll, approve the waiver of the obligation by the Concert Party to make a general offer under Rule 9 of the City Code as described above;

Resolution 4, which is an ordinary resolution will, if passed, approve the increase of the limit on the aggregate amount of Directors' fees from £30,000 to £150,000 before share based payments.

Resolution 5, which is a special resolution will, if passed, change the name of the Company to Eco City Vehicles plc; and

Resolution 6, which is an ordinary resolution will, if passed, approve the EMI Share Option Scheme and the Unapproved Share Option Scheme.

A poll of Independent Shareholders will be taken on Resolution 3 to approve the waiver of the obligation by the Concert Party referred to above.

The Acquisition and the Placing are conditional upon the passing of Resolutions 1, 2 and 3, which are also inter conditional upon each other.

18. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. In accordance with standard practice the Enlarged Issued Share Capital will be made eligible for settlement in CREST in accordance with CREST Regulations. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

19. Action to be taken

You will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return

your Form of Proxy to the Company's Registrars, Computershare Investor Services PLC as soon as possible but, in any event, so as to arrive **no later than 10 a.m. on 8 October 2007**. The completion and return of a Form of Proxy will not preclude Shareholders from attending the meeting and voting in person should they wish to do so.

20. Additional information

Your attention is drawn to the information contained in Parts II to V of this document which provides additional information on the Group. In particular, you are advised to carefully consider Part III of this document, entitled "Risk Factors".

21. Recommendation

The Directors, who have been so advised by Numis, consider the terms of the Acquisition and the seeking of the waiver of the obligation on the members of the Concert Party (both individually and collectively) to make a general offer to Shareholders under Rule 9 of the City Code, to be fair and reasonable and in the best interests of Shareholders as a whole. In giving its advice, Numis is advising the Directors in respect of the Proposals and is not acting for the Directors in their personal capacity nor for the Concert Party nor any of the Shareholders. Numis has taken into account the Directors' commercial assessment. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their shareholdings of 12,500,000 Existing Ordinary Shares in aggregate representing approximately 29.8 per cent. of the existing issued ordinary share capital of the Company.

Yours faithfully,

John Swingewood

PART II

DETAILS OF THE PLACING

The Placing

Pursuant to the Placing, Numis has conditionally placed 20,000,000 Placing Shares, at 5 pence per share. The Placing will raise £1.0 million (approximately £0.1 million net of expenses). The Placing Shares and the Existing Ordinary Shares will rank *pari passu* in all respects. The Placing Shares will represent approximately 6.6 per cent of the Enlarged Issued Share Capital.

The Placing Shares are proposed to be placed by Numis with institutional investors and other investors at the Placing Price in accordance with the terms of the Placing Agreement.

The Company, the Directors, Numis and others have entered into the Placing Agreement pursuant to which Numis has agreed, subject to the fulfilment of certain conditions, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing will not be underwritten by Numis. The issue of the Placing Shares is conditional, *inter alia*, upon Admission and the Placing Agreement becoming unconditional in all respects. The Placing Agreement also contains warranties from the Company and the Directors and an indemnity from the Company and certain of the Directors, all in favour of Numis.

Further details of the Placing Agreement are set out in paragraph 10 of Part V of this document and the terms of and conditions of the Placing are set out in Part VI of this document.

Placing arrangements

The Placing will be subject to the satisfaction (or waiver) of the conditions contained in the Placing Agreement, the absence of any material breach of warranty under the Placing Agreement and Admission having occurred on or before 11 October 2007 (or such later date as may be agreed between the Company and Numis, not being later than 25 October 2007). Certain conditions relate to events which are outside the control of the Company, the Directors and Numis. The Placing Agreement contains provisions entitling Numis to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain limited circumstances (including certain “force majeure” events). If the right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to applicants without interest. Further details of the terms of the Placing Agreement are set out in paragraph 10 of Part V of this document.

Admission and Dealings

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM and the Directors have decided to withdraw the Ordinary Shares from trading on PLUS. Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 11 October 2007. All dealings in Ordinary Shares prior to commencement of unconditional dealings will be at the sole risk of the parties concerned. The Ordinary Shares are in registered form and can also be held in uncertificated form. CREST accounts in respect of those Shareholders who have requested that their entitlements be dealt with inside CREST will be credited on 11 October 2007. Where applicable, definitive share certificates in respect of the Placing Shares sold under the Placing are expected to be despatched, by post at the risk of the recipients, to the relevant holders, not later than 25 October 2007. Prior to the despatch of definitive share certificates in respect of any Ordinary Shares which are held in certificated form, transfers of these Ordinary Shares will be certified against the register of members of the Company. No temporary documents of title will be issued. Following Admission, the Ordinary Shares held by the Directors will be subject to the lock-up arrangements pursuant to the AIM Rules, the Placing Agreement and the lock-in and orderly market agreements described in paragraph 10(d) and (e) of Part V of this document. Pursuant to the nominated adviser and broker agreement, Numis has agreed to act as market-maker in relation to the Ordinary Shares following Admission.

PART III

RISK FACTORS

THE ATTENTION OF PROSPECTIVE INVESTORS IS DRAWN TO THE FACT THAT OWNERSHIP OF SHARES IN THE COMPANY INVOLVES A VARIETY OF RISKS WHICH, IF ANY WERE TO OCCUR, COULD HAVE A MATERIALLY ADVERSE EFFECT ON THE COMPANY'S BUSINESS OR FINANCIAL CONDITION, RESULTS OR FUTURE OPERATIONS. THE MARKET PRICE OF THE ORDINARY SHARES COULD DECLINE IN SUCH CIRCUMSTANCES AND AN INVESTOR WOULD RISK LOSING ALL OR PART OF HIS OR HER INVESTMENT.

In addition to the information set out in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. In particular, the Company's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements. Additionally, there may be additional risks of which the Board is not aware or which the Board believes to be immaterial which may, in the future, adversely affect the Group's business and the market price of the Ordinary Shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under the FSMA which specialises in advising on the acquisition of shares and other securities.

Working capital requirements

Whilst the Group has no current plans for raising additional capital after Admission and the Directors and the Proposed Directors are of the opinion that the working capital available to the Group will be sufficient for the next twelve months, there may be a need to raise extra capital in the future to exploit fully any opportunities presented to it. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Group or its Shareholders. If required funds are not available, the Group may have to reduce expenditure on the maintenance, establishment and development of its business which could have material adverse effect on the Group's business, financial condition and prospects.

Share price volatility

The Ordinary Share price may fluctuate as a result of a variety of factors, including economic conditions; the operating and share price performance of other companies in the industries and markets in which the Group operates; speculation about the Group's business in the press, media or the investment community; changes to the Group's sales or profit estimates; the publication of research reports by analysts; and general market conditions. Investors may not be able to recover their original investment as a result thereof.

Securities traded on AIM

An investment in Ordinary Shares is highly speculative and subject to a high degree of risk. Only those who can bear the risk of the entire loss of their investment should invest.

Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. An investment in Ordinary Shares may thus be difficult to realise. The Ordinary Shares will not be quoted on the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment, or sustain a total loss of their investment. The price at which investors may dispose of their shares in the Group may be influenced by a number of factors some of which may pertain to the Group and others of which are extraneous. Investors may realise less than the original amount invested.

Application has been made for the Enlarged Issued Share Capital to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. Neither the London Stock Exchange nor the UKLA have examined this document for the purposes of Admission.

Political Change

The Company's projections and statements in respect of the emerging market for environmentally friendly vehicles in London are based in part on the political manifesto commitments and policy statements of the Mayor of London appointed as at the date of this document.

As the office of the Mayor of London is an elected position, a subsequently elected Mayor of London may alter or retract the existing policy statements and commitments, including but not limited to the Low Emission Zone manifesto commitment. Such changes could adversely affect the prospect of the emerging market for environmentally friendly vehicles.

New Business Line

KPM UK has only recently started evaluating the possibility of entering the market for environmentally friendly vehicles and accordingly has not yet generated any revenue in this area. Statements and projections in respect of this area are subject to all the risks inherent in the commercialisation of an emerging technology and entry into an emerging market and a market in which the Company has no trading history. The Company cannot be certain that any of its business strategies in this area will be successful, that the market for environmentally friendly vehicles will be commercially accepted, or that other technologies will not make the Company's business proposals obsolete. For these and other reasons, many of which are beyond the Company's control, actual operating results may vary materially from the Company's expectations.

Dependence on Key Contract

Of particular materiality to KPM's business is its supply agreement with London Taxis International, which supplies TX4 London Taxis to KPM. The loss or disruption of this supply relationship could have a material adverse effect on KPM's business and operating results. The agreement is terminable by London Taxis International immediately in certain circumstances including KPM's material or persistent breach of the Agreement, the change of control or ownership of KPM or on any change in the senior management of KPM which has a material effect on the relationship with London Taxis International or on two years' notice provided that London Taxis International gives detailed, objective and transparent reasons for the termination.

Dependence on senior management

The Company believes that its success will depend on the continued employment of its senior management team. This dependence is particularly important because management's contacts, expertise and business relationships are a critical element of the Company's business. Specifically, if Peter DaCosta, Keith Marder or Michael Troullis were unable or unwilling to continue in their present positions, such persons would be difficult to replace. The loss of any member of the senior management team might significantly delay or prevent the achievement of the Company's business objectives and could materially harm its business relationships.

Taxation

Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which are subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

Forward-looking statements

All statements, other than statements of historical fact, contained in this Admission Document constitute "forward-looking statements". Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the future results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. The "Risk Factors" detailed in this Part III might cause such a difference and new risk factors may emerge from time to time that could cause the Company's business not to develop as it expects. Prospective investors are advised not to place any undue reliance on such forward-looking statements except as required by law or the AIM Rules. The Company disclaims any obligation to update any such forward-looking statements in this Admission Document to reflect future events or developments.

Competition

Although the Directors believe that there are high barriers to entry into the markets in which it operates, there is a risk of new competitors emerging which could have a significant effect on KPM's trading position. In addition, KPM is looking to enter new markets, including the emerging market for environmentally friendly vehicles, where there could be increased competition from other businesses offering similar products and services.

PART IV

FINANCIAL INFORMATION

SECTION A — ACCOUNTANT'S REPORT AND HISTORICAL FINANCIAL INFORMATION ON PANNAL PLC

Grant Thornton Corporate Finance

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

The Directors
Pannal plc
Central House
Beckwith Knowle
HARROGATE
HG3 1UG

Grant Thornton 

17 September 2007

Dear Sirs

PANNAL PLC

We report on the financial information on Pannal plc for the three years ended 31 December 2006 set out on pages 24 to 34. This financial information has been prepared for inclusion in the AIM admission document dated 17 September 2007 of Pannal plc (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information.

RESPONSIBILITIES

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies 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 (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this Admission Document.

The Directors of Pannal plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the EU.

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

BASIS OF OPINION

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

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

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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

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 Pannal plc as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the EU as described in note 2 to the financial information.

DECLARATION

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

Yours faithfully

GRANT THORNTON UK LLP

HISTORICAL FINANCIAL INFORMATION ON PANNAL PLC

The historical financial information on Pannal Plc for the periods ended 31 December 2006, 2005 and 2004 set out below has been prepared solely for the purpose of this Admission Document and does not constitute audited statutory accounts within the meaning of Section 240 of the Companies Act 1985.

INCOME STATEMENT

		Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000	Period from incorporation to 31 December 2004 £'000
	Notes			
REVENUE		—	—	—
Costs of sales		—	—	—
GROSS PROFIT		—	—	—
Administrative expenses	3	(116)	(141)	—
OPERATING LOSS	4	(116)	(141)	—
Finance income	7	59	45	—
LOSS FOR THE PERIOD BEFORE TAX .		(57)	(96)	—
Tax expense	8	—	—	—
NET LOSS FOR THE PERIOD		(57)	(96)	—
Basic and diluted earnings per share.....	9	(0.136p)	(0.253p)	—

BALANCE SHEET

	Notes	As at 31 December 2006 £'000	As at 31 December 2005 £'000	As at 31 December 2004 £'000
ASSETS				
Current assets				
Trade and other receivables	10	41	28	—
Cash and cash equivalents	11	<u>1,429</u>	<u>1,491</u>	<u>100</u>
Total assets		<u>1,470</u>	<u>1,519</u>	<u>100</u>
EQUITY AND LIABILITIES				
Equity				
Called up share capital	12	421	421	100
Share premium account		1,179	1,179	—
Retained earnings		<u>(153)</u>	<u>(96)</u>	<u>—</u>
Total equity		1,447	1,504	100
Current liabilities				
Trade and other payables	13	<u>23</u>	<u>15</u>	<u>—</u>
Total equity and liabilities		<u>1,470</u>	<u>1,519</u>	<u>100</u>

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
On incorporation	—	—	—	—
Share issue	<u>100</u>	<u>—</u>	<u>—</u>	<u>100</u>
Balance at 31 December 2004	100	—	—	100
Share issue	321	1,281	—	1,602
Issue costs	—	(102)	—	(102)
Loss for the year	<u>—</u>	<u>—</u>	<u>(96)</u>	<u>(96)</u>
Balance at 31 December 2005	421	1,179	(96)	1,504
Loss for the year	<u>—</u>	<u>—</u>	<u>(57)</u>	<u>(57)</u>
Balance at 31 December 2006	<u>421</u>	<u>1,179</u>	<u>(153)</u>	<u>1,447</u>

STATEMENT OF CASH FLOWS

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000	Period from incorporation to 31 December 2004 £'000
Cash flows from operating activities			
Net loss.....	(57)	(96)	—
Adjustment for:			
Finance income.....	(59)	(45)	—
	(116)	(141)	—
Increase in receivables.....	(13)	(28)	—
Increase in payables.....	8	15	—
Net cash used in operating activities.....	(121)	(154)	—
Cash flows from investing activities			
Interest received.....	59	45	—
Net cash from investing activities.....	59	45	—
Cash flows from financing activities			
Net proceeds on issue of share capital.....	—	1,500	100
Net cash from financing activities.....	—	1,500	100
Net increase/(decrease) in cash and cash equivalents.....	(62)	1,391	100
Cash and cash equivalents at beginning of period.....	1,491	100	—
Cash and cash equivalents at end of period.....	1,429	1,491	100

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Pannal Plc is a Public Limited Company incorporated on 17 December 2003 and domiciled in England and Wales under company number 04998151. The company's registered office is Nidderdale House, Beckwith Knowle, Harrogate. The company is a vehicle for identifying and acquiring businesses that are positioned to take advantage of opportunities within the technology, media and telecommunications sector. To date, the company has not acquired any businesses or established a trade.

2. ACCOUNTING POLICIES

Basis of preparation

This historical financial information has been prepared under the historical cost convention. The measurement bases and principal accounting policies of the company are set out below.

The historical financial information has been prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU and as developed and published by the International Accounting Standards Board (IFRS).

The Company has historically published its financial statements under UK GAAP. It will publish its next set of financial statements under IFRS and, accordingly, its date of transition to IFRS will be 1 January 2006. For the purposes of this historical financial information, all past periods have been presented under the IFRS that are expected to be applicable to the company's first set of IFRS financial statements. There were no adjustments required between the previous UK GAAP financial statements and the IFRS historical financial information presented in this document, other than presentational disclosures, and the company has not taken advantage of any exemptions available under IFRS 1 First-time adoption of International Financial Reporting Standards.

The company's year end is 31 December however the first period of accounts ran from 17 December 2003 (the date of incorporation) to 31 December 2004 and consequently comparative amounts in the income statement, statement of changes in equity, cash flow statement and related notes may not be comparable.

Significant estimates and judgements

It should be noted that accounting estimates and assumptions are used in preparing the historical financial information. In management's view, the only material estimate made relates to the future recoverability of deferred tax assets. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Expense recognition

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin when the expenditure produces no future economic benefits.

Finance income

Interest income is recognised using the effective interest rate method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Equity

Share capital represents the nominal value of shares that have been issued.

Share premium account includes any premiums received on the initial issuance of the share capital. Any transaction costs associated with the issuance of shares are deducted from the share premium account, net of any related income tax benefits.

Retained earnings include all current and prior period results as disclosed in the income statement.

Financial assets

All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

New standards and interpretations

A new Standard, IFRS 7 Financial Instruments: Disclosures, has become mandatory for reporting periods beginning on 1 January 2007 or later. This Standard, which replaces rules previously set out in IAS 32 Financial Instruments: Presentation and Disclosures, has been applied by the company in this historical financial information. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements.

The following new standards and interpretations have been issued by the International Accounting Standards Board: IFRS 8 “Operating Segments” (effective 1 January 2009) and IFRIC 11 “IFRS 2 — Group and Treasury Share Transactions” (effective 1 March 2007).

The company intends to apply these new standards and interpretations from the accounting period in which they are first applicable. Adoption of these new standards and interpretations are not expected to have any initial impact on the information presented by the company.

3. EXPENSES BY NATURE

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000	Period from incorporation to 31 December 2004 £'000
Directors remuneration	5	25	—
Office salaries and national insurance	2	8	—
Consultancy fees	24	2	—
Legal and professional fees	62	87	—
Hotels, travel and subsistence	23	19	—
	<u>116</u>	<u>141</u>	<u>—</u>

4. OPERATING LOSS

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000	Period from incorporation to 31 December 2004 £'000
This is stated after charging:			
Fees payable to the Company's auditors for the audit of the financial statements	<u>5</u>	<u>5</u>	<u>—</u>

5. EMPLOYEE INFORMATION

	Year ended 31 December 2006 No.	Year ended 31 December 2005 No.	Period from incorporation to 31 December 2004 No.
i) Number of employees (including directors) . .	<u>2</u>	<u>2</u>	<u>2</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
ii) Employee benefit expense			
Wages and salaries (including directors)	<u>7</u>	<u>33</u>	<u>—</u>

6. DIRECTORS' EMOLUMENTS

Aggregate emoluments including benefits in kind, assets (other than shares) received under long term incentive schemes and the aggregate value of any company contributions paid to a money purchase pension scheme.

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000	Period from incorporation to 31 December 2004 £'000
Aggregate emoluments consist solely of gross salaries.	5	25	—
	<u>No.</u>	<u>No.</u>	<u>No.</u>
Number of directors to whom retirement benefits are accruing under money purchase schemes	—	—	—

7. FINANCE INCOME

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000	Period from incorporation to 31 December 2004 £'000
Interest income resulting from short term bank deposits	59	45	—
Interest income on financial assets carried at amortised cost	59	45	—

8. TAX EXPENSE

UK corporation tax:

There was no tax charge for the years ended 31 December 2006 and 31 December 2005 and the period ended 31 December 2004 due to there being losses for the periods.

Deferred taxation:

There was no potential liability to deferred taxation at the balance sheet dates. At 31 December 2006 the company had a potential deferred taxation asset of £17,000 (2005: £10,000; 2004: £nil) which has not been recognised in these accounts. This deferred taxation asset relates to tax credits available to carry forward against future profits arising from excess management expenses of approximately £53,000 at 31 December 2006 (2005: £31,000; 2004: £nil).

The UK corporation tax on the loss for the year at 30% (2005: 30%; 2004: 30%) is £nil (2005: £nil; 2004: £nil). The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax. The differences are explained below:

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000	Period from incorporation to 31 December 2004 £'000
Loss for the year before tax	(57)	(96)	—
Expected tax expense at standard rate of 30% (2005: 30%; 2004: 30%).	(17)	(29)	—
Factors affecting charge for the year:			
Deferred tax movements:- tax credits not provided for	7	10	—
Expenses not deductible for tax purposes	10	19	—
Actual tax expense	—	—	—

9. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share has been calculated by dividing the loss attributable to ordinary shareholders for the year ended 31 December 2006 of £57,000 (2005: £96,000; 2004: £nil) by the weighted average number of ordinary shares in issue during the year of 42,050,200 (2005: 37,923,214; 2004: 335,726) and amounted to a loss of 0.136 pence per share (2005: loss of 0.253 pence per share; 2004: nil per share).

10. TRADE AND OTHER RECEIVABLES

	As at 31 December 2006 £'000	As at 31 December 2005 £'000	As at 31 December 2004 £'000
Due within one year:			
Other debtors	33	17	—
Prepayments and accrued income	<u>8</u>	<u>11</u>	<u>—</u>
	<u>41</u>	<u>28</u>	<u>—</u>

The carrying amount of these short term financial assets is a reasonable approximation of fair value.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	As at 31 December 2006 £'000	As at 31 December 2005 £'000	As at 31 December 2004 £'000
Cash at bank and in hand	69	40	100
Short term investments	<u>1,360</u>	<u>1,451</u>	<u>—</u>
	<u>1,429</u>	<u>1,491</u>	<u>100</u>

The effective interest rate of short term investments is 4.1% (2005: 3.8%; 2004: nil%). The carrying amount of these assets approximates their fair values.

12. EQUITY

The share capital of Pannal plc consists of only one class of ordinary shares with a par value of £0.01. All shares are equally eligible to receive dividends and the repayment of capital and have one vote each at shareholders' meetings of Pannal plc.

	As at 31 December 2006 No.	As at 31 December 2005 No.	As at 31 December 2004 No.
Authorised			
Ordinary shares of £0.01 each.	<u>56,306,940</u>	<u>56,306,940</u>	<u>56,306,940</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Ordinary shares of £0.01 each.	<u>563</u>	<u>563</u>	<u>563</u>

	Year ended 31 December 2006 No.	Year ended 31 December 2005 No.	Period from incorporation to 31 December 2004 No.
Issued and fully paid			
Number of ordinary shares of £0.01 each			
Beginning of period	42,050,200	10,000,200	200
Issued during the period	—	32,050,000	10,000,000
At end of period	<u>42,050,200</u>	<u>42,050,200</u>	<u>10,000,200</u>

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000	Period from incorporation to 31 December 2004 £'000
Nominal value of ordinary shares of £0.01 each			
Beginning of period	421	100	—
Issued during the period	—	321	100
At end of period	<u>421</u>	<u>421</u>	<u>100</u>

On 17 December 2003, 2 ordinary shares of £1 par value per share were issued on the incorporation of the Company. Each of these shares was subsequently subdivided into 100 shares of £0.01 each on 16 February 2004.

On 17 December 2004, 7,500,000 shares of £0.01 par value per share were issued and fully paid. On 22 December 2004, a further 2,500,000 shares of £0.01 par value per share were issued and fully paid.

On 16 February 2005, 32,050,000 ordinary shares with a nominal value of £0.01 per share were issued fully paid for cash of £0.05 per share.

13. CURRENT LIABILITIES

	As at 31 December 2006 £'000	As at 31 December 2005 £'000	As at 31 December 2004 £'000
Trade payables	12	3	—
Accruals and deferred income	11	12	—
	<u>23</u>	<u>15</u>	<u>—</u>

The carrying amounts of trade and other payables approximate to their fair values. All trade and other payables at 31 December 2006 and 2005 were payable within one month.

14. FINANCIAL ASSETS BY CATEGORY

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

	As at 31 December 2006 £'000	As at 31 December 2005 £'000	As at 31 December 2004 £'000
Trade and other receivables			
– loans and receivables	33	17	—
Cash and cash equivalents	1,429	1,491	100
	<u>1,462</u>	<u>1,508</u>	<u>100</u>

No financial assets were past due at 31 December 2006 or 2005.

15. FINANCIAL LIABILITIES BY CATEGORY

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

	<u>As at 31 December 2006 £'000</u>	<u>As at 31 December 2005 £'000</u>	<u>As at 31 December 2004 £'000</u>
Trade payables			
– financial liabilities measured at amortised cost.	12	3	—

16. RISK MANAGEMENT OBJECTIVES AND POLICIES

Pannal plc is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is co-ordinated by the board of directors and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. Pannal plc does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

(a) Foreign currency risk

The Company is not exposed to foreign currency risk as all of its assets and liabilities are held in pounds sterling.

(b) Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). The Company is exposed to concentrations of credit risk in that its cash and cash equivalents are held predominantly with one counterparty. Management manage this risk by only holding cash and cash equivalents with financial institutions with high credit ratings.

(c) Cash Flow and Fair Value Interest Rate Risk

The Company has no borrowings.

(d) Liquidity risk

The Company maintains cash and cash equivalents to meet its liquidity requirements.

17. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

18. CAPITAL COMMITMENTS

There were no capital commitments, either authorised or contracted for, at 31 December 2006, 2005 or 2004.

19. RELATED PARTY TRANSACTIONS

The Company paid for £24,000 consultancy services undertaken by Mr J Fenn, a director and shareholder of the Company, during the year ended 31 December 2006 (2005: £nil; 2004: £nil). There was no balance outstanding at 31 December 2006, 2005 or 2004.

Other directors' remuneration are set out in Note 6.

SECTION B — ACCOUNTANT'S REPORT AND HISTORICAL FINANCIAL INFORMATION ON K.P.M. AUTOS LIMITED

Grant Thornton Corporate Finance

Grant Thornton UK LLP
Chartered Accountants
UK member of
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The Directors
Pannal plc
Central House
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HARROGATE
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Grant Thornton 

17 September 2007

Dear Sirs

K.P.M. AUTOS LIMITED

We report on the financial information on K.P.M. Autos Limited for the three years ended 30 September 2006 and the six months ended 31 March 2007 set out on pages 37 to 63. This financial information has been prepared for inclusion in the AIM admission document dated 17 September 2007 of Pannal plc (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information.

RESPONSIBILITIES

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies 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 (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this Admission Document.

The Directors of Pannal plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the EU.

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

BASIS OF OPINION

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

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

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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

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 K.P.M. Autos Limited as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the EU as described in note 2 to the financial information.

DECLARATION

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

Yours faithfully

GRANT THORNTON UK LLP

HISTORICAL FINANCIAL INFORMATION ON K.P.M. AUTOS LIMITED

The historical financial information on K.P.M. Autos Limited for the years ended 30 September 2006, 2005 and 2004 and the six months ended 31 March 2007 set out below has been prepared solely for the purpose of this Admission Document and does not constitute audited statutory accounts within the meaning of Section 240 of the Companies Act 1985.

Group Income Statement

	Notes	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Revenue	3	17,627	27,268	27,766	20,581
Cost of sales		(15,033)	(23,299)	(23,418)	(16,888)
Gross Profit		2,594	3,969	4,348	3,693
Administrative expenses		(3,449)	(4,876)	(5,229)	(3,745)
Other income	3	392	663	700	385
Operating profit/(loss)	6	(463)	(244)	(181)	333
Operating profit/(loss), analysed as:					
Before exceptional items		625	275	916	333
Provision for Cabvision guarantee .	5	(471)	—	—	—
Impairment of investment in Cabvision Limited	5	(617)	(519)	(1,097)	—
Operating profit/(loss)		(463)	(244)	(181)	333
Finance income	8	91	42	131	96
Finance costs	9	(51)	(119)	(112)	(139)
Net finance income		40	(77)	19	(43)
Share of profit/(loss) of associate		—	—	—	—
Profit (loss) before tax		(423)	(321)	(162)	290
Tax	10	(178)	34	8	(100)
Profit (loss) for the period attributable to shareholders		(601)	(287)	(154)	190
Earnings/(loss) per share					
Basic and diluted	12	£ (12.02)	£ (5.74)	£ (3.08)	£ 3.80

Group balance sheet

	Notes	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Non current assets					
Property, plant and equipment	14	450	429	528	441
Interests in associates	16	—	—	—	—
Available for sale financial assets	15	300	—	—	—
		750	429	528	441
Current assets					
Inventories	17	828	1,099	2,513	2,457
Trade and other receivables	18	1,544	2,163	2,020	3,013
Other financial assets	18	—	—	210	210
Cash and cash equivalents	18	2,521	1,503	947	1,964
		4,893	4,765	5,690	7,644
Total assets		5,643	5,194	6,218	8,085
Current liabilities					
Trade and other payables	22	(3,054)	(2,679)	(3,205)	(4,749)
Current income tax		(178)	—	—	—
Provision for Cabvision guarantee	5	(471)	—	—	—
		(3,703)	(2,679)	(3,205)	(4,749)
Non current liabilities					
Trade and other payables	22	(126)	(100)	(159)	(20)
Deferred tax liability	20	(28)	(28)	(30)	(38)
		(154)	(128)	(189)	(58)
Total liabilities		(3,857)	(2,807)	(3,394)	(4,807)
Net assets		1,786	2,387	2,824	3,278
Share capital	23	50	50	50	50
Retained Earnings	24	1,736	2,337	2,774	3,228
Total equity		1,786	2,387	2,824	3,278

Group statement of recognised income and expense

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Net income recognised directly in equity	—	—	—	—
(Loss)/profit for the year	(601)	(287)	(154)	190
Total recognised income and expense attributable to equity holders of the parent	(601)	(287)	(154)	190

Group cash flow statement

	Notes	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Operating activities					
Net result.....		(601)	(287)	(154)	190
Adjustment for:					
Finance income/expense.....		(40)	77	(19)	43
Tax.....		178	(34)	(8)	100
		(463)	(244)	(181)	333
Depreciation.....	6	54	124	152	131
Impairment of cash investments.....	18	—	210	—	—
Provision for Cabvision guarantee.....	5	471	—	—	—
(Profit)/loss on disposal of property, plant and equipment.....	6	(2)	(1)	(4)	2
(Increase)/decrease in receivables.....	18	619	(168)	1,018	(1,296)
Increase/(decrease) in payables.....	22	357	(423)	(1,604)	1,759
(Increase)/decrease in inventories.....	17	271	1,414	(56)	(306)
Taxes paid.....	10	—	(90)	—	(68)
Net cash generated by/(used in) operating activities.....		1,307	822	(675)	555
Investing activities					
Interest received.....	8	91	42	131	96
Purchase of property, plant and equipment. Proceeds from sale of property, plant and equipment.....	14	(11)	(12)	(284)	(131)
Equity investments.....	15	38	13	49	45
		(300)	—	—	—
Net cash (used in)/generated by investing activities.....		(182)	43	(104)	10
Financing activities					
Dividends paid.....	11	—	(150)	(300)	(150)
Movement in loans to directors.....	30	—	25	(25)	1
Interest paid.....	9	(51)	(119)	(112)	(139)
Movement in obligations under finance leases.....	21	(56)	(65)	199	25
Net cash (used in)/generated by financing activities.....		(107)	(309)	(238)	(263)
Net increase/(decrease) in cash and cash equivalents.....		1,018	556	(1,017)	302
Cash and cash equivalents at beginning of period.....		1,503	947	1,964	1,662
Cash and cash equivalents at end of period.....		2,521	1,503	947	1,964

Notes to the historical financial information

1. General information

K.P.M. Autos Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Hemming House, Hemming Street, London, E1 5BL.

The Group is engaged in the sale and service of new and used London Taxis to owner operators and the provision of related services. The Group operates from a single site in East London from where it conducts all operations.

This historical financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. The Group comprises K.P.M. Autos Limited and its subsidiary and associate companies as set out in the following table.

<u>Name of Company</u>	<u>Proportion Held</u>	<u>Class of shareholding</u>	<u>Nature of Business</u>
Subsidiary undertakings			
U.K. Taxi (Agency) Limited	100%	Ordinary	Dormant
U.K. Taxi Services Limited	100%	Ordinary	Dormant
KPM-UK Taxis Plc	100%	Ordinary	Taxi cab dealer
KPM-UK Knowledge School Limited*	100%	Ordinary	Education Services
KPM Taxi Advertising Direct Limited*....	100%	Ordinary	Dormant
Cabline Limited*	100%	Ordinary	Dormant

* Indirectly held

Associate

Cabvision Limited	29%	Ordinary	Digital advertising in taxis
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2. Significant accounting policies

Basis of Preparation and Statement of Compliance with International Financial Reporting Standards

The historical financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries).

The historical financial information is prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted for use in the European Union (EU) except in respect of the following matter:

- the historical financial information does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 — First-time Adoption of International Financial Reporting Standards and consequently the Company does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first-time adoption rules of IFRS 1 in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made here, the combined historical financial information has been prepared as if the date of transition to IFRS was 1 October 2004, the beginning of the first period presented, and the requirements of IFRS 1 have been applied since that date.

The Basis of Presentation and Accounting Policies used in Preparing the Historical Financial Information

The historical financial information has been prepared on a historical cost basis, modified to include fair valuation of financial instruments. In the process of applying the Group’s accounting policies, management is required to make judgements, estimates and assumptions that may affect the financial statements. Management believes that the judgements made in the preparation of the financial statements are reasonable. Although these estimates are based on management’s best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

As explained above, the Group's deemed transition date to IFRS is 1 October 2004. The rules for first-time adoption of IFRS are set out in IFRS 1. In preparing subsequent consolidated financial statements in accordance with IFRS, the date of transition, as determined in accordance with IFRS 1, will not be 1 October 2004 and therefore the first-time adoption rules will be applied at a date other than 1 October 2004 with a consequential impact on the opening IFRS balance sheet.

IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The following exemption has been applied:

- IFRS 3 "Business combinations" has not been applied to business combinations prior to the Group's transition date, being 1 October 2004 and therefore pre-transition date combinations have not been restated.

Basis of Consolidation

The historical financial information incorporates the financial statements of the Company and entities controlled by the Company made up to 30th September each year and for the interim period to 31st March 2007.

Subsidiaries

Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the historical financial information from the date that control commences until the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income, expenses and unrealised gains are eliminated when preparing the historical financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Sales of services are recognised when the service has been completed and invoiced to the customer.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases or under hire purchase contracts are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign Currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Government Grants

Government grants are recognised as income over the periods in which the related training is provided to students and when no remaining conditions apply.

Financing costs

Financing costs comprise interest payable, interest receivable, the unwinding of discounts and derivative gains and losses that are recognised in the income statement. Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. All interest on borrowings is recognised in the income statement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Exceptional items

The Group has shown separately disclosable items on the face of the income statement. The Group defines separately disclosable items as those items, by virtue of their size or nature, which the Group considers should be presented separately in order to aid comparability from period to period.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of property, plant and equipment by annual instalments over their estimated useful economic lives less estimated residual values, using either the straight line method or reducing balance method depending on the class of asset. The periods generally applicable are:

Short leasehold	– over the term of the lease
Improvements to property	– in accordance with the property
Plant and machinery	– 20% on reducing balance
Fixtures and fittings	– 15% on reducing balance
Motor vehicles	– 25% on reducing balance

Residual values and useful economic lives are reviewed annually. Property, plant and equipment are assessed for impairment annually or more often if events or changes in circumstances indicate that the carrying value may not be recoverable. Where an impairment review is deemed necessary it is performed in accordance with the policies set out below.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories and deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials only. Cost is calculated using actual value on a first-in/first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

In circumstances where the substance of a consignment stocking agreement is such that the inventory is deemed to be an asset of the Group and where vehicles are purchased on conditional sale agreements, the inventory is recognised as such on the balance sheet and the corresponding liability to the manufacturer is included within trade and other payables. In all other circumstances, consignment stocking arrangements are disclosed as a contingent liability.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. They are as reduced by appropriate allowances for estimated irrecoverable amounts. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than

12 months after the balance sheet date. Loans and receivables are initially recognised at cost, being the fair value of consideration together with any associated issue costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated taking into account any issue costs and discount or premium on settlement.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Financial Liability and Equity

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in the historical financial information for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually.

The liability element is recognised initially at the fair value of a similar liability that does not have an equity conversion right. The equity component is recognised initially at the difference between the fair value of the financial instrument as a whole and the fair value of the liability element. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability element is measured at amortised cost using the effective interest method. The equity element is not remeasured subsequent to initial recognition.

The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. When recognising and measuring a provision, events occurring after the balance sheet date, and before authorisation for issue, are considered to determine whether such events provide additional evidence of conditions that existed at the balance sheet date and should therefore be adjusted for. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The manufacturer covers warranty costs on new vehicle and parts sales. Used vehicles are sold “as seen” without a warranty. No provisions for warranties are deemed necessary.

Financial guarantees

The Group regards financial guarantees offered in respect of related undertakings as insurance contracts and as such are accounted for in accordance with IFRS 4 “Insurance contracts”. A provision is recognised in the balance sheet when it is probable that an outflow of economic benefits will be required to fulfil the guarantee.

Significant judgements, key assumptions and estimates

Leases

The Group has considered the application of IAS 17 in connection with certain buildings it leases over a long term, in light of the permanent nature of the buildings and that the rents paid on these buildings are in line with the rents paid on short term holdings the company has concluded that these arrangements are operating leases and have accounted for them accordingly.

Adopted IFRS not yet applied

At the date of authorisation of the historical financial information, the following Standards and Interpretations were in issue, adopted for use by the European Union but not yet mandatory and have not been applied in the historical financial information:

- IFRS 7: Financial Instruments: Disclosures (effective for accounting periods on or after 1 January 2007);
- IFRS 8: Operating Segments (effective for accounting periods on or after 1 January 2009);
- IAS 1 (amended: Presentation of Financial Statements) — Capital Disclosures (effective for accounting periods on or after 1 January 2007); and
- IFRIC Interpretation 9: Reassessment of Embedded Derivatives (effective for accounting periods on or after 1 June 2006).

The directors do not anticipate that the adoption of these Standards and Interpretations will have a material impact on the Group’s historical financial information in the period of initial application. However, the directors are aware that the application of IFRS 7 and amended IAS 1 will significantly alter the amount and complexity of disclosure contained in their next financial statements.

3. Revenue

An analysis of the Group's revenue is as follows:

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
New vehicles	11,001	14,682	15,294	10,035
Second hand vehicles	1,565	2,924	1,017	1,885
Vehicles sold to trade	1,254	2,258	3,828	2,309
Parts & accessories	1,348	2,993	2,824	2,616
TFT screens sold to Cabvision	—	—	967	—
Total sales of goods	15,168	22,857	23,930	16,845
Rendering of services	2,459	4,411	3,836	3,736
	<u>17,627</u>	<u>27,268</u>	<u>27,766</u>	<u>20,581</u>
Other operating income				
Rents received	31	17	23	39
Sundry receipts	—	20	—	—
Commissions	361	626	677	346
	<u>18,019</u>	<u>27,931</u>	<u>28,466</u>	<u>20,966</u>

4. Business and geographical segments

Based on risks and returns the directors consider the primary reporting format is by business segment. The directors consider that there is only one business segment being the sale and service of new and used London Taxis and the provision of related services.

The secondary reporting format is by geographical analysis. Based on risks and returns the directors consider that there is only one geographical segment being the United Kingdom. All external revenues are earned from customers in the United Kingdom and it is the United Kingdom as a whole that dictates the level of geographical risk and return facing the Group.

The disclosures for both the primary and secondary segment have been given in the consolidated income statement and consolidated balance sheet. This analysis is consistent with how management reports information internally for the purpose of evaluating the Group's performance and for making decisions about future allocations of resources to the Group. Consequently no further business and geographical segmentation information is provided.

5. Exceptional Items

Due to their size and value, management believe that separate disclosure of the following is required to assist with the understanding of the Group's financial performance.

Provision for Cabvision guarantee

The Company has granted a guarantee in favour of Barclays Bank plc in respect of a £500,000 overdraft facility held by Cabvision Limited. The guarantee has been accounted for in accordance with IFRS 4 "Insurance contracts". Management believe that in the period to 31 March 2007 it became probable, rather than possible, that payment on this guarantee would be called upon and hence provision has been made in full for the overdraft balance as at 31 March 2007 — being £471,000. Due to the size of this provision, management believe that separate disclosure is required to assist with the understanding of underlying trading performance in 2007.

Impairment of trading balances with Cabvision

In accordance with IAS39 "Financial reporting: recognition and measurement", debtor balances are assessed at each reporting date for impairment. In the period to 31 March 2007 this assessment led to an impairment of amounts owed by Cabvision of £617,000 (2006: £519,000; 2005: £1,097,000; 2004: £nil). Due to the size of these impairment charges, management believe that separate disclosure is required to assist with the understanding of underlying trading performance in 2005, 2006 and 2007.

6. Operating profit/(loss)

Operating profit/(loss) has been arrived at after charging (crediting):

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Depreciation of property, plant and equipment	36	69	82	123
Depreciation of assets on hire purchase contracts	18	55	70	8
Loss/(Profit) on sale of fixed assets	(2)	(1)	(4)	2
Staff costs (see note 6).....	1,561	2,952	2,853	2,715
Auditors' remuneration for audit services (see below)	27	37	42	35

A more detailed analysis of auditors' remuneration is provided below:

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Audit services				
– statutory Audit	27	37	42	35
– related regulatory reporting	—	5	2	4
Further assurance services				
– Services relating to corporate finance transactions	22	—	—	—
Tax services				
– compliance services.....	—	1	1	—
– advisory services	—	—	—	—
Other services				
– financial information technology ...	—	—	—	—
– internal audit	—	—	—	—
– valuation.....	—	—	—	—
– litigation	—	—	—	—
– recruitment.....	—	—	—	—

7. Staff costs

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

	Six months ended 31 March 2007 Number	Year ended 30 September 2006 Number	Year ended 30 September 2005 Number	Year ended 30 September 2004 Number
Engineering and technical.....	63	63	63	63
Distribution and sales	9	8	10	8
Administration	27	26	21	20
	<u>99</u>	<u>97</u>	<u>94</u>	<u>91</u>

Their aggregate remuneration comprised:

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Wages and salaries.....	1,442	2,669	2,594	2,431
Social security costs	119	284	259	246
	<u>1,561</u>	<u>2,953</u>	<u>2,853</u>	<u>2,677</u>

8. Finance income

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Interest received on cash deposits with UK banks	40	39	64	49
Loan interest.....	—	—	14	10
Interest on trading balances	51	3	52	37
Interest on director's loan.....	—	—	1	—
	<u>91</u>	<u>42</u>	<u>131</u>	<u>96</u>

Interest on trading balances represents interest received from trade receivables which are not satisfied in normal credit terms.

9. Finance costs

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Bank interest.....	5	15	1	1
Consignment stock interest.....	40	90	106	137
Hire purchase interest	6	14	5	1
	<u>51</u>	<u>119</u>	<u>112</u>	<u>139</u>

10. Tax

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Current tax:				
UK corporation tax charge/(credit)	178	(32)	—	110
Deferred tax (note 17):	—	(2)	(8)	(10)
Current year	<u>178</u>	<u>(34)</u>	<u>(8)</u>	<u>100</u>

Reconciliation of the effective tax rate

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Profit (loss) before tax	(423)	(321)	(162)	290
Tax at the UK corporation tax rate . .	(118)	(96)	(49)	87
Tax rate applied	28%	30%	30%	30%
Expenses that are not deductible in determining taxable profit	329	76	49	8
Disposal of property, plant and equipment	(1)	—	—	1
Impact of marginal relief	—	—	—	(6)
Tax effect of utilisation of tax losses not previously recognised	(23)	(27)	—	—
Other tax adjustments	<u>(9)</u>	<u>13</u>	<u>(8)</u>	<u>10</u>
Tax expense and effective tax rate for the year	<u>178</u>	<u>(34)</u>	<u>(8)</u>	<u>100</u>
Effective tax rate	(42.0%)	10.7%	4.9%	34.5%

11. Dividends

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Amounts recognised as distributions to equity holders in the period:				
Interim dividend	—	150	300	150
Proposed final dividend	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>150</u>	<u>300</u>	<u>150</u>

12. Earnings per share

	Six months ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
<u>Earnings</u>				
Earnings (loss) for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	(601)	(287)	(154)	190
<u>Number of shares</u>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	50,000	50,000	50,000	50,000
Basic and diluted earnings (loss) per share £	(12.02)	(5.74)	(3.08)	3.80

13. Goodwill

The cumulative amount of negative goodwill added to reserves, net of any goodwill attributable to businesses disposed of before the balance sheet date, amounted to £578,971 at the balance sheet date. As a consequence of this £578,971 of profit and loss account reserves is undistributable and remains so until a subsequent disposal of the business to which the goodwill relates.

14. Property, plant and equipment

	Short leasehold £'000	Improvements to property £'000	Plant and machinery £'000	Fixtures and Fittings £'000	Motor vehicles £'000	TOTAL £'000
Cost						
At 1 October 2003	39	151	351	226	526	1,293
Additions	2	—	28	—	102	132
Disposals	—	—	—	—	(116)	(116)
At 30 September 2004	41	151	379	226	512	1,309
Additions	—	—	10	—	274	284
Disposals	—	—	—	—	(174)	(174)
At 30 September 2005	41	151	389	226	612	1,419
Additions	—	—	8	—	30	38
Disposals	—	—	—	—	(72)	(72)
At 30 September 2006	41	151	397	226	570	1,385
Additions	—	—	109	—	2	111
Disposals	—	—	—	—	(129)	(129)
At 31 March 2007	41	151	506	226	443	1,367
Depreciation						
At 1 October 2003	37	53	266	138	313	807
Charge for year	—	20	23	13	75	131
Eliminated on disposals	—	—	—	—	(70)	(70)
At 30 September 2004	37	73	289	151	318	868
Charge for year	—	16	19	11	106	152
Eliminated on disposals	—	—	—	—	(129)	(129)
At 30 September 2005	37	89	308	162	295	891
Charge for year	1	12	18	10	83	124
Eliminated on disposals	—	—	—	—	(59)	(59)
At 30 September 2006	38	101	326	172	319	956
Charge for period	—	5	16	4	29	54
Eliminated on disposals	—	—	—	—	(93)	(93)
At 31 March 2007	38	106	342	176	255	917
Carrying amount						
At 31 March 2007	3	45	164	50	188	450
At 30 September 2006	3	50	71	54	251	429
At 30 September 2005	4	62	81	64	317	528
At 30 September 2004	4	78	90	75	194	441
At 30 September 2003	2	98	85	88	213	486

The carrying amount of the Group's motor vehicles includes the following assets held under finance leases or hire purchase:

	31 March 2007 £'000	30 September 2006 £'000	30 September 2005 £'000	30 September 2004 £'000
Motor Vehicles	129	165	187	24

15. Available for sale financial assets

	Unlisted investments £'000
At 1 October 2003	—
Additions	
Disposals	—
At 30 September 2004.....	—
Additions.....	—
Disposals	—
At 30 September 2005.....	—
Additions.....	—
Disposals	—
At 30 September 2006 Additions	300
Disposals	—
At 31 March 2007	<u>300</u>

The investment included above represents an investment in ordinary shares of One80 Limited that presents the Group with opportunity for return through dividend income and trading gains. The investment at 31 March 2007 represents 11.11% of the issued share capital of One80 Limited. The securities have no fixed maturity or coupon rate.

Subsequent to the balance sheet date of 31 March 2007 the Group is required to make further investments in the equity security of One80 Limited of £900,000 increasing the percentage of equity securities held in that company to 33.33%.

As at 31 March 2007 the fair value of these ordinary shares is not materially different to their cost.

16. Associates

	£'000
At 1 October 2003	—
Share of profit/(loss)	—
At 30 September 2004.....	—
Share of profit/(loss)	—
At 30 September 2005.....	—
Share of profit/(loss)	—
At 30 September 2006.....	—
Share of profit/(loss)	—
At 31 March 2007	—

The Group holds 28.3% of the ordinary shares of Cabvision Limited, a company specialising in digital advertising in London Taxis. Because Cabvision Limited has failed to achieve profitability the carrying value of this investment is currently £nil.

17. Inventories

	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Manuals and books	1	1	1	3
Vehicle parts	267	308	258	216
Vehicle consignment stock	—	171	927	1,737
New vehicles	—	—	—	45
Used Vehicles	560	614	876	456
TFT Screens	—	5	451	—
	<u>828</u>	<u>1,099</u>	<u>2,513</u>	<u>2,457</u>

All vehicles stocks held under consignment stock agreements are to deemed to be assets of the Group and are included on the balance sheet from the point of consignment. The corresponding liabilities to the manufacturer is included within trade and other payables. Stocks are held on consignment until adopted. Interest is payable at rates linked to Lloyds Bowmaker Base Rate.

The liability for consignment creditors are secured on the asset to which they relate.

In the year ended 30 September 2005 an impairment charge of £450,120 was made against the carrying value of TFT screens.

During the period £1,056,000 of the opening inventory balance was recognised as an expense in the income statement (2006: £2,044,000; 2005: £2,439,000).

18. Other financial assets

Trade and other receivables

Trade and other receivables at the balance sheet date comprise amounts receivable from the sale of goods, other debtors, prepayments and amounts receivable from HM Revenue and Customs in respect of VAT reclaims.

	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Trade receivables	1,249	2,005	1,814	2,127
Other receivables	7	—	—	668
Prepayments	269	158	155	145
V.A.T.	—	—	—	73
Directors current account	19	—	25	—
Loan to related party	—	—	26	—
	<u>1,544</u>	<u>2,163</u>	<u>2,020</u>	<u>3,013</u>
	<u>days</u>	<u>days</u>	<u>days</u>	<u>days</u>
Average credit period taken on sales of goods	26	27	24	38

In its standard terms of business KPM UK-Taxis PLC has the right to charge customers interest at 2% per month from the date of invoice, in practice this right is waived so long as the trade receivable is discharged in a manner considered reasonable by the directors.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Floating rate bank balances and cash	2,516	1,498	942	1,959
Cash on which no interest is received	5	5	5	5
	<u>2,521</u>	<u>1,503</u>	<u>947</u>	<u>1,964</u>

Included within cash and cash equivalents at 31 March 2007 and 30 September 2006, 2005 and 2004 was £150,000 of restructured cash, being a balance required to be held as security for an overdraft facility for the same amount held by one of the Group's subsidiary undertakings.

Other financial assets

The balance sheets for the years ending 30 September 2004 and 2005 show a cash investment of £210,000. This represents cash funds invested in a high return deposit scheme operated by Dobb White & Co. In 2006 it was discovered that the scheme was tainted by fraud and the Financial Services Authority appointed a receiver to wind up the scheme. The Company has commenced legal proceedings to recover funds lost from the directors of Dobb White & Co but due to the uncertainty of the outcome of litigation made a full impairment charge in 2006.

19. Financial instruments

The Group's principal financial assets are bank balances and cash, trade and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations. Its principal financial liabilities are trade payables that arise directly from its operations.

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There is no risk attributable to currency movements as the Group holds all funds in UK sterling bank accounts.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through cash pooling and shareholder funding. The Group monitors its liquidity risk on an ongoing basis by undertaking rigorous cash flow forecasting procedures.

Interest rate risk

The Group finances itself using its own cash balances which comprise cash and short-term deposits. and therefore has no significant interest rate risk.

Fair value risk

The overdraft guarantee to Cabvision Limited has been accounted for in accordance with IFRS 4. A provision is recognised in the balance sheet when it is probable that an outflow of economic benefits will be required to fulfil the guarantee. If the effect is material, provisions are determined by discounting

the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. On this basis an assessment of fair value at each reporting date is not required.

The carrying value of all other financial instruments equate to their fair value.

20. Deferred tax

The following is the major deferred tax liability recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated capital allowances £'000
At 1 October 2003	48
Charge/(credit) to income	(10)
Charge/(credit) to equity	<u>—</u>
At 1 October 2004	38
Charge/(credit) to income	(8)
Charge/(credit) to equity	<u>—</u>
At 1 October 2005	30
Charge/(credit) to income	(2)
Charge/(credit) to equity	<u>—</u>
At 1 October 2006	28
Charge/(credit) to income	—
Charge/(credit) to equity	<u>—</u>
At 31 March 2007	<u>28</u>

Temporary differences arising in connection with interests in associates are insignificant.

21. Obligations under finance leases

	Minimum lease payments			
	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Amounts payable under finance leases:				
Within one year	113	96	77	6
In second to fifth year inclusive.....	135	113	180	23
After five years.....	—	—	—	—
	248	209	257	29
Less future finance charge	(19)	(24)	(33)	(4)
Present value of lease obligations	229	185	224	25

	Present value of minimum lease payments			
	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Amounts payable under finance leases:				
Within one year	103	85	65	5
In second to fifth year inclusive.....	126	100	159	20
After five years.....	—	—	—	—
Present value of lease obligations	229	185	224	25
Less: amount due for settlement within one year (shown under current liabilities)	(103)	(85)	(65)	(5)
Amount due for settlement after one year	126	100	159	20

It is the Group's policy to lease certain of its demonstrator vehicles and other under hire purchase contracts. The term for hire purchase contracts is three years. The average effective borrowing rates for obligations entered into each year is set out below. Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	31 March 2007 %	30 September 2006 %	30 September 2005 %	30 September 2004 %
Interest rate.....	N/A	4.9%	5.6%	4.7%

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured on the assets to which they relate.

22. Other financial liabilities

	As at 31 March 2007 £'000	As at 30 September 2006 £'000	As at 30 September 2005 £'000	As at 30 September 2004 £'000
Amounts falling due within one year				
Trade payables	2,186	1,937	1,254	786
Liabilities in respect of vehicle consignment stocks	—	171	927	1,737
Other taxation and social security	532	336	278	214
Hire purchase and finance lease liabilities	103	85	65	5
Other payables	12	12	15	6
Amounts owed to associate companies	—	—	338	1,601
Accruals and deferred income	221	138	328	400
	<u>3,064</u>	<u>2,679</u>	<u>3,205</u>	<u>4,749</u>
Amounts falling due after more than one year				
Net obligation under finance leases and hire purchase agreements	126	100	159	20
	<u>days</u>	<u>days</u>	<u>days</u>	<u>days</u>
Average credit period taken on trade payables	52	33	34	54

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

23. Share capital

	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Authorised, issued and fully paid shares of £1 each				
Ordinary	49,994	49,994	49,994	49,994
'A' Ordinary	6	6	6	6
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Ordinary	49,994	49,994	49,994	49,994
'A' Ordinary	6	6	6	6
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

The Company has two classes of ordinary shares, which carry no right to fixed income. The class 'A' shares do not carry votes and holders do not participate in distributions by the company unless these arise from surpluses on disposals of freehold or leasehold land and buildings. In these circumstances the holders of class 'A' shares have additional rights to such surpluses over the holders of ordinary shares.

24. Retained earnings

	Profit and loss account £'000
At 1 October 2003	3,188
Profit for the year	190
Dividend	(150)
At 1 October 2004	3,228
Loss for the year	(154)
Dividend	(300)
At 1 October 2005	2,774
Loss for the year	(287)
Dividend	(150)
At 1 October 2006	2,337
Loss for the period	(601)
Dividend	—
At 31 March 2007	<u>1,736</u>

25. Notes to the cash flow statement

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments with a maturity of three months or less and bank overdrafts payable on demand as follows:

	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Bank balances and cash	2,521	1,503	947	1,964
Bank overdrafts	—	—	—	—
	<u>2,521</u>	<u>1,503</u>	<u>947</u>	<u>1,964</u>

26. Non cash transactions

During the year the Group entered into hire purchase agreements with total capital values at the inception of the agreements, as set out below, in respect of demonstrator vehicle stocks on hire purchase arrangements. The net movement in hire purchase agreements in respect of demonstrator vehicles are included within the figure for net cash flow as they are considered to be a source of operating funds generated by operating activities in the cash flow statement.

	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Capital Value of Hire Purchase contracts at inception.....	—	225	28	31

Movements in hire purchase arrangements relating to demonstrator vehicle stocks and cash paid in respect of these hire purchase agreements are included within the reconciliation of profit as they are considered to be a source of operating funds rather than longer term financing arrangements.

27. Operating lease arrangements

The Group as Lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Land and buildings				
Within one year	309	304	281	255
Between one and five years	1,236	1,216	1,124	1,020
In more than five years	<u>2,511</u>	<u>2,640</u>	<u>2,777</u>	<u>2,894</u>
	<u>4,057</u>	<u>4,160</u>	<u>4,182</u>	<u>4,169</u>
Other				
Within one year	25	3	5	—
Between one and five years	73	—	—	5
In more than five years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>98</u>	<u>3</u>	<u>5</u>	<u>5</u>
TOTAL				
Within one year	334	307	286	255
Between one and five years	1,309	1,216	1,124	1,025
In more than five years	<u>2,511</u>	<u>2,640</u>	<u>2,777</u>	<u>2,894</u>
	<u>4,154</u>	<u>4,163</u>	<u>4,187</u>	<u>4,174</u>

Operating lease payments represent rentals payable by the Group for certain of its office and workshop properties.

28. Retirement benefit schemes

The Group does not operate either a defined contribution or a defined benefit retirement benefit scheme.

29. Events after the balance sheet date

One80 Limited

The Company increased its investment in One80 Limited, a specialist designer of environment and regulation compliant vehicles by £50,000 on 11 May 2007 and is required to pay a further £850,000. These investments will increase the Company's share in the equity of One80 Limited to 33.33%.

Share Capital

On the 13 August 2007 the authorised and issued share capital of the Company was reorganised so that the six "A" ordinary £1 shares were converted to six ordinary £1 shares.

Cabvision Limited

On 17 September 2007 the Group divested its interest in the equity of Cabvision Limited to unconnected parties for £57. The parties agreed that £57 represents the current open market value of the shares. The parties further agreed that if HM Revenue and Customs (or on appeal a tribunal or court) subsequently determines a higher value as representing the current open market value of the shares (such determination not being subject to appeal by either party) then the consideration for the shares shall be adjusted accordingly. Upon such determination becoming final and conclusive the purchasers shall within 21 days pay to the Company an amount equal to the open market value of the shares as finally determined less the £57 already paid.

Cabvision has assigned to the Group a trade receivable balance. The timing of the payment of this trade receivable balance has not been determined and therefore is not shown as an asset in the Group's financial statements.

Cabvision Limited has granted the Group a non exclusive licence of certain intellectual property rights. The business will be operated by a new subsidiary, Cabvision UK Limited, a wholly owned subsidiary of K.P.M. Autos Limited.

30. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

Trading Transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Year ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Sales to Cabvision Limited				
Sale of goods & services.....	15	17	8	3
Rental of premises.....	7	14	14	14
Expenses recharged.....	—	13	13	13
Interest charge.....	<u>71</u>	<u>110</u>	<u>65</u>	<u>45</u>
Total.....	<u>93</u>	<u>154</u>	<u>100</u>	<u>75</u>
	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Balance owed by Cabvision to Group Companies				
Trading.....	1,846	1,683	1,241	820
Loans.....	<u>1,451</u>	<u>992</u>	<u>398</u>	<u>253</u>
Total.....	<u>3,297</u>	<u>2,675</u>	<u>1,639</u>	<u>1,073</u>

Sales of goods to related parties were made at the Group's usual list prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

K.P.M. Autos Limited provided a guarantee in favour of Barclays Bank plc of £500,000 in respect of an overdraft facility made available to Cabvision Limited by Barclays Bank plc. The guarantee is secured by way of a floating charge over the assets of Cabvision Limited.

In 2005 the Group conducted an impairment review of the value of the debt owed to it by Cabvision Limited and after due consideration deemed that Cabvision Limited was unable to discharge the debt in the foreseeable future consequently an impairment charge of £1,096,990 was made in respect of money owed by Cabvision to the Group.

In 2006 the Group conducted a further impairment review of the value of the debt owed to it by Cabvision Limited and after due consideration deemed that Cabvision was unable to discharge the debt in the foreseeable future consequently an impairment charge of £519,195 was made in respect of money owed by Cabvision Limited to the Group.

P. H. DaCosta, M. Troullis and K. L. Marder were the majority shareholders of Cabvision Limited at 31 March, 2007.

Remuneration of key management personnel

Remuneration

The remuneration of the directors, who are the key management personnel of the Group, is set out below:

	<u>Salary/fee £'000</u>	<u>Benefits £'000</u>	<u>Total £'000</u>
Period ended 30 September 2004			
Chairman and Chief Executive			
P. H. DaCosta	126,000	9,251	135,251
Executive Directors			
M. Troullis	126,000	1,965	127,965
E. Emilianou	57,200	2,147	59,347
K. L. Marder	126,000	1,982	127,982
Total	<u>435,200</u>	<u>15,345</u>	<u>450,545</u>
Period ended 30 September 2005			
Chairman and Chief Executive			
P. H. DaCosta	126,000	2,020	128,020
Executive Directors			
M. Troullis	126,000	2,026	128,026
E. Emilianou	57,200	1,674	58,874
K. L. Marder	126,000	1,706	127,706
Total	<u>435,200</u>	<u>7,426</u>	<u>442,626</u>
Period ended 30 September 2006			
Chairman and Chief Executive			
P. H. DaCosta	126,000	909	126,909
Executive Directors			
M. Troullis	126,000	2,101	128,101
E. Emilianou	57,200	1,809	59,009
K. L. Marder	126,000	1,809	127,809
Total	<u>435,200</u>	<u>6,628</u>	<u>441,828</u>
Period ended 31 March 2007			
Chairman and Chief Executive			
P. H. DaCosta	63,000	535	63,535
Executive Directors			
M. Troullis	63,000	791	63,791
E. Emilianou	28,600	872	29,472
K. L. Marder	63,000	872	63,872
Total	<u>217,600</u>	<u>3,070</u>	<u>220,670</u>

Loans

The following loan balances were outstanding between the directors and the Company:

	<u>as at 31 March 2007 £'000</u>	<u>as at 30 September 2006 £'000</u>	<u>as at 30 September 2005 £'000</u>	<u>as at 30 September 2004 £'000</u>
P. H. DaCosta	17	—	25	—
K. L. Marder	2	—	—	—
	<u>19</u>	<u>—</u>	<u>25</u>	<u>—</u>

Rents

During the period rent (see below) was paid to KPM-UK Taxis PLC Discretionary Pension Scheme of which directors P. H. DaCosta, M. Troullis and K. L. Marder are the beneficiaries. Included within creditors falling due within one year the balances in the table below were payable to KPM-UK Taxis PLC Discretionary Pension Scheme.

	31 March 2007 £'000	30 September 2006 £'000	30 September 2005 £'000	30 September 2004 £'000
Paid in the year	58	117	117	117
Payable as at the balance sheet date	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

Global Meter Systems Limited

During the period there were transactions between the Group and Global Meter Systems Limited, a company whose shareholders are P. H. DaCosta, M. Troullis and K. L. Marder. Transactions were conducted on an “arms length” basis with reference to the rates and terms of similar suppliers of meters to the Group. The transactions and balances as at the balance sheet dates are set out in the following tables.

	as at 31 March 2007 £'000	as at 30 September 2006 £'000	as at 30 September 2005 £'000	as at 30 September 2004 £'000
Trade Receivables	7	45	62	14
Trade Payables	22	18	28	18

	Year ended 31 March 2007 £'000	Year ended 30 September 2006 £'000	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Interest charged to Global Meters	1	3	1	—
Management charges to Global Meters	—	16	16	16
Purchases of goods from Global Meters	—	—	—	(222)
Commission paid to Global Meters	(35)	(70)	(74)	(73)

SECTION C — INTERIM FINANCIAL INFORMATION ON K.P.M. AUTOS LIMITED

Consolidated Income Statement

	Six months ended 31 March 2007 £'000	Six months ended 31 March 2006 Unaudited £'000
Revenue	17,627	12,563
Cost of sales	<u>(15,033)</u>	<u>(10,380)</u>
Gross Profit	2,594	2,183
Administrative expenses	(3,449)	(1,988)
Other income	<u>392</u>	<u>250</u>
Operating profit/(loss)	(463)	445
Operating profit/(loss) analysed as:		
Before exceptional items	625	445
Provision for Cabvision guarantee	(471)	—
Impairment of investment in Cabvision Limited	<u>(617)</u>	<u>—</u>
Operating profit/(loss)	(463)	445
Finance income	91	51
Finance costs	<u>(51)</u>	<u>(51)</u>
Net finance income	40	—
Share of profit/(loss) in associates	<u>—</u>	<u>—</u>
Profit/(loss) before tax	(423)	445
Tax	<u>(178)</u>	<u>—</u>
Profit (loss) for the period attributable to shareholders	<u>(601)</u>	<u>445</u>
Earnings/(loss) per share		
Basic and diluted	£(12.02)	£8.90

Consolidated balance sheet

	as at 31 March 2007 £'000	as at 31 March 2006 Unaudited £'000
Non current assets		
Property, plant and equipment	450	1,740
Interests in associates	—	—
Available for sale Investments	300	—
	750	1,740
Current assets		
Inventories	828	2,973
Trade and other receivables.....	1,544	2,976
Other financial assets	—	212
Cash at bank and in hand	2,521	810
	4,893	6,971
Total assets	5,643	8,711
Current liabilities		
Trade and other payables.....	(3,054)	(4,145)
Current income tax	(178)	—
Provision for Cabvision guarantee	(471)	—
	(3,703)	(4,145)
Non current liabilities		
Trade and other payables.....	(126)	(110)
Deferred tax liability.....	(28)	(32)
	(154)	(142)
Total liabilities	(3,857)	(4,287)
Net assets	1,786	4,424
Share capital.....	50	50
Retained Earnings.....	1,736	4,374
Total shareholders equity	1,786	4,424

Consolidated cash flow statement

	Six months ended 31 March 2007 £'000	Six months ended 31 March 2006 Unaudited £'000
Operating activities		
Net result	(601)	445
Adjustment for:		
Finance income/expense	(40)	—
Tax	178	—
	(463)	445
Depreciation	54	80
Impairment of cash investments	—	—
Provision for Cabvision guarantee	471	—
(Profit) on disposal of property, plant and equipment	(2)	—
(Increase)/decrease in receivables	619	(813)
Increase/(decrease) in payables	357	1,466
(Increase)/decrease in inventories	271	(1,874)
Taxes paid	—	—
Net cash generated by/(used in) operating activities	<u>1,307</u>	<u>(696)</u>
Investing activities		
Interest received	91	51
Purchase of property, plant and equipment	(11)	—
Proceeds from sale of property, plant and equipment	38	13
Equity investments	(300)	—
Net cash (used in)/generated by investing activities	<u>(182)</u>	<u>64</u>
Financing activities		
Dividends paid	—	—
Movement in loans directors	—	25
Interest paid	(51)	(51)
Movement in obligations under finance leases	(56)	(35)
Net cash (used in)/generated by financing activities	<u>(107)</u>	<u>(61)</u>
Net increase/(decrease) in cash and cash equivalents	1,018	(693)
Cash and cash equivalents at beginning of period	<u>1,503</u>	<u>1,503</u>
Cash and cash equivalents at end of period	<u><u>2,521</u></u>	<u><u>810</u></u>

Group statement of recognised income and expenses

	Six months ended 31 March 2007 £'000	Six months ended 31 March 2006 £'000
Net income recognised directly in equity	—	—
(Loss)/profit for the period	(601)	445
Total recognised income and expense attributable to equity holders of the parent	<u>—</u>	<u>—</u>

1. Interim financial information

This interim financial information has been presented in order to show comparative financial information for the six months to 31 March 2006 to the financial information for the six months to 31 March 2007 disclosed in Part IV B.

2. General information

K.P.M. Autos Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Hemming House, Hemming Street, London, E1 5BL.

The Group is engaged in the sale and service of new and used London Taxis to owner operators and the provision of related services. The group operates from a single site in East London from where it conducts all operations. It is intended, in the near term, to extend the groups activities into the provision and service of environmentally friendly vehicles to the London business community.

This interim financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. The group comprises K.P.M. Autos Limited and its subsidiary companies as set out in the following table.

<u>Name of Company</u>	<u>Proportion Held</u>	<u>Class of shareholding</u>	<u>Nature of Business</u>
Subsidiary undertakings			
UK Taxi (Agency) Limited.....	100%	Ordinary	Dormant
UK Taxi Services Limited.....	100%	Ordinary	Dormant
KPM-UK Taxis Plc.....	100%	Ordinary	Taxi cab dealer
KPM-UK Knowledge School Limited*.....	100%	Ordinary	Education Services
KPM Taxi Advertising Direct Limited*.....	100%	Ordinary	Dormant
Cabline Limited*.....	100%	Ordinary	Dormant
Associate			
Cabvision Limited.....	29%	Ordinary	Digital advertising in taxis

* Indirectly held.

3. Significant accounting policies

Basis of Accounting

The accounting policies adopted in the preparation of this interim financial information are consistent with those followed in the preparation of the Group's historic financial information set out in Part IV B, which are in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). However, this interim financial information does not include all the information and disclosures required in annual financial statements.

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant judgements, key assumptions and estimates

The following significant judgements, key assumptions and estimates have been made in preparation of these accounts.

IFRIC 4 determining whether an Arrangement contains a lease' was issued in December 2004. The interpretation requires arrangements which may have the nature, but not the legal form, of a lease to be accounted for in accordance with 'IAS 17 Leases'. The Group has considered the application of IAS 17 in connection with certain buildings it leases over a long term, in light of the permanent

nature of the buildings and that the rents paid on these buildings are in line with the rents paid on short term holdings the company has concluded that these arrangements are operating leases and have accounted for them accordingly.

4. Dividends

No dividend was paid in the six months to 31 March 2007 (2006: nil).

5. Earnings per share

	Six months ended 31 March 2007 £'000	Six months ended 31 March 2006 £'000
Earnings		
Earnings (loss) for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	(601)	445
	Six months ended 31 March 2007	Six months ended 31 March 2006
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	50,000	50,000
Basic and diluted earnings (loss) per share £	(12.02)	8.90

SECTION D — PRO-FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

Grant Thornton Corporate Finance

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

The Directors
Pannal plc
Central House
Beckwith Knowle
HARROGATE
HG3 1UG

Grant Thornton 

17 September 2007

Dear Sirs

PANNAL PLC

We report on the pro forma statement of net assets (the “Pro forma financial information”) set out on page 72 of the AIM admission document dated 17 September 2007 of Pannal plc (the “Admission Document”), which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the acquisition and placing might have affected the financial information presented on the basis of the accounting policies to be adopted by Pannal plc in preparing its financial statements for the period ending 30 September 2007.

RESPONSIBILITIES

This report is required as agreed between us in writing and is given for the purpose of complying with that requirement and for no other purpose.

Save for any responsibility that we have expressly agreed in writing to assume, 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 (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this Admission Document.

It is the responsibility of the Directors of Pannal plc to prepare the Pro forma financial information as though it had been prepared in accordance with paragraph 20.2 of Annex I of the Prospectus Regulation attached to the AIM Rules for Companies.

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

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

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Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

BASIS OF OPINION

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Pannal plc.

OPINION

In our opinion:

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

DECLARATION

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

Yours faithfully

GRANT THORNTON UK LLP

Pro forma net asset statement

Set out below is an unaudited pro forma statement of net assets of the Enlarged Group as at 31 March 2007. The unaudited pro forma statement of net assets is prepared for illustrative purposes only to show the effect of the Placing and Acquisition as if they had occurred on 31 March 2007. Because of the nature of pro forma information, this information addresses a hypothetical situation and does not therefore represent the actual financial position or results of Pannal plc or the Enlarged Group. The pro forma statement of net assets has been prepared on the basis set out in the notes below.

	Pannal plc as at 31 December 2006 £'000 (Note 1)	KPM Group as at 31 March 2007 £'000 (Note 2)	IPO proceeds £'000 (Note 3)	Enlarged Group pro forma net assets £'000
Assets				
Non-current assets				
Property, plant and equipment.....	—	450	—	450
Available for sale financial assets	—	300	—	300
	—	750	—	750
Current assets				
Inventories.....	—	828	—	828
Trade and other receivables	41	1,544	—	1,585
Cash and cash equivalents	1,429	2,521	120	4,070
	1,470	4,893	120	6,483
Total assets	1,470	5,643	120	7,233
Non-current liabilities				
Trade and other payables	—	(126)	—	(126)
Deferred tax liability	—	(28)	—	(28)
	—	(154)	—	(154)
Current liabilities				
Trade and other payables	(23)	(3,054)	—	(3,077)
Current income tax	—	(178)	—	(178)
Provision for Cabvision guarantee	—	(471)	—	(471)
	(23)	(3,703)	—	(3,726)
Total liabilities	(23)	(3,857)	—	(3,880)
Net assets	1,447	1,786	120	3,353

Notes:

- (1) The net assets of Pannal plc as at 31 December 2006 have been extracted without material adjustment from the Historical Financial Information of Pannal plc set out in Part IV Section A of this document.
- (2) The net assets of the KPM Group as at 31 March 2007 have been extracted without material adjustment from the Historical Financial Information of the KPM Group set out in Part IV Section B of this document.
- (3) The IPO proceeds comprise the gross proceeds from the Placing of £1.0 million, less estimated transaction costs of £880,000.
- (4) The pro forma statement of net assets of the Enlarged Group does not take into account of any trading or working capital movements arising in Pannal plc since 31 December 2006 or the KPM Group since 31 March 2007.
- (5) No adjustments have been made which may be necessary under acquisition accounting to reflect the fair value of assets (including intangible assets) or liabilities (including contingent liabilities) to be acquired, which may result in the recognition of goodwill.
- (6) No adjustments have been made for any event save as disclosed above.

PART V

ADDITIONAL INFORMATION

1. Responsibility Statement

- (a) The Directors and Proposed Directors whose names appear on page 1 of this document, accept responsibility for the information contained in this document save for information relating to the Concert Party. To the best of the knowledge of the Directors and the Proposed Directors (having taken all reasonable care to ensure that such is the case) the information contained in this document for which each is responsible is in accordance with the facts and contains no omission likely to affect its import.
- (b) The members of the Concert Party accept responsibility for the information contained in this document which relate to the members of the Concert Party. To the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- (a) The Company was incorporated and registered in England and Wales under the Act on 17 December 2003 with registered number 04998151 as a public limited company under the name Unsurpassed plc. By a special resolution dated 16 February 2004, the Company changed its name to “Pannal plc”.
- (b) The Company was issued with a certificate pursuant to section 117 of the Act (allowing it to carry out business and to exercise its borrowing powers) on 3 March 2004. The liability of the members of the Company is limited.
- (c) The principal legislation under which the Company operates is the Act and regulations made thereunder. The Company is subject to the City Code.
- (d) The registered office and principal place of business of the Company is at Central House, Beckwith Knowle, Otley Road, Harrogate, HG3 1UG and its telephone number is 01423 850 000. The Company’s website can be found at www.pannalplc.com.
- (e) The Company currently has no subsidiaries.

3. Share Capital

- (a) At the date of incorporation, the Company had an authorised share capital of £50,000 divided into 50,000 Ordinary Shares of £1 each (of which two shares were issued fully paid to the subscribers of the Memorandum of Association).
- (b) By special resolutions passed on 16 February 2004 (the “**Resolutions**”);
 - (i) the Company’s share capital was sub-divided into 5,000,000 ordinary shares of £0.01 each;
 - (ii) the Company’s authorised share capital was increased from £50,000 to £500,000 by the creation of an additional 45,000,000 ordinary shares of £0.01 each;
 - (iii) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £500,000 for the period commencing on 16 February 2004 and expiring on 15 February 2009 (both dates inclusive), provided that such authority would before such expiry allow the Company to make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offers or agreements as if the authority conferred by the Resolutions had not expired; and
 - (iv) the Directors were given power pursuant to section 95 of the Act to allot or make offers or agreements to allot equity securities and to transfer equity securities (in each case, as defined in section 94(2) of the Act) that are held by the Company in treasury pursuant to

the authority referred to in sub-paragraph (b)(iii) above as if section 89(1) of the Act did not apply to any such allotment or transfer, such power to expire at the conclusion of the first annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

- (c) On 16 February 2004 one subscriber share, as sub-divided, was transferred to each of Jeremy Fenn and Richard James.
- (d) On 17 December 2004, the Company issued for cash 3,250,000 Ordinary Shares at par credited as fully paid to each of Jeremy Fenn and John Swingewood and 1,000,000 Ordinary Shares at par credited as fully paid to Richard James.
- (e) By special resolutions passed on 17 December 2004:
- (i) the Directors' powers to allot relevant securities and the disapplication of section 89 of the Act conferred by all previous resolutions were revoked;
 - (ii) the Company's authorised share capital was increased from £500,000 to £563,069.40;
 - (iii) the Directors' were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £563,069.40 for the period commencing on 17 December 2004 and expiring on 17 December 2009 (both dates inclusive), provided that such authority would before such expiry allow the Company to make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offers or agreements as if the authority conferred by the Second Resolution had not expired; and
 - (iv) the Directors were given power pursuant to section 95 of the Act to allot or make offers or agreements to allot equity securities and to transfer equity securities (in each case, as defined in section 94(2) of the Act) that are held by the Company in treasury pursuant to the authority referred to in sub-paragraph (e)(iii) above as if section 89(1) of the Act did not apply to any such allotment or transfer, such power to expire at the conclusion of the first annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).
- (f) On 22 December 2004, the Company issued for cash 2,500,000 ordinary shares at par credited as fully paid to Ludgate 181 (Jersey) Limited.
- (g) On 16 February 2005, the Company issued for cash 32,050,000 ordinary shares of 1p each at a premium of 4p per share (the total price per share being 5p) credited as fully paid to a number of individuals and corporate entities.
- (h) On 22 February 2005, the Company made a successful application for the admission of 42,050,200 ordinary shares of 1p each in the capital of the Company to trading on AIM.
- (i) The Company announced on 3 April 2006 that trading in its shares on AIM was suspended.
- (j) On 13 October 2006 the Company announced that the Company's entire ordinary share capital of 42,050,200 ordinary shares of 1 pence each was admitted to trading on PLUS.
- (k) The authorised and issued share capital of the Company as they will be immediately following Admission assuming the passing of the Resolutions are as follows:

<u>Authorised</u>			<u>Issued and Fully Paid</u>	
<u>Amount</u>	<u>Number</u>		<u>Amount</u>	<u>Number</u>
£6,000,000	600,000,000	Ordinary Shares of 1p each	£3,020,502	302,050,200

- (l) The authorised but unissued share capital of the Company immediately following Admission will be 297,949,800 representing approximately 49.7 per cent. of the authorised share capital of the Company.
- (m) Save as disclosed above and in paragraph 10 below:
- (i) no share or loan capital of the Company has been issued for cash or other consideration and no such issues are proposed; and

- (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company.
- (n) Save under the Warrant, no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- (o) There are no listed or unlisted securities issued by the Company not representing share capital.
- (p) The Company does not hold any treasury stock.
- (q) The Ordinary Shares are all in registered form.
- (r) Save as described in Part V of this document, none of the capital of the Company has been paid for with assets other than cash within the period covered by the historical financial information.

4. Memorandum of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on all or any of the business of a general commercial company. The objects of the Company are set out in object 4 of its Memorandum of Association.

5. Articles of Association

The Articles of Association which will be in force on Admission will include provisions to the following effect. The following is a description of significant rights and does not purport to be complete or exhaustive.

(a) Voting Rights

Subject to the Act and to any special terms as to voting on which any shares may have been issued or may from time to time be held, at a general meeting of the Company every member who is present in person (including any corporation present by its duly authorised representative) shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is a holder. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

Unless the board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares either in person or by proxy, or to exercise any other right or privilege as a member in respect of any share held by him unless and until all calls presently due and payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) have been paid to the Company, nor to be present at any such meeting if he, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act (requiring disclosure of interests in shares) and has failed in relation to any such shares to give the Company the information required by such notice within 14 days.

(b) Dividends

Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Unless otherwise provided by the rights attached to the share, no dividend or other monies payable in respect of a share shall bear interest as against the Company. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

The Board may also, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, offer to holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld if such shares represent at least 0.25 per cent. in nominal value of the issued shares of their class and the holder, or any person appearing to be interested in shares held by that member, has been duly served with a notice under section 212 of the Act and has failed to supply the information required by such notice within 14 days. Furthermore, subject to the discretion of the Board, such a holder shall not be entitled to elect to receive ordinary shares instead of a dividend.

(c) Distribution of assets on a winding-up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

(d) Transfer of Shares

Every member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder until the transferee's name is entered in the register of members in respect of it.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of only one class of shares;
- (iii) it is in favour of a single transferee or not more than four joint transferees;
- (iv) it is duly stamped (if so required); and
- (v) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so;

provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are admitted to trading on AIM on the grounds 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.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been duly served with a notice under section 212 of the Act, has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. in nominal value of the issued shares of their class, unless the member is not himself

in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised stock exchange or a sale of the whole of the beneficial interest to an unconnected party.

(e) Variation of Rights

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, 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 shares of the class. The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question and at a adjourned meeting not less than one person holding shares of the class in question or his proxy.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Act and the Articles.

(f) Borrowing Powers

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

(g) Changes in capital

The Company in general meeting may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and, subject to the provisions of the Act, sub-divide all or any part of its shares into shares of smaller amount. The Company may also, subject to the provisions of the Act and to any rights for the time being attached to any shares, purchase its own shares and, by special resolution, reduce its share capital or any capital redemption reserve or any share premium account in any way.

(h) Remuneration of Directors

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding in aggregate £30,000 per annum or such other sum as the Company in general meeting by ordinary resolution shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors.

The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as Director.

(i) Pensions and Gratuities for Directors

The Board may exercise all the powers of the Company to provide and maintain pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities

for persons who are or were directors of the Company or any company in its group and any member of their families or dependants.

(j) Annual General Meetings and Extraordinary General Meetings

The Board may call an extraordinary general meeting whenever it thinks fit. An annual general meeting and an extraordinary general meeting called for the passing of a special resolution must be called by giving 21 clear days' notice in writing. All other extraordinary general meetings shall be called by not less than 14 clear days' notice in writing.

An annual general meeting shall be duly called if it is so agreed by all the members entitled to attend and vote at the meeting. All other meetings will be duly called if it is so agreed by the majority of members (together holding not less than 95 per cent of the nominal value of shares giving the right to attend) entitled to attend and vote.

(k) Pre-emption rights

The Act applies in relation to pre-emption rights. The Board may by special resolution of the shareholders of the Company dis-apply pre-emption rights.

(l) Directors' Interests in Contracts

Subject to the provisions of the Act and provided that his interest is disclosed at a meeting of the Board in accordance with the Articles, a Director, notwithstanding his office, may enter into or otherwise be interested in any contract, arrangement, transaction, or proposal with the Company or in which the Company is otherwise interested, may hold any other office or place of profit under the Company (except that of auditor of the Company or of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested and shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal. No such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

(m) Number of Directors

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall be not less than 2 nor more than 10.

(n) Untraced Shareholders

Subject to the Articles, the Company may sell any shares in the Company registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

(o) Non-United Kingdom Shareholders

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

(p) CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form.

6. Mandatory Bid, Squeeze out and Sell out Rules

6.1 Mandatory Bid

The City Code applies to the Company. Under the City Code, if an acquisition of shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to shares

carrying 30 per cent or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Panel) to make a cash offer for the shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such mandatory cash offer would also arise on the acquisition of shares by a person holding (together with its concert parties, if any) shares carrying at least 30 per cent but not more than 50 per cent of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

6.2 Squeeze-out Rules

Under the Act, if a person who has made a general offer to acquire shares (the “offeror”) were to acquire, or contract to acquire, 90 per cent or more of the shares which are the subject of such offer within four months of making its offer, the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to outstanding shareholders informing them that the offeror will compulsorily acquire their shares and then, six weeks later, executing a transfer of the outstanding shares in the offeror’s favour and paying the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to those shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the general offer.

6.3 Sell-out Rules

- (i) The Act gives minority shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 6.2 above. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire not less than 90 per cent of the shares, any holder of shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder’s shares.
- (ii) The offeror is required to give each shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7. Directors’, Proposed Directors’ and Other Interests

- (a) The interests of the Directors, the Proposed Directors and their respective immediate families (which are beneficial interests save as indicated below) in the issued share capital of the Company including, so far as the Directors are aware, after making due and careful enquiry, interests of persons connected (within the meaning of section 346 of the Act) with the Directors which interests, if such connected persons were Directors, would be required to be disclosed pursuant to the Act, and the existence of which is known to or could with reasonable diligence be ascertained by the Directors, both as at the date of this document and as they will be immediately after Admission, are as follows:

Director/Proposed Director	No. of Ordinary Shares prior to Admission	Percentage of Existing Ordinary Shares	No. of Ordinary Shares following Admission	Percentage of Enlarged Issued Share Capital
Peter DaCosta	0	0	77,601,600	25.69
Jeremy Fenn	6,250,000	14.89	6,250,000	2.07
Keith Marder	0	0	77,596,800	25.69
John Swingewood	6,250,000	14.89	6,250,000	2.07
Michael Troullis	0	0	77,601,600	25.69
Guy Saxton	0	0	2,400,000*	0.79
Timothy Yeo	0	0	2,400,000*	0.79

* The Ordinary Shares of Mr Saxton and Mr Yeo following Admission are held on trust for them by Keith Marder and Peter DaCosta, respectively.

- (b) Save for the interests shown below and those of the Directors shown in paragraph 7(a) above, as at 14 September 2007 (being the latest practicable date prior to the publication of this document), so far as the Directors are aware, no person other than those listed below has any interest (within the meaning of Part 22 of the Companies Act 2006) in the Existing Ordinary Shares which amounts to 3 per cent. or more of the issued Ordinary Shares. No person holding such an interest has different voting rights from the holders of Ordinary Shares.

<u>Shareholder</u>	<u>No. of Ordinary Shares</u>	<u>Percentage of Existing Ordinary Shares</u>	<u>Percentage of Enlarged Share Capital</u>
Redmayne (Nominees) Limited	10,450,100	24.85	3.46
ODL Nominees Limited	3,658,000	8.70	1.21
HSBC Global Custody Nominee (UK) Limited	3,550,000	8.44	1.18
Smith & Williamson Nominees Limited . . .	3,295,000	7.84	1.09
Numis Nominees Limited	3,152,891	7.50	1.04
Ludgate 181 (Jersey) Nominees Limited . . .	2,500,000	5.95	0.83
Chase Nominees Limited	2,400,000	5.71	0.79
Winterflood Securities Limited	2,083,297	4.95	0.69
Barnard Nominees Limited	1,800,000	4.28	0.60
Nortrust Nominees Limited	1,600,000	3.80	0.53
Ludgate 181 (Jersey) Limited	1,300,000	3.09	0.43

- (c) As at 14 September 2007 (being the latest practicable date prior to publication of this document) and save as disclosed in this paragraph 7, the Directors and the Proposed Directors are not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- (d) Save as disclosed in this document, neither the Directors nor the Proposed Directors have 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 Company and no contract or arrangement exists in which a Director or Proposed Directors is materially interested and which is significant in relation to the business of the Group.
- (e) The Company and the Directors and Proposed 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.
- (f) There are no restrictions on the free transferability of the securities save under the agreements detailed in paragraph 10 of Part V of this document.
- (g) There are no outstanding loans granted by the Company to any of the Directors or the Proposed Directors, nor are there any guarantees provided by the Company for their benefit.
- (h) Save as disclosed in paragraphs 7 and 11, neither the Directors nor any of the Proposed Directors has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.
- (i) Neither the Directors nor the Proposed Directors, nor any member of their respective families, has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- (j) As at the date of this document, no Ordinary Shares are owned or controlled, directly or indirectly, or have been dealt in for value by KPM and/or any member of the Concert Party during the disclosure period.
- (k) On Admission, the following members of the Concert Party will own or control, directly or indirectly, the following Ordinary Shares:

<u>Member Name</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Enlarged Issued Share Capital</u>
Peter DaCosta	80,001,600	26.49
Keith Marder	79,996,800	26.48
Michael Troullis	80,001,600	26.49

- (l) There have been no dealings for value in Ordinary Shares by the Directors, or by their spouses or minor children or any persons connected with them in the disclosure period.

- (m) Save as disclosed in this paragraph 7 and in the above table none of (1) the Company, the directors of the Company, their immediate families and connected persons (within the meaning of section 346 of the Act), (2) the Concert Party, the directors of KPM, their immediate families and connected persons (within the meaning of section 346 of the Act) (3) persons acting in concert with members of the Concert Party or the directors of KPM, (4) Associates of the Company, the pension funds of the Company or of Company Associates, any employment benefits trusts of the Company or Company Associates, connected advisers of the Company or Company Associates (other than exempt principal traders, but including persons controlling, controlled by or under the same control as such connected advisers) or (6) persons whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Concert Party or the Company, owns or controls, have interests, rights to subscribe or short positions, in any relevant securities nor has any such party borrowed or lent such shares, or dealt for value therein in the last 12 months.
- (n) No arrangement, save as disclosed in paragraph 10, exists between any member of the Concert Party and the Company, or any person acting in concert with KPM or the Company, or any associate of KPM or the Company, or any other person, in relation to relevant securities, including, in addition to indemnity and option arrangements, any agreement or understanding, formal or informal, of whatever nature, which may be an inducement to deal or refrain from dealing in any relevant securities.
- (o) Save as disclosed in this paragraph 7, neither the Company nor the Directors nor the Proposed Directors, nor any member of their immediate families or related trusts, nor any of their connected persons, is interested in, owns or controls, in any case directly or indirectly, any relevant securities nor has any such person dealt for value therein during the disclosure period.
- (p) No agreement, arrangement or understanding (including any compensation arrangement) exists between the Company or any member of the Concert Party and any of KPM, the Directors, Proposed Directors, recent directors of the Company, Shareholders or recent shareholders of the Company, having any connection with or dependence on the Proposals.
- (q) There is no agreement, arrangement or understanding whereby the beneficial ownership of any Consideration Shares to be acquired by the Vendors pursuant to the Acquisition will be transferred to any other person.
- (r) For the purposes of this document, the ‘disclosure period’ means the 12 months prior to the date of this document ending on the date of this document.
- (s) There are no financing arrangements in place in connection with the Acquisition.
- (t) For the purposes of this paragraph 7:
- ‘Associate’ shall mean in respect of a company, its parent, subsidiaries and fellow subsidiaries and their associated companies and companies of which such companies are associated companies (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status); and
- ‘connected adviser’ means in relation to any person, the organisation which is advising the person in relation to the Acquisition and, if that person is Numis, the corporate broker to that person (other than any corporate broker which is unable to act in connection with the Acquisition because of a conflict of interest); and
- ‘derivative’ includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying securities; and
- ‘relevant securities’ means ordinary shares and securities convertible into, or rights to subscribe for, or short positions in ordinary shares (including traded options) in respect thereof and derivatives referenced thereto in the Company and Numis, as appropriate.

8. Directors’ and Proposed Directors’ Details

- (a)
- i. On 17 September 2007 Jeremy Fenn entered into a letter of appointment with the Company which, conditional upon Admission, provides for him to act as Non Executive Director for a fee of £18,000 per annum which may be terminated by either party giving 3 months notice. Following termination of his appointment Mr Fenn is subject to a non-compete restriction

- for a 6 month period. Before entering into this appointment letter, Mr Fenn had a service contract with the Company which provided for him to act as managing and finance director of the Company at an initial salary of £15,000 per annum which could be terminated by either party giving 12 months notice.
- ii. On 17 September 2007 John Swingewood entered into a letter of appointment with the Company which, conditional upon Admission, provides for him to act as Non Executive Director for a fee of £18,000 per annum which may be terminated by either party giving 3 months notice. Following termination of his appointment Mr Swingewood is subject to a non-compete restriction for a 6 month period. Before entering into this appointment letter, Mr Swingewood had a letter of appointment with the Company which provided for him to act as a Non Executive Director of the Company for an initial fee of £15,000 per annum which could be terminated by either party giving 12 months notice.
 - iii. On 17 September 2007 Peter DaCosta entered into a service agreement with the Company which, conditional upon Admission, provides for him to act as Chief Executive Officer for a salary of £120,000 per annum which may be terminated by either party giving 12 months notice. Following termination of his employment Mr DaCosta is subject to a non-compete restriction and non-solicitation restrictions (relating to the Company's clients and employees) for a 12 month period. Mr DaCosta had no service agreement with the Company prior to entering into this service agreement.
 - iv. On 17 September 2007 Robert Smith entered into a service agreement with the Company which, conditional upon Admission, provides for him to act as Finance Director for a salary of £60,000 per annum which may be terminated by either party giving 12 months notice. Following termination of his employment Mr Smith is subject to a non-compete restriction and non-solicitation restrictions (relating to the Company's clients and employees) for a 12 month period. Mr Smith had no service agreement with the Company prior to the entering into of this service agreement.
 - v. On 17 September 2007 Michael Troullis entered into a service agreement with the Company which, conditional upon Admission, provides for him to act as Chief Operating Officer for a salary of £120,000 per annum which may be terminated by either party giving 12 months notice. Following termination of his employment Mr Troullis is subject to a non-compete restriction and non-solicitation restrictions (relating to the Company's clients and employees) for a 12 month period. Mr Troullis had no service agreement with the Company prior to the entering into of this service agreement.
 - vi. On 17 September 2007 Keith Marder entered into a service agreement with the Company which, conditional upon Admission, provides for him to act as Technical Officer for a salary of £120,000 per annum which may be terminated by either party giving 12 months notice. Following termination of his employment Mr Marder is subject to a non-compete restriction and non-solicitation restrictions (relating to the Company's clients and employees) for a 12 month period. Mr Marder had no service agreement with the Company prior to the entering into of this service agreement.
 - vii. On 17 September 2007 the Hon. Timothy Yeo entered into a letter of appointment with the Company, which conditional upon Admission, provides for him to act as Non Executive Chairman for a fee of £40,000 per annum which may be terminated by either party giving 3 months notice. Following termination of his appointment Mr Yeo is subject to a non-compete restriction for a 6 month period. Mr Yeo had no letter of appointment or service agreement with the Company prior to the entering into of this appointment letter.

- viii. On 17 September 2007 Guy Saxton entered into a letter of appointment with the Company which, conditional upon Admission, provides for him to act as Non Executive Director for a fee of £18,000 per annum which may be terminated by either party giving 3 months notice. Following termination of his appointment Mr Saxton is subject to a non-compete restriction for a 6 month period. Mr Saxton had no letter of appointment or service agreement with the Company prior to the entering into of this appointment letter.

Save as disclosed in paragraph (a) none of the Directors or Proposed Directors has a contract of employment or letter of appointment with the Company with a notice or contract period of one year or more or with provisions for predetermining compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind.

- (b) There are no proposals to make any material alteration to the conditions of employment of the employees of the KPM Group to any material extent following Admission.
- (c) Following Admission, save as disclosed above, the Enlarged Group will have approximately 108 employees.
- (d) It is estimated that the aggregate remuneration and benefits in kind (including bonuses and profit shares) to be paid to the Directors and Proposed Directors for the year ending 30 September 2007 will be approximately £514,000.
- (e) Save as set out below, the Directors and Proposed Directors have not held any directorships of any company (other than the Company) or partnerships in the last five years:

<u>Director</u>	<u>Current Directorships and interests in partnerships</u>	<u>Directorships (and partnerships) resigned during the past five years</u>
Peter DaCosta	Cab Television Limited Cabline Limited Cabrite PLC Cabvision Limited Carvision Limited Coachvision Limited DaCosta Futures Limited DaCosta Holdings Limited Eco City Vehicles Limited K.P.M. Autos Limited KPM Taxi Advertising Direct Limited KPM UK Finance Limited KMP UK Knowledge School Limited KPM UK Taxis PLC London Taxi Auctions Limited Modec (City) Limited Railvision Limited Real-Time International (Agency) Limited Taxi Television Limited Taxi TV Limited Taxivision Limited Telebanking Limited Tower No8 Limited Liability Partnership Transmedia Limited U.K. Taxi (Agency) Limited U.K. Taxi Services Limited UKFS 6 Limited Liability Partnership	Independent Taxi Dealers Company Limited Telebanking Limited Transport Inspection Services Limited

Director	Current Directorships and interests in partnerships	Directorships (and partnerships) resigned during the past five years
Jeremy Fenn	Inside Track 3 Limited Jade Partners Mobile Tornado Group PLC Opal Film Partners Pannal PLC Venus Film Partners Yoomea PLC	Alliance Pharma PLC Auto V.I.P. Solutions Limited BSkyB Sports Holdings Limited Eescape Holdings Limited Evoxus Limited Planet Football.com Limited Songsplayer Limited Sports Internet Group Limited Surrey Group Limited The Surrey Golf Company Limited Voicescape PLC
Keith Marder	Cabline Limited Cabrite PLC Eco City Vehicles Limited K.P.M. Autos Limited KPM Taxi Advertising Direct Limited KPM UK Finance Limited KPM UK Knowledge School Limited KPM UK Taxis PLC Modec (City) Limited U.K. Taxi (Agency) Limited U.K. Taxi Services Limited Transmedia Limited	
John Swingewood	Inside Track 3 Limited Jade Film Partners Liability Partnership Mobile Tornado Group PLC Pannal PLC Opal Film Partners Venus Film Partners Yoomea PLC	Digital Impact (UK) Limited Digital Interactive Television Group Limited Eescape Holdings Limited Evoxus Limited InTechnology PLC Mobile Tornado International Limited The Gaming Channel Bookmakers Limited Voicescape PLC
Michael Troullis	Cabline Limited Cabrite PLC Eco City Vehicles Limited K.P.M. Autos Limited KPM Taxi Advertising Direct Limited KPM UK Finance Limited KPM UK Knowledge School Limited KPM UK Taxis PLC Modec (City) Limited Tower No7 Limited Transmedia Limited UK FS5 Limited Liability Partnership U.K. Taxi (Agency) Limited U.K. Taxi Services Limited Liability Partnership	Transport Inspection Services Limited

<u>Director</u>	<u>Current Directorships and interests in partnerships</u>	<u>Directorships (and partnerships) resigned during the past five years</u>
Guy Saxton	AngelBourse Group Limited AngelBourse Limited Countermine PLC European Oil Terminals plc First London Securities plc Kleenair Systems International PLC Kormet Limited LondonBourse Limited Pristec plc	Equilateral Introductions Limited Equilateral Marketing Services Limited FDI Nominees Limited Viness Limited New World Capital Management Limited
Timothy Yeo	AFC Energy PLC Anacol Holdings Limited Eurotunnel PLC Eurotunnel Group plc General Securities Register Limited Groupe Eurotunnel SA ITI Energy Limited Locana Corporation (London) Limited Univent PLC	Conservatives For Change Limited Genus PLC
Robert Smith	Curidium Limited Curidium Medica PLC	Colour Display Investments Limited Densitron Asia Limited Densitron Computers Limited Densitron Computer Solutions Limited Densitron Corporation Densitron Developments (UK) Limited Densitron Europe Limited Densitron France SAS Densitron Gaming Limited Densitron Nordic Oy Densitron Taiwan Limited Densitron Technologies PLC DV3 Displays Limited Ferrograph Limited Hitech Electronics Corporation Kentec Limited Perdix Components Limited Rapidot Limited Soloman Expert Limited

- (f) No Director or Proposed Director has, or has had, any interest, direct or indirect, in any transaction which is, or was, unusual in its nature or conditions or is, or was, significant to the business of the Company.
- (g) None of the Directors or Proposed Directors has any unspent convictions in relation to indictable offences, nor has any of them been declared bankrupt or entered into an individual voluntary arrangement with creditors.
- (h) On its acquisition by The Talbex Group Limited in 1976, Tim Yeo was appointed a director of London Plastic Packaging Limited (“LPP”) and was a director when it went into insolvent liquidation in 1976. LLP was dissolved on 7 March 2000. With this exception, none of the Directors or Proposed Directors has been a director of a company or a partner in a partnership at the time or within 12 months preceding the time at which the company or partnership entered into receivership, compulsory liquidation, creditors voluntary liquidation, administration, a company voluntary arrangement or a partnership voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors.

- (i) No Director or Proposed Director has had a receiver appointed over any of his assets or of any assets of any partnership in which he was a partner at the time of or within twelve months of such receivership.
- (j) None of the Directors or Proposed Directors has been publicly criticised by a statutory or regulatory authority (including recognised professional bodies), 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.

9. Share Option Schemes

9.1 The following is a summary of the rules of the proposed Share Option Schemes:

9.1.1 Eligibility

Any person who is either an employee or a director of the Company or of any subsidiary which the Board determines from time to time shall participate in the EMI Share Option Schemes and be bound by their terms.

9.1.2 Grant of Options

The Board may grant options to acquire Ordinary Shares under the Share Option Schemes to any eligible employee. Options may be granted subject to an exercise condition and at a price which is determined by the Board.

9.1.3 Exercise of Options

Options are normally exercisable, subject to the satisfaction of any exercise conditions, provided the optionholder remains an employee or director of his employing company or business. Options which have not been exercised will normally lapse on the tenth anniversary of grant. Provided any exercise conditions are satisfied, options may, however, be exercised if an optionholder ceases to be an employee due to injury, disability, ill-health, redundancy, retirement or his employing company or business ceasing to be under the control of the Company and in the event of a winding-up of the Company or the court sanction of a proposed compromise or arrangement in relation to a reconstruction of the Company. Options are not transferable and may only be exercised by the persons to whom they are granted.

9.1.4 Issue of Shares

Ordinary Shares issued on the exercise of options will rank equally with shares in issue at that time, except in respect of rights arising by reference to a prior record date. Ordinary Shares transferred pursuant to an exercise of options will be transferred without the benefit of any rights attaching thereto by reference to a prior record date.

9.1.5 Substitution of options

In the event of a change of control of the Company in certain circumstances, the optionholder may, by agreement with the acquiring company, release his option in consideration of the grant to him of an equivalent right over shares in the acquiring company.

9.1.6 Variation in share capital

Options may be adjusted following variation of the share capital of the Company such as any capitalisation issue, sub-division, reduction or consolidation of share capital provided no adjustment shall cause the exercise price to be less than the nominal value of a Scheme Share.

9.1.7 Share Option Scheme limits

No option may be granted on any date if the number of Scheme Shares to be issued on its exercise in full, when aggregated with the number of:

- (i) Scheme Shares issued on the exercise of, or remaining capable of being issued on the exercise of, options granted during the period of 10 years ending on that date; and
- (ii) Ordinary Shares issued, or remaining capable of being issued, during the period of 10 years ending on that date by virtue of options or other rights granted under any other Employees' Share Scheme adopted by the Company

would exceed 10 per cent. of the number of Ordinary Shares in issue on that date.

9.1.8 Amendments

The Board may at any time amend the Share Option Schemes. Except with the written consent of the relevant optionholders no amendment may be made to the EMI Share Option Scheme to the extent that it would abrogate or adversely affect the subsisting rights of such optionholders as regards an option granted prior to the amendment being made.

- 9.2 Subject to the passing of Resolution 6 by the shareholders of the Company at the EGM, the Board intends to grant options to employees of the Enlarged Group over some 3,205,000 Ordinary Shares, of which 150,000 are to be granted to Robert Smith, and 750,000 to each of Guy Saxton and Tim Yeo, all of whom are Proposed Directors.

10. Material Contracts

The following contracts, not being contracts in the ordinary course of business have been entered into by the Company since its incorporation and are, or may be, material:

- (a) A nominated adviser and broker agreement dated 17 September 2007 between the Company, the Directors and Numis, whereby Numis has agreed to act as the Company's nominated adviser and broker as required by the AIM Rules for a fee in respect of the first 12 months following Admission of £25,000 per annum (and any properly incurred out-of-pocket expenses, costs and disbursements plus, in each case, VAT thereon) payable six monthly in advance. Provided the agreement has not been terminated in accordance with its terms, the parties shall, prior to the expiration of the relevant 12 month period following Admission or each subsequent 12 month period thereafter applicable, agree the fee for the subsequent 12 month period which shall not be less than £25,000 for such period. As the Company's nominated adviser, Numis has agreed to, *inter alia*, provide such advice and guidance to the Directors as to their responsibilities and obligations as the Directors may reasonably request from time to time to ensure compliance by the Company on an on-going basis with the AIM Rules. As the Company's broker, Numis has agreed to, *inter alia*, provide information to the market and to use its best endeavours to find matching business if there is no registered market maker in the Company's shares. The Company and the Directors have undertaken to inform and consult the broker of the Company from time to time in respect of any relevant transactions and dealings in order that Numis may fulfil its responsibilities to the London Stock Exchange as nominated adviser and broker. This agreement is terminable, *inter alia*, by either of the Company or Numis giving the other 90 days' written notice from the date falling 12 months from Admission. This agreement contains certain warranties, undertakings and indemnities by the Company and the Directors in favour of Numis.
- (b) The service agreements and non-executive letters of appointments described in paragraph 8(a).
- (c) A warrant agreement granting warrants over 1,051,255 Ordinary Shares to Numis (the "Warrants"). The Warrants are exercisable at an exercise price of 5 pence per share and can be exercised in whole or in part until midnight on 22 February 2010. The number of Ordinary Shares which are the subject of the Warrants may be adjusted to take account of any alteration, consolidation, sub-division, reduction of capital or pro rata issue of shares by way of a rights issue, bonus issue or open offer. Exercise is by way of deposition of a notice and surrender of the relevant warrant certificate.
- (d) A Placing Agreement dated 17 September 2007 between the Company, Numis, the Directors and the Proposed Directors which is conditional upon, *inter alia*, Admission occurring by not later than 8.00 am on the 11 October 2007. Pursuant to the Placing Agreement Numis has agreed, as agent of the Company to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing is not underwritten.

The Company has agreed to pay to Numis a corporate finance fee of £225,000. In addition, the Company has agreed to pay all costs, charges and expenses of and incidental to the Placing and the application for Admission (together, where applicable, with value added tax).

The Company, the Directors and the Proposed Directors (other than Messrs. Yeo and Saxton) have given certain warranties (which are standard for agreements of this type) to Numis in relation, *inter alia*, to the accuracy of the information contained in this document, the financial position of the Company and as to other matters in relation to the Company and its business. Certain of the warranties have also been given by Messrs. Yeo and Saxton on an "awareness" basis. In addition, Numis and certain of its associated persons have the benefit of certain indemnities provided by the Company, the Directors and the Proposed Directors (other than Messrs. Yeo and Saxton).

Numis may terminate the Placing Agreement at any time prior to Admission in certain circumstances, including a breach of any of the warranties contained in the Placing Agreement which Numis reasonably considers would be likely materially to prejudice the success of the Placing, or upon the occurrence of certain force majeure events, a material adverse change or a development involving a prospective material adverse change in relation to the Company, in each case which Numis reasonably considers material in the context of the Placing or Admission.

- (e) Lock-in and orderly market agreements each to be dated on or around the date of Admission, pursuant to which each of the Directors have agreed (i) not to dispose of any interests in any of their Ordinary Shares for a period of 12 months from the date of Admission (save in certain limited circumstances, including an offer for the Company) and (ii) for a further period of 12 months thereafter, to effect any disposal through Numis (or such other brokers as shall at that time have been appointed by the Company) to preserve an orderly market. The Directors and Proposed Directors have also undertaken to procure that their respective associates (as defined in the AIM Rules) comply with the terms of their lock-in arrangements.
- (f) The Acquisition Agreement between (1) the Vendors and (2) the Company, dated 17 September 2007, pursuant to which the Company has agreed to acquire the entire issued share capital of KPM. The consideration payable to the Vendors pursuant to the agreement is £12 million to be satisfied on completion of the Acquisition by the allotment and issue to the Vendors of 240,000,000 Ordinary Shares at a price of 5 pence per share. The Acquisition is conditional, *inter alia*, upon (a) the Panel granting a waiver of the obligation which would otherwise fall on the Concert Party to make a general offer under Rule 9 of the City Code (b) the Placing Agreement becoming unconditional in accordance with its terms (c) Admission (d) the shareholders of the Company passing all the Resolutions set out in the notice of EGM (e) the giving by the Financial Services Authority of approval to the change of the controller of KPM UK (f) the giving of approval by the Office of Fair Trading of approval to the change of the controller of KPM UK.

Under the terms of the Acquisition Agreement, the Vendors have given customary warranties and indemnities to the Company. The aggregate maximum liability of the Vendors in respect of these warranties is limited to £6 million.

- (g) A Shareholders' and Subscription Agreement ("**Shareholders Agreement**") dated 4 January 2007 between KPM UK, One80 Limited ("**one80**") Limited and certain other individual existing shareholders. Pursuant to the Shareholders Agreement KPM UK is required to subscribe for A Shares in one80. On 4 January 2007 KPM UK subscribed for 1250 A Shares representing 11.11% of the issued share capital for a total consideration of £300,000. KPM UK is obliged to subscribe for a further 3750 A Shares for total additional consideration of £900,000. Following completion of the additional subscription KPM UK will own 33.33% of the issued share capital of one80. KPM UK received certain warranties relating to one80 and its business. Certain material matters proposed to be entered into by one80 require the consent of KPM UK or its appointed director. The Shareholders' Agreement also contains customary restrictions on transfer and minority protections including drag-along rights (in the event that shareholders holding more than 90% of the shares wish to transfer) and tag-along rights and a right of first offer over shares (in the event shareholders holding 50% or more of the shares in one80 seek to dispose of their shares).
- (h) A licence agreement dated 14 September 2007 (the "**Licence Agreement**") between (1) Cabvision Limited ("Cabvision") (2) KPM UK and (3) Cabvision UK Limited ("Cabvision UK") (a wholly owned subsidiary of the Company) pursuant to which Cabvision has licensed the right to exploit Cabvision's advertising system to Cabvision UK for a period of 10 years (which Cabvision UK can elect to renew for subsequent 10 year periods). The Licence Agreement relates to a maximum of 6,986 advertising screens.

Under the terms of the Licence Agreement, Cabvision UK will pay a royalty of 15% of net revenue in relation to screens already installed (of which there are approximately 1,000) and a royalty of 5% of net revenue in relation to any additional screens installed.

KPM UK has agreed under the terms of the Licence Agreement to guarantee the royalty payments of Newco and to manufacture, supply, install, commission and maintain the screen advertising systems which are the subject of the Licence Agreement.

11. Related Party Transactions

Peter DaCosta, Keith Marder and Michael Troullis have an interest in Global Meters Systems Limited (“GMSL”), holding approximately 50% of the issued share capital of that company. GMSL supplies taxi meters to KPM UK, who act as an agent and fits the meters to London Taxis. KPM UK also collects annual rental payments (retaining 30% of such payments by way of commission) and repairs the meters for and on behalf of GMSL. The services of KPM UK are provided at arms length and at market value, established by comparison with the terms on which KPM UK transacts similar business with Mattig Meters Limited, a company wholly independent of the KPM Group.

12. Litigation

- (a) The Company is not nor has it been engaged in any governmental, legal or arbitration proceedings which may have or have had during the 12 month period prior to 14 September 2007 (the latest practicable date prior to the printing of this document) a significant effect on the financial position or profitability of the Company nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against the Company.
- (b) KPM is not nor has it been engaged in any governmental, legal or arbitration proceedings which may have or have had during the 12 month period prior to 14 September 2007 (the latest practicable date prior to the printing of this document) a significant effect on the financial position or profitability of KPM nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against KPM.

13. Working Capital

In the opinion of the Directors, having made due and careful enquiry and after taking into account the existing bank and other facilities available to the Group and the net proceeds of the Placing, the working capital available to the Group is sufficient for its present requirements (that is for at least 12 months from Admission).

14. Taxation

The following statements are intended only as a general guide to certain aspects of current UK tax legislation and to the current practice of HM Revenue & Customs (“HMRC”) and may not apply to certain classes of shareholders, such as dealers in securities. They relate only to persons who are resident and ordinarily resident in the UK for UK tax purposes and who are the absolute beneficial owners of Ordinary Shares in the Company and who hold the Ordinary Shares as investments. The tax position of an individual who is not UK domiciled, is not dealt with below and specific advice should be sought.

This summary relates only to certain limited aspects of the taxation treatment of owners of Ordinary Shares and should not be relied upon as constituting legal advice. Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult his or her professional advisers immediately.

(a) Dividends

Under current UK tax legislation, no tax is withheld from dividends paid by the Company.

UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the rate of tax credit being 10 per cent of the sum of the dividend and the tax credit (i.e., the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder’s lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive a dividend is 32.5 per cent. of the sum of the dividend and the tax credit. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. of the sum of the dividend and the tax credit. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

UK-exempt approved pension funds and charities will not be liable to income tax or corporation tax on dividends received by them and will not be entitled to claim a refund of all or part of the tax credits in respect of those dividends. A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received from another UK resident corporate.

(b) Capital Gains

Consequence of the disposal of Ordinary Shares

UK resident individual holders of Ordinary Shares may, depending on their personal circumstances, be liable to capital gains tax on any chargeable gain realised on the disposal of their Ordinary Shares whilst they are resident or ordinarily resident for tax purposes in the UK, subject to any allowances, reliefs (such as taper relief) or exemptions that may be available to them. UK resident corporate holders of Ordinary Shares may be liable to corporation tax on chargeable gains realised on the disposal of their Ordinary Shares, subject to certain reliefs and exemptions.

A Shareholder who is not resident in the UK but who carries on a trade, profession or vocation in the UK through a branch or agency, or in the case of a corporate Shareholder, carries on a trade in the UK through a permanent establishment and has used, held or acquired their Ordinary Shares for the purposes of such trade, profession or vocation or such agency, may be subject to UK taxation on chargeable gains arising from the sale of their Ordinary Shares.

A Shareholder who is an individual and who has on or after 17 March 1998 ceased to be resident or ordinarily resident in the UK for a period of less than five years and who disposes of Ordinary Shares during that period may also be liable to UK taxation on chargeable gains arising from the sale of their Ordinary Shares on his or her return to the UK.

(c) Stamp duty and stamp duty reserve tax

No charge to stamp duty or stamp duty reserve tax (“SDRT”) will arise on the listing of Ordinary Shares. Transfers of or sale of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the stamp duty consideration given). An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form will be subject to SDRT (payable by the purchaser and generally at the rate of 0.5 per cent.). However, if within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument any liability to SDRT will be cancelled or repaid. Paperless transfers of Ordinary Shares within CREST will generally be charged to SDRT (generally at the rate of 0.5 per cent.) rather than stamp duty. CREST is obliged to collect SDRT on relevant transactions settled within the system.

15. Market Quotations

The following table shows the closing middle market quotations for Ordinary Shares on PLUS as derived from Bloomberg on each of the first dealing days of each month from 1 March to 14 September 2007 being the last practicable date prior to the printing of this document:

	Pence per Share
1 March 2007	4.75
2 April 2007	5.25
1 May 2007	5.38
1 June 2007	5.38
2 July 2007	5.38
1 August 2007	5.38
3 September 2007	5.38
14 September 2007	5.38

16. Consents

- (a) Numis, which is authorised and regulated in the United Kingdom by the Financial Services Authority, and is the Company’s nominated adviser and broker, has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.
- (b) Grant Thornton UK LLP have given and not withdrawn their written consent to the inclusion of their reports in this document and references to them in the form and context in which they appear.

17. General Information

- (a) The Company's auditors are Deloitte & Touche LLP of Stonecutter Court, 1 Stonecutter Street, London, EC4A 4TR who are a member of the Institute of Chartered Accountants of England and Wales. Deloitte & Touche LLP have been the Company's auditors for the three financial years ended 31 December 2006. Following Admission, the auditors of the Company and the KPM Group will be Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.
- (b) The accounting reference date for the Company is 31 December. The Company intends to change its accounting reference date to 30 September.
- (c) The financial information set out in this document does not constitute statutory accounts within section 240 of the Act.
- (d) Save for the Acquisition there has been no material change in the financial or trading position of the Company since 31 December 2006, being the date of the latest financial information set out in Part IV Section A, or any exceptional factors which have influenced its activities.
- (e) There has been no material change in the financial or trading position of the KPM Group since 31 March 2007, being the date of the latest financial information set out in Part IV Section C or any exceptional factors which have influenced its activities.
- (f) Save as disclosed in Part III of this document there are no known trends, uncertainties, demands or events that are reasonably expected to have a material effect on the Company's prospects for at least the current financial year.
- (g) Save as disclosed by the historical financial information contained in Part IV of this document, the Company has no principal investments and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- (h) The total costs, charges and expenses (including professional fees, stamp duty, and stamp duty reserve tax and costs of printing and distribution of documents) payable by the Company in relation to the Acquisition, the Placing and the Admission are estimated to amount to approximately £880,000 (excluding value added tax).
- (i) During the 12 month period ended 31 December 2006, Jeremy Fenn was paid fees of £24,000 by the Company in respect of consultancy services undertaken. Save as aforesaid, no person (other than professional advisers (including Numis) named in this document and trade suppliers) has:
 - (i) received, directly or indirectly, from the Company since incorporation; or
 - (ii) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, any of the following:
 - (1) fees totalling £10,000 or more;
 - (2) securities in the Company with a value of £10,000; orany other benefit with the value of £10,000 or more at the date of Admission.
- (j) The amount and percentage of immediate dilution resulting from the Placing is 20,000,000 Ordinary Shares, amounting to 32.2 per cent. dilution.
- (k) Save as disclosed in this document, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Company's business.
- (l) As far as the Directors and Proposed Directors are aware, save as disclosed in this document there are no environmental issues that may affect the Company's or KPM's utilisation of its tangible fixed assets.
- (m) The Consideration Shares have not been marketed, nor are they available, in whole or in part, to the public in connection with the application for admission to trading on AIM.
- (n) The Existing Ordinary Shares are and, on Admission, the Consideration Shares and the Placing Shares will be, in registered form and capable of being held in uncertificated form. The Existing Ordinary Shares, the Placing Shares and the Consideration Shares have been created under the Act.

- (o) Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company, the Directors and the Proposed Directors are aware and are able ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

18. Documents available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH until one month from the date of Admission:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of KPM;
- (c) the accountant's reports set out in Part IV;
- (d) published audited accounts of the Company and KPM for the two financial years prior to the date of this document;
- (e) the service agreements and letter of appointment referred to in paragraph 8 of this Part V;
- (f) the material contracts referred to in paragraph 10 of this Part V save for the agreement referred to in paragraph 10(g) of this Part V;
- (g) the draft rules of the EMI Share Option Scheme referred to in paragraph 8 of this Part V;
- (h) the consent letters referred to in paragraph 16 of this Part V; and
- (i) this document.

19. Copies of this Document

Copies of this document will be available free of charge to the public from the Company's registered office and at the offices of Hammonds, as detailed above, during normal business hours on any weekday (Saturdays and public holidays excepted) until one month from the date of Admission.

17 September 2007

PART VI

TERMS AND CONDITIONS OF THE PLACING

1 Introduction

These terms and conditions apply to persons making an offer to subscribe for Placing Shares under the Placing (which may include Numis or its nominee(s)). Each person to whom these conditions apply, as described above, who confirms his agreement to Numis (on behalf of itself and the Company) to subscribe for Placing Shares (an “Investor”) hereby agrees with each of Numis, the Registrars and the Company to be bound by these terms and conditions as being the terms and conditions upon which Placing Shares will be subscribed for and issued under the Placing. An Investor shall, without limitation, become so bound if Numis confirms to the Investor its allocation. Following such confirmation, each Investor undertakes to promptly return a completed form of confirmation in the form supplied by Numis (the “Form of Confirmation”).

2 Agreement to subscribe for Placing Shares

Conditional on (i) Admission occurring and the Placing Agreement not having lapsed or been terminated in each case on or prior to 11 October 2007 (or such later date as Numis and the Company may agree (not being later than 25 October 2007)) and (ii) the confirmation mentioned above, an Investor agrees to subscribe for, as more particularly described below, at the Placing Price, the number of Placing Shares allocated to such Investor under the Placing in accordance with the arrangements described in this section of the Admission document. To the fullest extent permitted by law, each Investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights such Investor may have.

3 Payment for Placing Shares

Each Investor undertakes to pay the Placing Price for the Placing Shares subscribed for by such Investor in such manner as shall be directed by Numis. Liability for stamp duty and stamp duty reserve tax is as described in paragraph 14 of Part V of this document.

In the event of any failure by any Investor to pay as so directed by Numis, the relevant Investor shall be deemed hereby to have appointed Numis or any nominee of Numis to use its reasonable endeavours to sell (in one or more transactions) any or all of the Placing Shares in respect of which payment shall not have been made as directed by Numis and to indemnify Numis on demand in respect of any liability for stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales. A sale of all or any of such Placing Shares shall not release the relevant Investor from its obligation to make such payment for Placing Shares to the extent that Numis or its nominee has failed to sell such Placing Shares at a consideration which after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned exceeds the Placing Price per Placing Share.

4 Representations and warranties

By receiving this document and making the confirmation above each Investor confirms, represents, warrants and undertakes to Numis (for Numis and on behalf of the Company) on the terms and subject to the conditions set out in this document:

- i. that the exercise by Numis of any rights or discretion under the Placing Agreement shall be within the absolute discretion of Numis and Numis need not have any reference to the Investor and shall have no liability to the Investor whatsoever in connection with any decision to exercise or not to exercise any such right. Each Investor agrees that they have no rights against Numis, the Company or any of their respective directors and employees under the Placing Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999;
- ii. in agreeing to subscribe for Placing Shares under the Placing, each Investor is relying on this document and not on any information or representation or warranty in relation to the Company or any of its subsidiaries or any of its shares other than as contained in this document;

- iii. that neither the Investor nor, as the case may be, its clients, expect Numis to have any duties or responsibilities to the Investor similar or comparable to the duties of “best execution” and “suitability” imposed by The Conduct of Business Source Book contained in the FSA’s Handbook of Rules and Guidance, and that neither the Investor nor its clients shall be regarded as “clients” (as defined in the FSA’s Handbook of Rules and Guidance) of Numis, and that Numis is not acting for the Investor or its clients, and that Numis will not be responsible for providing legal or regulatory protections to the Investor or its clients;
- iv. that, save in the event of fraud on the part of Numis (and to the extent permitted by the Rules of the FSA), neither Numis, its ultimate holding company nor any direct or indirect subsidiary undertakings of that holding company, nor any of their respective directors and employees shall be liable to the Investor for any matter arising out of Numis’ role as placing agent or otherwise in connection with the Placing and that where any such liability nevertheless arises as a matter of law the Investor will immediately waive any claim against any of such persons which the Investor may have in respect thereof;
- v. in the case of a person who confirms to Numis on behalf of an Investor an agreement to subscribe for Placing Shares, that person represents and warrants that it has the authority to do so on behalf of the Investor;
- vi. it is not and is not applying as nominee or agent for a person who is, or may be, mentioned in any of the sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);
- vii. that it is not a national or resident of the United States, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa (the “**Prohibited Territories**”) or a corporation, partnership or other entity organised under the laws of the any of the Prohibited Territories and that it will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Placing Shares into any of the Prohibited Territories or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation or to, or for the benefit of, any person resident in any of the Prohibited Territories or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation and acknowledges that the Placing Shares have not been and will not be registered under the United States Securities Act of 1933, as amended and have not been, and will not be, qualified for distribution through the filing of a prospectus with any Securities Commission or similar regulatory authority of any province of Canada and that the same are not being offered for sale and may not be, directly or indirectly, offered, sold, transferred or delivered in any of the Prohibited Territories or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation;
- viii. it is entitled to subscribe for the Placing Shares in its allocation under the laws of all relevant jurisdictions which apply to such Investor and that such Investor has fully observed such laws, obtained all governmental and other consents which may be required thereunder or otherwise and complied with all necessary formalities;
- ix. that the Investor has read and understood the information set out on the front page of this document and the Investor is a person of a kind described in paragraph 5 of Article 19 or paragraph 2 of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; and
- x. that the Investor is a person falling within one of the following categories:
 - (a) persons whose ordinary activities involve them in acquiring, holding, managing or disposing of shares or debentures (as principal or agent) for the purposes of their business; or
 - (b) persons who it is reasonable to expect will acquire, hold, manage or dispose of the Placing Shares (as principal or agent) for the purposes of their businesses; or
 - (c) a restricted circle of persons whom Numis reasonably believes to be sufficiently knowledgeable to understand the risks involved in accepting the offer constituted by this document; or
 - (d) a restricted circle of persons numbering no more than fifty whom it is reasonable to believe will acquire Placing Shares for investment purposes and not with a view to their imminent resale (the “**Fourth Category**”);

In respect of sub-paragraph a) above, in the event that applicants for Placing Shares numbering more than fifty indicate that they wish to be considered within the Fourth Category, such applicants may be rejected at the discretion of Numis so that the total number of applicants applying for Placing Shares and who state that they so wish to be considered within the Fourth Category shall not exceed fifty.

5 Supply and disclosure of information

If the Company, Numis or any of their agents request any information about an Investor's agreement to subscribe for Placing Shares, such Investor must promptly disclose it to them.

6 Miscellaneous

The rights and remedies of Numis, the Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others. On application, each Investor may be asked to disclose, in writing or orally, to Numis:

- i. if he is an individual, his nationality; or
- ii. if it is a discretionary fund manager, the jurisdiction in which its funds are managed or owned.

All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to Numis. Each Investor agrees to be bound by the Articles (as amended from time to time) once the Placing Shares which such Investor has agreed to purchase have been issued to such Investor.

The contract to subscribe for Placing Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England. For the exclusive benefit of the parties mentioned under paragraph 1, above, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.

In the case of a joint agreement to subscribe for Placing Shares, references to an Investor in these terms and conditions are to each such Investor and the Investors' liability is joint and several.

Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the form of confirmation issued by Numis until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 25 October 2007, application monies will be returned without interest.

7 Selling restrictions

Before Admission becomes effective, Investors may only offer, or agree, to or sell any Placing Shares in the United Kingdom:

- i. to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business; or
- ii. otherwise in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of section 102(B) of FSMA.

PANNAL PLC

(the “Company”)

Registered in England and Wales with number 04998151

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH at 10 a.m. on 10 October 2007 for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 2 and 5 will be proposed as special resolutions, Resolutions 1, 4 and 6 will be proposed as ordinary resolutions, and Resolution 3 will be proposed as an ordinary resolution (being voted on a poll by Independent Shareholders).

ORDINARY RESOLUTION

- 1 THAT, conditional upon Resolution 3 being duly passed as an ordinary resolution on a poll vote by Independent Shareholders (as defined in the circular of the Company dated 17 September 2007 (the “Circular”)) and conditional upon and with effect from the Placing Agreement (as defined in the Circular) and the Acquisition Agreement (as defined in the Circular) becoming unconditional (save only in respect of any condition therein relating to Admission (as defined in the Circular)):
- (a) the proposed acquisition by the Company of the entire issued share capital of K.P.M. Autos Limited (the “Acquisition”) on the terms and conditions of the Acquisition Agreement be and is hereby approved and the directors of the Company (or a duly constituted committee thereof) be and are hereby authorised to do all such things as they may consider to be necessary, expedient or appropriate to execute, complete or implement such agreement in accordance with its terms subject to such modifications thereto as they may consider necessary, expedient or appropriate and approve as such (provided that any such modification shall not be a material modification in the context of the Acquisition as a whole);
 - (b) the authorised share capital of the Company be increased from £563,069.40 to £6,000,000 by the creation of 543,693,060 new ordinary shares of 1p each ranking *pari passu* in all respects with the existing ordinary shares of 1p each; and
 - (c) in substitution for all existing and unexercised authorities, pursuant to section 80 of the Companies Act 1985, as amended (the “Act”), the directors of the Company be generally and unconditionally authorised to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) in the capital of the Company up to:
 - (i) a maximum nominal amount of £2,400,000 in connection with the Acquisition;
 - (ii) a maximum nominal amount of £200,000 in connection with the Placing (as defined in the Circular); and
 - (iii) otherwise, and generally, a maximum nominal amount of £2,013,668 (representing approximately one third of the issued ordinary capital of the Company which would be in issue following the allotment and issue of the shares referred to in and pursuant to sub-paragraphs (c) (i) and (ii) of this Resolution 1), provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the next annual general meeting of the Company or 15 months from the date of passing this Resolution, whichever is the earlier, save that the Company may before the expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;

SPECIAL RESOLUTION

- 2 THAT, conditional upon Resolution 1 being duly passed as an ordinary resolution, the directors of the Company be and are hereby empowered, pursuant to section 95 of the Act and pursuant to the authority set out in paragraph (c) of Resolution 1, to allot equity securities (as defined in section 94(2) of the Act) for cash out of any relevant securities (as defined in section 80(2) of the Act) which they are from time to time authorised to allot, as if section 89(1) of the Act did not apply to:

- (a) the proposed allotment of up to 20,000,000 new ordinary shares of 1p each in the capital of the Company in connection with the Placing;
- (b) the grant of options under any share option scheme of the Company;
- (c) the making of any rights issue or any offer to the holders of the Company's ordinary shares of 1p each on terms determined by the Directors at their discretion; and
- (d) in connection with an issue of equity securities up to an aggregate nominal amount of £151,025 representing approximately 5 per cent. of the issued share capital of the Company (on the basis of maximum subscription under the Placing) following the implementation of the Proposals (as defined in the Circular);

Provided that this authority shall expire on the conclusion of the next annual general meeting of the Company or 15 months from the date of this Resolution, whichever is earlier and the Company may before such expiry make an offer, agreement or other arrangement which would or might require securities to be allotted after such offer, agreement or other arrangement as if the authority hereby conferred had not so expired.

ORDINARY RESOLUTION

- 3 THAT, conditional upon Resolution 1 being duly passed on a poll by the shareholders of the Company as an ordinary resolution and conditional upon and with effect from the Placing Agreement (as defined in the Circular) becoming unconditional (save only in respect of the condition therein relating to Admission (as defined in the Circular)) the waiver by the Panel on Takeovers and Mergers of the requirement under Rule 9 of The City Code on Takeovers and Mergers for the Concert Party (as defined in the Circular) individually or collectively, to make a general offer for the ordinary shares in the Company that would otherwise arise by the issue of the Consideration Shares and the Placing Shares (as defined in the Circular) pursuant to completion of the Acquisition, the Placing and Admission as described in the paragraph entitled "Waiver of Rule 9 of the City Code" of the Circular, resulting in the maximum potential controlling position of the Concert Party being 79.46 per cent. of the issued share capital of the Company (assuming the minimum of 20,000,000 Placing Shares are issued under the Placing) be and is hereby approved on a poll.

ORDINARY RESOLUTION

- 4 THAT, conditional upon completion of the Acquisition, the limit on the aggregate amount that may be paid to directors of the Company for their services set out in Article 105 of the Company's articles of association be increased from £30,000 to £150,000 before share based payments.

SPECIAL RESOLUTION

- 5 THAT, conditional upon Resolution 1, being duly passed by the shareholders of the Company as an ordinary resolution and Resolution 3 being duly passed as an ordinary resolution on a poll vote by Independent Shareholders (as defined in the Circular) the name of the Company be changed to Eco City Vehicles plc.

ORDINARY RESOLUTION

- 6 THAT, conditional upon Resolution 1 being duly passed by the shareholders of the Company as an ordinary resolution and Resolution 3 being duly passed as an ordinary resolution on a poll vote by Independent Shareholders (as defined in the Circular) and conditional upon and with effect from the Placing Agreement (as defined in the Circular) and the Acquisition Agreement (as defined in the Circular) becoming unconditional (save only in respect of the condition therein relating to Admission (as defined in the Circular)) the new EMI Share Option Scheme and Unapproved Share Option Scheme (the "Schemes"), a copy of the rules of which having been produced to the meeting and initialled by the Chairman for the purpose of identification, be and they are hereby approved, the Schemes be and are hereby adopted and the directors of the Company (or a duly constituted committee thereof) (the "Directors") be and are hereby authorised to do all acts and things necessary to give effect to the Schemes; and
- (a) The Directors may be counted in the quorum and vote and their votes may be counted on any matter or any Shareholders' or Directors meeting connected with the Schemes notwithstanding that they may be interested in the same (except that no Director may be counted in the quorum or vote on any matter solely concerning his own participation) and the prohibitions in this regard contained in the Articles of Association of the Company be suspended and relaxed to that extent, and

- (b) The Directors be authorised to establish such other share option schemes or incentive schemes for the benefit of the employees and executive Directors who are based outside the United Kingdom on such terms as the Directors may consider appropriate to take account of local tax, exchange control of securities laws in overseas territories provided that such other schemes are based upon the Schemes and that any shares issued or which might be issued under any such scheme will be subject to and treated as counting against the limitations on individual and overall participation specified in the Schemes.

Dated 17 September 2007

By order of the Board

Richard Mark James
Company Secretary

Registered Office

Central House, Beckwith Knowle, Otley Road, Harrogate. HG3 1UG

Notes:

1. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend (on a poll) and vote in his stead. Any person (whether a Shareholder or not) may be appointed to act as a proxy.
2. If a proxy is appointed for use at the EGM, the Form of Proxy as issued by the Board must be used. This Form of Proxy is enclosed herewith reply-paid. To be valid, a Form of Proxy, together with the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power or authority, must be deposited at the Company's Registrars at the following address at least 48 hours before the time for holding the EGM (i.e. by no later than 10 a.m. on 8 October 2007) or any adjournment thereof: The Pavilions, Bridgwater Road, Bristol, BS13 8AE.
3. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the EGM in person in respect of which the proxy is appointed (or at any adjournment of the EGM) if such Shareholder subsequently decides to do so.
4. In the case of a corporation, a proxy should be given under its common seal or should be signed on its behalf by an attorney or officer so authorised or in accordance with the provisions of Section 36A of the Companies Act 1985 (if applicable).
5. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of members in respect of the joint holdings.
6. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company at 6 p.m. on 8 October 2007 (or, if the EGM is adjourned, in the register for members of the Company 48 hours before the time of any adjourned EGM) shall be entitled to attend and vote at the EGM in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the EGM.
7. Resolution 3 of this EGM will be taken on a poll and only Independent Shareholders will be entitled to vote thereon in accordance with the requirements of the Panel on Takeovers and Mergers for dispensation from Rule 9 of The City Code on Takeovers and Mergers.

