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A copy of this document, which comprises a prospectus prepared in accordance with the POS Regulations and the AIM Rules, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

The Directors whose names appear on page 3 of this document, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription made pursuant to this document will, under any circumstances, create any implication that there has been any change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to the date of this document.

Application will be made for the entire issued and to be issued share capital of the Company to be admitted to trading on the Alternative Investment Market of the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies, to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. In particular, prospective investors should consider the section entitled "Risk factors" set out in Part VI of this document. The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the Placing Shares to the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. The Share Capital of the Company will not be dealt on any recognised investment exchange and no such applications will be made.

Lennox Holdings plc

(Incorporated and registered in England and Wales with Registered Number 4424325)

Placing of up to 8,888,890 Ordinary Shares at 45p per share

and

Admission of the Share Capital to trading on AIM

Nominated Adviser
ARM Corporate Finance Limited

Broker
Keith, Bayley, Rogers & Co. Limited

The following table shows the authorised and issued share capital of the Company as it is expected to be immediately following completion of the Placing, assuming Subscription in Full and completion of the Acquisition, described in this document:

	<i>Authorised shares</i>		<i>Issued and fully paid shares</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Ordinary Shares	100,000,000	£10,000,000	24,201,652	£2,420,165.2

The Placing Shares will on issue rank equally in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared after their issue in respect of the ordinary share capital of the Company.

ARM and KBR, both of which are regulated by the Financial Services Authority, are acting as the Company's nominated adviser and broker respectively in connection with the Admission. Their respective responsibilities as Lennox's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to Lennox or to any director of Lennox or to any other person in respect of his decision to acquire shares in Lennox in reliance on any part of this document. No representation or warranty, express or implied, is made by ARM or KBR as to any of the contents of this document in connection with the Placing. ARM and KBR act for Lennox and no one else and will not be responsible to anyone other than Lennox for providing advice in relation to the Admission. Neither ARM nor KBR will be offering advice and neither will be responsible for providing the protections afforded to their respective customers to recipients of this document in respect of the Admission or any acquisition of shares or securities in Lennox.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this prospectus	8 December 2004
Payment to be received from the Placees in cleared funds	14 December 2004
Dealings in the Ordinary Shares both issued and to be issued pursuant to the Placing expected to commence on AIM	16 December 2004
CREST accounts credited in respect of Placing Shares in uncertificated form	16 December 2004
Definitive share certificates in respect of Placing Shares in certificated form despatched on	22 December 2004

DIRECTORS, SECRETARY AND ADVISERS

Directors	David Sparks — <i>Non-Executive Chairman</i> Peter Royston Voller — <i>Chief Executive</i> David Lawrence Grove, BA, FCA — <i>Finance Director</i> Robert Ernest Burns — <i>Non-Executive Director</i> all of whose business address is 10 Orange Street, London WC2H 7DQ
Proposed Director	David Nicholas Franks — <i>Director, Spanish Operations</i> whose address is Casas Nuevas 42, 03749, Jesus Pobre, Alicante, Spain
Secretary	David Lawrence Grove, BA, FCA
Registered Office	10 Orange Street London WC2H 7DQ
Nominated Adviser	ARM Corporate Finance Limited 12 Pepper Street London E14 9RP
Broker, Financial Adviser and Placing Agent	Keith, Bayley, Rogers & Co. Limited Sophia House 76/80 City Road London EC1Y 2EQ
Auditors to the Company and Reporting Accountants	AGN Shipleys 10 Orange Street Haymarket London WC2H 7DQ
Solicitors to the Company	Fladgate Fielder 25 North Row London W1K 6DJ
Solicitors to the Placing	Stallard Centurion House 37 Jewry Street London EC3N 2ER
Principal Bankers	Coutts & Co 1 Cadogan Place London SW1X 9PX Banco Sabadell 120 Pall Mall London SW1Y 5EA
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

DEFINITIONS

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

<i>“Acquisition”</i>	the acquisition by Lennox of the Group
<i>“Act”</i>	the Companies Act 1985, as amended
<i>“Admission”</i>	the effective admission of the Share Capital to trading on AIM in accordance with rule 6 of the AIM Rules
<i>“AIM”</i>	the Alternative Investment Market of the London Stock Exchange
<i>“AIM Rules”</i>	the rules published by the London Stock Exchange governing admission to and the operation of AIM
<i>“ARM”</i>	ARM Corporate Finance Limited
<i>“Articles”</i>	the articles of association of the Company, as amended from time to time
<i>“Business”</i>	the Spanish Companies and their respective activities
<i>“Code”</i>	The City Code on Takeovers and Mergers
<i>“Company” or “Lennox”</i>	Lennox Holdings plc, registered in England with company number 4424325
<i>“Concert Party”</i>	as defined in Part VII of this document
<i>“Consideration Shares”</i>	12,762,762 Ordinary Shares to be issued by the Company for the purposes of the Acquisition
<i>“CREST”</i>	the system for paperless settlement of trades and the holding of uncertificated shares administered by CRESTCo Limited
<i>“Directors” or “Board”</i>	the directors of the Company as at the date of this document and the proposed director
<i>“Enlarged Group”</i>	Lennox and its subsidiaries following the acquisition of the Group
<i>“EIS”</i>	Enterprise Investment Scheme
<i>“Existing Ordinary Shares”</i>	the 2,550,000 ordinary shares of 10p each in the capital of the Company immediately prior to the Placing, Admission and Acquisition
<i>“Farm”</i>	Farm Holdings Limited
<i>“Group”</i>	Farm Holdings Limited as if the acquisition of the Spanish Companies had been completed
<i>“KBR”</i>	Keith, Bayley, Rogers & Co. Limited
<i>“London Stock Exchange”</i>	London Stock Exchange plc
<i>“Offer”</i>	an offer as defined by the City Code on Takeovers and Mergers
<i>“Offeror”</i>	an offeror as defined by the City Code on Takeovers and Mergers
<i>“Ordinary Shares”</i>	ordinary shares of 10p each in the capital of the Company
<i>“Panel”</i>	the Panel on Takeovers and Mergers
<i>“Placees”</i>	subscribers for Placing Shares

<i>“Placing”</i>	the placing by KBR of the Placing Shares at the Placing Price in accordance with the Placing Agreement
<i>“Placing Agent”</i>	KBR
<i>“Placing Agreement”</i>	the conditional agreement dated 8 December 2004 between the Company and the Placing Agent, further details of which are set out in paragraph 6(a)(iv) of Part VIII of this document
<i>“Placing Price”</i>	45 p per Placing Share
<i>“Placing Shares”</i>	up to 8,888,890 new Ordinary Shares to be subscribed pursuant to the Placing Agreement
<i>“POS Regulations”</i>	the Public Offers of Securities Regulations 1995, as amended
<i>“Share Capital”</i>	the issued ordinary share capital of the Company upon Admission
<i>“Spanish Companies”</i>	European Supplies S.L., Mediterranean Supplies S.L. and Milenio Foods S.L.
<i>“Subscription in Full”</i>	subscription by the Placees of the maximum number of Placing Shares
<i>“VCT”</i>	Venture Capital Trust

KEY INFORMATION

The following summary of key information should be read in conjunction with the full text of this document from which it is derived. In particular, attention is drawn to Part VI of this document, entitled “Risk factors”.

- The Business imports and sells to outlets in Spain over 1,500 products ranging from branded and own label UK goods to international foods and drinks. The products include many brands popular in the UK market with most being imported from the UK. The Directors believe it is the leading organisation in its field of operation on the Mediterranean coast of Spain and its islands.
- The Business’s customers comprise major supermarket chains, independent and family stores and hotels spread along the Mediterranean coast and through the Spanish islands. They include Ahold, Carrefour, Mas y Mas and El Corte Ingles.
- The majority of suppliers are British based companies and include Unilever, Ocean Spray, United Biscuits, John West, Dorset Cereals and GlaxoSmithKline. The Business has long-standing arrangements with most of its key suppliers.
- The table below sets out a summary of the audited consolidated profit and loss of the Group for the 3 years ended 31 December 2003 and 8 months to 31 August 2004 as set out in Part III of this document:

Profit and loss

<i>€’000</i>	<i>Year to 31 December 2001</i>	<i>Year to 31 December 2002</i>	<i>Year to 31 December 2003</i>	<i>8 months to 31 August 2004</i>
Turnover	8,372	9,416	12,254	9,439
Gross profit	2,798	3,211	3,941	3,255
Profit before tax	1,551	2,002	2,140	1,597

- The Directors are confident the Enlarged Group will achieve the projected profit before tax of €2.517 million (£1.701 million) for the 12 months to 31 December 2004.
- The Directors believe one of the reasons behind the Business’s success is because it is addressing a niche market with impressive growth and potential.
- Lennox is acquiring the Group for a total cost of €13.4 million (£9.24 million).

PLACING STATISTICS

Placing Price	45p
Maximum number of Placing Shares	8,888,890
Number of Consideration Shares	12,762,762
Number of Ordinary Shares in issue following Admission	24,201,652
Maximum percentage of the Share Capital represented by the Placing Shares	36.73 per cent.
Market capitalisation of the Company at the Placing Price	£10,890,743
Maximum gross proceeds of the Placing	£4,000,000
Maximum estimated net proceeds of the Placing	£3,430,000
Price/earnings multiple ⁽¹⁾	7.813
Notional dividend ⁽²⁾	2.7p
Gross dividend yield at the Placing Price	6.6 per cent.

Notes

1. Based on the unaudited pro forma profit after tax for the year ended 31 December 2004, calculated on the basis of 24,201,652 Ordinary Shares in issue with no interest allowance being made for cash balances notionally held by Lennox.
2. On the basis of the Business’s current trading and the forecast for 2004, had the Enlarged Group been admitted to AIM for the full financial year, the Directors would have expected to declare dividends totalling 2.7p for the year ending 31 December 2004.

PART I

INFORMATION ON THE ENLARGED GROUP

INTRODUCTION

Lennox has been established with the specific purpose of making acquisitions within Europe. It has entered into an agreement to acquire Farm, conditional upon Lennox being admitted to AIM, for a total cost of €13,400,000 (£9,241,379). The total cost is to be met by the issue of Ordinary Shares and a cash consideration of up to €4,900,000 (£3,379,310).

Out of this consideration, €9,000,000 (£6,206,896) comprising 7,507,507 of the Consideration Shares and €4,000,000 (£2,758,620) cash will be paid to Farm to enable Farm to complete the acquisition of the Business and €900,000 (£620,690) in cash or Ordinary Shares equivalent to this amount at the Placing Price or a mixture, at the option of Lennox, in proportions which will be announced on or before Admission, will be paid to Farm Holdings (Spain) Limited to discharge in full certain unconnected third party costs invoiced to Farm Holdings (Spain) Limited in connection with this transaction. The balance of €3,500,000 (£2,413,793) comprising the remaining 5,255,255 Consideration Shares will be received by the shareholders of Farm who include Mr Peter Voller and others, the share allocations of which are included in the concert party details set out in Part VII.

Farm, a newly established Guernsey company, has been established by Peter Voller and others to take advantage of European acquisition opportunities identified and to be identified by Peter Voller and others, the first of which is the Business. Accordingly, Farm has entered into an agreement, which agreement is also conditional on Lennox being admitted to AIM, to acquire the Business for a total cost of €9,000,000 (£6,206,896) as mentioned above.

HISTORY

The Business was established in 1992 to satisfy the growing demand of the expatriate community in Spain for imported British and other international food and drink related products.

It began by importing and distributing a limited range of British products to Spanish supermarkets which served the British expatriate community and tourist community in Alicante. By 2004, the product range and the Business's customer base had grown enormously. It now imports and distributes a wide range of British and many international products, its customer base has broadened to encompass the full ex-pat community including Dutch, German and Italian residents together with Spanish customers and it currently supplies more than 800 Spanish supermarkets and smaller retail outlets.

The Business started by distributing its products within Spain from Alicante. Reflecting the growth of the Business, in 1995 further distribution facilities were set up in Malaga to serve the Costa del Sol and Southern coast of Spain. In 1998, a distribution facility was established in Tenerife. Since then, the Business has established distribution facilities in Barcelona and entered into agreements with local distributors to service the Balearics (Ibiza, Mallorca and Menorca).

By 2004 the Business had increased its geographical spread to service the whole of the Mediterranean coast of Spain and its islands.

THE MARKET

The fast moving consumer goods market the Business serves in Spain has grown every year since the Company began trading. In addition, increasing numbers of Spanish locals are now buying the products.

The Spanish tourist market grew by 3.3 per cent. in 2002 with 51.7 million tourists visiting the country. Of these 14.5 million were British and 10.1 million were German. Additionally, the growth of UK tourists to Spain of 3.9 per cent. in 2002 outpaced most other nationalities, with only tourists from France and Holland showing larger increases of 18 per cent. and 11 per cent. respectively. Spain represents the second largest tourism destination worldwide, surpassed only by France, and is more popular than the United States, the United Kingdom and Italy.

Many residents from other European Union countries settle permanently in Spain and become Spanish residents. In the past the majority of such residents were retirees but, increasingly, the Spanish regions have been witnessing inflows of young professionals from the European Union who, typically, work in the growing construction and services industries. It is estimated that over 1.5 million residents from other European Union countries have settled permanently in Spain.

REASONS FOR SUCCESS

The Directors believe the reasons behind the Business's success are:

- it is addressing a niche market with impressive growth and potential;
- the number of British and other European tourists visiting and the number of ex-pats settling in Spain continues to rise;
- the increasing number of Spanish locals buying the Business's products;
- it has established itself in the market place with an outstanding reputation;
- it has experienced management and employees;
- it has long-standing arrangement in place with most of its key suppliers; and
- it is the dominant company in its field.

THE BUSINESS

The Business imports and sells to outlets in Spain over 1,500 products ranging from branded and own label UK goods to international foods and drinks. The products include many brands popular in the UK market with most being imported from the UK. The Directors believe it is the leading organisation in its field of operation on the Mediterranean coast of Spain and its islands.

Products

The Business's products fall into 3 categories:

Food products

Butter, pies, ready-made fresh and frozen foods, biscuits, crisp-breads, cereals, jellies, tinned fish and fruit, flours, spices, gravies, mustard, sauces, noodles, soups, spreads, ketchup and sugar.

Drink products

Soft drinks, mineral water, energy and health drinks, lagers, ale, tea and drinking chocolates.

Other products

Washing tablets, tissues, hairsprays, shampoos, toothpastes, gels, soaps and a range of pet foods.

These may be analysed by business segment as follows:

Analysis of revenues by business segment (%)

Segment	<i>Year to 31 December 2001</i>	<i>Year to 31 December 2002</i>	<i>Year to 31 December 2003</i>	<i>8 months to 31 August 2004</i>
Food	65%	63%	60%	57%
Drinks	30%	30%	31%	33%
Other	5%	7%	9%	10%
Total	100%	100%	100%	100%

Customers

The Business's customers comprise major supermarket chains, independent and family stores and hotels spread along the Mediterranean coast and through the Spanish islands.

In 2003 the top four customers accounted for approximately 30 per cent. of the Business's turnover and no customer accounted for more than 15 per cent. of turnover.

The table below sets the Business's top 4 customers for the 2 years ended 31 December 2003 and the length of time they have been a customer:

<i>Company</i>	<i>Time as Client</i>
Ahold	8 years
Carrefour	6 years
Mas y Mas	6 years
El Corte Ingles	3.5 years

Marketing

The Business's sales representatives call on their customers weekly to generate orders, introduce new products and influence the merchandising of the Business's products.

The Business gains new customers both through introductions from existing customers and contacts as well as from those generated by its sales representatives.

Suppliers

The majority of suppliers are British based companies, however in the last few years German, Scandinavian and Dutch companies have begun to supply the Business. The Business has long-standing arrangements with most of its key suppliers.

In the year to 31 December 2003, the two largest suppliers accounted for 32 per cent. and the six largest accounted for 52 per cent., representing approximately €3 million of purchases. They include Unilever, Ocean Spray, United Biscuits, John West, Dorset Cereals and GlaxoSmithKline.

Distribution

Since its inception, the Business has used a single UK contractor to transport its goods from the UK to its warehouses in Spain. Within Spain, the Business distributes its products to its customers using its own fleet of vehicles.

Competition

The Directors believe that there are no major companies which supply the Business's range of products to the Spanish market. However, there are a number of small companies and sole traders which supply alternative products. The Directors do not consider any of these pose a material threat to the Business.

Premises

The Business has 4 warehouses located in Alicante, Barcelona, Malaga and Tenerife. Each has its own management and administration team supported by the Business's head office.

The table below sets out a breakdown of turnover by warehouse for the three years to 31 December 2003:

Analysis of turnover by location

<i>Location</i>	<i>Year to 31 December 2001</i>	<i>Year to 31 December 2002</i>	<i>Year to 31 December 2003</i>	<i>8 months to 31 August 2004</i>
Alicante	50%	52%	55%	57%
Malaga	39%	40%	39%	38%
Tenerife	11%	8%	6%	5%
Total	100%	100%	100%	100%

A new freehold warehouse with large refrigeration and freezer capacity and office accommodation near Alicante is currently being fitted out, the construction work having been completed. This building, comprising 43,000 sq ft, will replace the existing leased warehouse in Alicante of 7,000 sq ft and will provide storage capacity for the Business's planned expansion over the next 5 years.

The Business has occupied its warehouse in Alicante for 13 years, Malaga 6 years, Tenerife 5 years and Barcelona for the last 6 months.

DEVELOPMENT POST PLACING

The Directors intend to strengthen and relocate the head office to the UK and develop the Enlarged Group both organically and by acquisition. Organic growth will be achieved by continuing the Business's policy of strengthening its product range, increasing the number of outlets it serves and extending its geographical coverage nationally.

The Directors plan to build on the recent agreement with Ocean Spray to distribute their products nationally throughout Spain and offer national distribution to a range of selected brands thus developing distribution to new outlets and customers throughout Spain.

It is intended to establish a warehouse and offices in or around Folkestone to which UK suppliers will deliver goods, thereby cutting costs and improving distribution.

FINANCIAL RECORD

The table below sets out a summary of the audited consolidated profit and loss of the Group for the 3 years ended 31 December 2003 and 8 months to 31 August 2004 as set out in Part III of this document:

€'000	<i>Profit and loss</i>			
	<i>Year to 31 December 2001</i>	<i>Year to 31 December 2002</i>	<i>Year to 31 December 2003</i>	<i>8 months to 31 August 2004</i>
Turnover	8,372	9,416	12,254	9,439
Gross profit	2,798	3,211	3,941	3,255
Profit before tax	1,551	2,002	2,140	1,597

During the 2 years to 31 December 2003, turnover and operating profit have increased at a cumulative rate of 22 per cent. and 19 per cent. per annum respectively.

DIRECTORS, MANAGEMENT AND EMPLOYEES

Directors

Following admission to AIM the Board of Lennox will comprise:

David Sparks (63), BSc (Econ), Non-Executive Chairman, formerly a senior partner with Lovells, a major firm of City solicitors. He has served in the past on the boards of various private companies, a number of which were distribution companies. For over twelve years he served as a non-executive director of a fully quoted distribution company.

Peter Voller (59), CEO, an entrepreneur based in London who has extensive experience in expanding private companies in a broad area of activities. He has also acted in the role of a company doctor. Over the past 25 years he has invested in many businesses, typically developing them and selling them and has been a director of a number of public and private companies, including March Group plc and Watrglade International Holdings plc. He has been involved in residential property development and other corporate activities in Spain since 1978.

David "Laurie" Grove (61), BA, FCA, Finance Director, has been the finance director of both private and quoted companies, including March Group plc and Watrglade International Holdings plc. He has worked in a range of industries and has a particular expertise for newly established companies and those going through transitional phases. He was the Finance Director, later Managing Director, of the MBO team which bought out one of the privatised National Bus subsidiaries. His initial role will be part-time.

Bob Burns (66), Non-Executive Director, is a Chartered Engineer and a member of the Institute of Management Consultants. He has been a chairman and director of various public companies and is currently a non-executive director of Freeman and Proctor Limited, a private group bought from Schroder Ventures. He lives in Spain.

Proposed Director

David Franks (58), Director, Spanish Operations, co-founder and currently managing director of the Business. In 1991 he moved to Spain and set up the Business together with 2 other founders, both of whom have since resigned. Prior to this, between 1976 and 1990, he formed and ran various businesses providing services to the oilfield industry from Dubai and a lifting gear engineering business which he started in 1970 in the UK. Mr Franks has agreed to continue running the Spanish operations for a period of not less than 3 years and will take up his role following completion of the Placing, Admission and the Acquisition.

Management

The Business has an established and successful management team based at its head office in Alicante. Head office functions cover sales and marketing, purchasing, distribution and finance and administration. At local level, each warehouse is under the direction of a manager.

Sales and Marketing

Jason Hall (34) joined the Business in 1999. He is responsible for sales and marketing in the Malaga region and has overseen the continuing expansion of the Business's operations out of Malaga. Before joining the Business, he worked in sales with Denifood, a Spanish food distribution company.

Julio Ibañez (27) was headhunted by the Business a year ago to help set up the Barcelona sales and marketing side and run the branch. He had previously established a working relationship with the Business as Manager of one of the Champion stores. He has an in-depth knowledge of how the large chains function and what they demand from their suppliers and is considered key to the future development of the Barcelona branch.

Paul Oeschger (37) was recruited this year to work closely with the then founding directors on the overall marketing strategy for the Business. In addition, he is project manager for development and promotion of the Ocean Spray brand name in Spain. Prior to joining the Business, he worked in the United States in marketing and product placement.

Purchasing

Gabriel de Leon (44) joined the Business a year ago and has worked closely with David Franks developing close links with both suppliers and the UK haulage team. Prior to that, he worked in Barcelona with a shipping agency and ran his own company in Argentina. He is fluent in English.

Distribution

Cesar Tedesco (49) has been with the Business for two years and is responsible for supervising and managing the warehouses and distribution, including the distribution to the Balearic Islands.

Finance and Administration

Fionnuala Sen (42), CIMA, has been with the Business for more than three years. She is responsible for the Business's finance and administration and acts as Financial Controller. Her experience includes working for Brooke Bond and Unilever.

In total, the Business currently employs 69 people and enjoys a low turnover of personnel.

CURRENT TRADING AND PROSPECTS

Audited accounts for the 8 months to 31 August 2004 show that the Group's consolidated profit and loss account is ahead of the previous financial year. In the light of the performance to date, the Directors are confident that the Enlarged Group will achieve its projected profit before tax of €2.517 million (£1.701 million) for the 12 months to 31 December 2004, as set out in Part V of this document.

DIVIDEND POLICY

Following Admission, the Directors of Lennox intend to institute a dividend policy reflecting the Enlarged Group's profitability, cashflow and liquidity. On the basis of the Business's current trading and the forecast for 2004, had the Enlarged Group been admitted to AIM for the full financial year, the Directors would have expected to declare dividends totalling 2.7p for the year ending 31 December 2004, representing an annualised yield of 6.6 per cent. based upon the Placing Price and including the associated tax credit of 10 per cent. of the net dividend. In the absence of unforeseen circumstances, the Directors expect to recommend a final dividend for the year ending 31 December 2004 of 1.35p per share.

TAXATION

The Directors have received provisional confirmation from the Inland Revenue that the Enlarged Group should qualify for EIS/VCT status. EIS details are set out in paragraph 9 of Part VIII of this document.

THE ACQUISITION

The primary terms of the Acquisition are set out under the paragraph headed “Introduction” in this Part I. The particulars of the agreement relating to the Acquisition are set out in paragraph 6(a) and the particulars of the agreement whereby Farm will acquire the Business are set out in paragraph 6(b) of Part VIII. In addition, the current managing director and co-founder of the Business, Mr David Franks, who will become Director, Spanish Operations, will take all his consideration in shares other than a cash consideration of €333,334. None of the vendors are entitled to any dividends paid in respect of the Consideration Shares for a period of 24 months from the date of Admission and all the vendors have agreed not to sell any Consideration Shares for a period of 12 months from Admission, but each vendor will retain the freedom in respect of his shares (i) to sign an irrevocable undertaking to accept an Offer, (ii) to accept an Offer and (iii) to sell to an Offeror or potential Offeror.

THE PLACING AND ADMISSION TO AIM

In order to fund the cash consideration for the Acquisition, the costs associated with the Placing and Admission and to provide additional working capital, Lennox is offering a total of 8,888,890 shares in the Placing to raise up to £4 million at the Placing Price.

CITY CODE

The Acquisition gives rise to certain consideration under the Code. Brief details of the Panel, the Code and the protections they afford to shareholders are described below:

The Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by both the UK government and other UK regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the UK should conduct themselves in matters relating to takeovers in accordance with best business standards and so according to the Code.

The Code is issued and administered by the Panel. The Code applies to all takeovers and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the UK and to certain categories of private limited companies. Lennox is such a company and its shareholders are therefore entitled to the protection afforded by the Code.

Under Rule 9 of the 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 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 Code and such person, or persons acting in concert with him, acquires any voting rights, that person is normally obliged to make a general cash offer 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 Voller and his connected party, Sage Holdings Limited and Robert Burns (“Voller Concert Party”) are considered by the Panel to be acting in concert with each other for the purposes of the Code. David Franks, Steve Robinson and Jose Luis Tedesco (“Vendor Concert Party”) are considered by the Panel to be acting in concert with each other for the purposes of the Code. Further details of both Concert Parties are set out in Part VII of this document.

The individual members of either the Voller Concert Party or the Vendor Concert Party will not be able to increase their holdings of Ordinary Shares in the Company for so long as they and the persons with whom they are acting in concert hold 30 per cent. or more and less than 50 per cent. of the voting rights of the Company without incurring an obligation under Rule 9 to make a general cash offer.

PART II

ACCOUNTANTS' REPORT ON LENNOX



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The Directors
ARM Corporate Finance Limited
12 Pepper Street
London E14 9RP

The Directors
Keith, Bayley, Rogers & Co. Limited
Sophia House
76-80 City Road
London EC1Y 2EQ

8 December 2004

Dear Sirs

LENNOX HOLDINGS PLC

Introduction

We report on the financial information set out below relating to Lennox Holdings plc (“the Company”). This financial information has been prepared for inclusion in the circular, comprising an AIM admission document, dated 8 December 2004 the (“Circular”), issued by the Company relating to, *inter alia*, the proposed acquisition of the entire issued share capital of Farm Holdings Limited and its subsidiaries (“the Group”).

The Company was incorporated on 25 April 2002 under the name of Bosanquet Ives Group plc. On 9 May 2002 it changed its name to Lennox Investments plc, on 11 December 2003 it changed its name to Lennox Holding plc and on 20 May 2004 it changed its name to Lennox Holdings plc.

On 1 September 2004 a certificate of entitlement to do business and borrow was issued to the Company by the Registrar of Companies in accordance with S117(1) of the Companies Act 1985.

The Company has not traded and has made up dormant accounts since incorporation. The last accounts prepared being the year ended 30 April 2004. On 2 August 2004 the Accounting Reference Date was changed to 31 December. No dividends have been declared or paid. There have been no transactions other than the allotment of shares for cash to defray preliminary expenses as described below. Accordingly, no profit and loss information is presented in this report.

Offices also in

Godalming

and

Saffron Walden.

A Member of AGN International Limited. An association of separate and independent accounting and consulting firms.

Chartered Accountants: John McCuin, Jane Henman, Guy Fisher, Ken Roberts, James Vassiliou, Steven Jeffcott, Shane Moloney, Simon Robinson, Steve Joberns, Alastair Mein. **Other Partners:** Gary Haselton, Mike Lockett, Terry Moore, Sanchia Norris.

Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities.

Basis of Preparation

The financial information set out in this report has been extracted from the financial records of the Company for the period ended 31 August 2004, no adjustments being considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

Responsibility

The financial information relating to the Company presented below is the responsibility of the directors of the Company who have approved it.

The directors are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the financial information set out in our report and to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statement of Investment Circular Reporting Standards issued by the Audited Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

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

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

Opinion

In our opinion, the financial information contained in this report gives, for the purposes of the Document drawn up under the *Public Offers of Securities Regulations 1995*, a true and fair view of the state of the Company's affairs as at 31 August 2004.

Consent

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

Balance Sheet

		<i>31 August 2004</i>	<i>30 April 2004</i>
	<i>Notes</i>	<i>£</i>	<i>pence</i>
Current assets			
Preliminary expenses		<u>£95,000</u>	<u>2 pence</u>
Capital and reserves			
Called up share capital	2	<u>95,000</u>	<u>2 pence</u>
		<u>£95,000</u>	<u>2 pence</u>

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

Lennox's financial information has been prepared using the historical costs basis of accounting in accordance with applicable Accounting Standards and with UK generally accepted accounting principles. The financial information in this Part II does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

2. Share capital

	<i>31 August 2004</i>	<i>30 April 2004</i>
	<i>£</i>	<i>£/pence</i>
Authorised		
100,000,000 (30 April 2004 — 100,000,000) Ordinary Shares of 1 penny each	<u>£1,000,000</u>	<u>£1,000,000</u>
Allotted, called up and fully paid		
9,500,000 (30 April 2004 — 2) Ordinary Shares of 1 penny each	<u>£95,000</u>	<u>2 pence</u>

On incorporation 2 ordinary shares of 1 penny each were issued to the founders. The authorised share capital on incorporation was £1,000,000 divided into 100,000,000 ordinary shares of 1 penny each.

On 31 August 2004 the Company issued 9,499,998 Ordinary Shares at 1 pence per share.

Yours faithfully

AGN Shipleys
Chartered Accountants
Registered Auditors.

PART III

ACCOUNTANTS' REPORT ON THE GROUP



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The Directors
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8 December 2004

Dear Sirs

FARM HOLDINGS LIMITED AND ITS SUBSIDIARIES (“THE GROUP”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the circular, comprising an AIM admission document, dated 8 December 2004 (the “Circular”), issued by Lennox Holdings plc (“Lennox”) relating to, *inter alia*, the proposed acquisition of the entire issued share capital of Farm Holdings Limited and its subsidiaries (“the Group”) by Lennox.

Basis of Preparation

The financial information set out below is based on the audited Consolidated Financial Statements of the Group for the three financial years ended 31 December 2001, 2002 and 2003, and the 8 month period to 31 August 2004. To which no adjustments were considered necessary.

Responsibility

The financial statements are the responsibility of the directors of the Group, who approved their issue.

The directors and the proposed directors of Lennox are responsible for the contents of the Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the audited financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

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

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amounts and disclosures in the financial information, an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Group, have been consistently applied and are adequately disclosed.

We planned 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 Consolidated Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements. However the evidence available to us was limited in relation to the comparatives in the Consolidated Financial Statements for the year ended 31 December 2001, which were derived from the Financial Statements for the year ended 31 December 2000, which were unaudited. Furthermore, we were not appointed auditors of the Farm until 10 August 2004 and in consequence it was not possible for us to perform auditing procedures necessary to obtain sufficient appropriate audit evidence as regards stocks included the Consolidated Balance Sheets as at 31 December 2001, 2002, and 2003. Any adjustments to opening stock would have a consequential effect on results for the years ended 31 December 2001, 2002, 2003 and the period ended 31 August 2004.

Opinion

In our opinion, the Consolidated Financial Statements set out below give, for the purposes of the Circular, a true and fair view of the state of affairs of Group as at 31 August 2004.

We are unable to form an opinion on the state of affairs of Group as at 31 December 2001, 2002, and 2003 or its results for the years ended 31 December 2001, 2002, 2003, and the period ended 31 August 2004 because of the possible effect of the limitation in evidence available to us due to:

- (a) unaudited opening balances being used for the purposes of preparing the Consolidated Financial Statements for the year ended 31 December 2001; and
- (b) the non-attendance by us at relevant stock takes.

Consent

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

Financial Information

1. Principal accounting policies

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with appropriate Accounting Standards. The principal accounting policies of Group have remained unchanged throughout the period. No amendments were required to the financial information.

1.2 Basis of consolidation

The group financial statements consolidate the accounts of Farm Holdings Limited and all its subsidiary undertakings, European Supplies, Mediterranean Supplies, and Milenio Foods, made up to 31 December 2001, 2002, 2003, and 31 August 2004. For the purpose of this report it is assumed that the group has been in existence from 1 January 2001.

1.3 Tangible fixed assets

Depreciation is calculated to write off the cost of all tangible fixed assets less their estimated residual values over the expected useful economic lives of the assets. The principal annual rates used for this purpose are as follows:

Cars	33½ per cent. straight line
Vans and lorries	20 per cent. straight line
Fixtures and fittings	20 per cent. straight line
Computers	33½ per cent. straight line
Warehouse	2 per cent. straight line from commencement of use

1.4 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is the price at which stock can be realised in the normal course of

business after allowing for the cost of realisation and, where appropriate, the cost of conversion from its existing state to a finished condition. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

1.5 Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

Rentals under operating and finance leases are charged to the profit and loss account on a straight line basis.

1.6 Turnover

Turnover represents the invoiced value of goods and services arising from the principal activities of Farm and is net of value added tax.

2. Consolidated profit and loss accounts

	<i>Year ended 31 December 2001 €'000</i>	<i>Year ended 31 December 2002 €'000</i>	<i>Year ended 31 December 2003 €'000</i>	<i>8 months ended 31 August 2004 €'000</i>
Turnover	8,372	9,416	12,254	9,439
Cost of sales	<u>(5,574)</u>	<u>(6,205)</u>	<u>(8,313)</u>	<u>(6,184)</u>
Gross profit	2,798	3,211	3,941	3,255
Overheads	(1,155)	(1,117)	(1,706)	(1,549)
Depreciation	<u>(92)</u>	<u>(92)</u>	<u>(95)</u>	<u>(109)</u>
Profit before tax	1,551	2,002	2,140	1,597
Taxation	<u>(40)</u>	<u>(55)</u>	<u>(70)</u>	<u>(38)</u>
Profit after taxation	<u><u>1,511</u></u>	<u><u>1,947</u></u>	<u><u>2,070</u></u>	<u><u>1,559</u></u>

3. Consolidated balance sheets

	<i>31 December 2001 €'000</i>	<i>31 December 2002 €'000</i>	<i>31 December 2003 €'000</i>	<i>31 August 2004 €'000</i>
Fixed assets				
Tangible assets	<u>562</u>	<u>794</u>	<u>1,541</u>	<u>2,209</u>
Current assets				
Stocks	940	1,253	1,706	2,245
Debtors	1,401	1,868	2,431	3,455
Cash at bank and in hand	953	1,207	1,408	1,208
Creditors: amounts falling due within one year	<u>(1,048)</u>	<u>(1,379)</u>	<u>(2,325)</u>	<u>(3,300)</u>
Net current assets	<u>2,246</u>	<u>2,949</u>	<u>3,220</u>	<u>3,608</u>
Net assets	<u><u>2,808</u></u>	<u><u>3,743</u></u>	<u><u>4,761</u></u>	<u><u>5,817</u></u>

4. Notes to the financial statements

4.1 Overheads

Overheads can be analysed as follows:

	2001 €'000	2002 €'000	2003 €'000	2004 €'000
Wages and salaries	532	633	1,021	950
Warehousing — rent	61	63	82	80
Warehousing — other	39	47	47	52
Administration	99	72	146	135
Telephones	29	29	36	40
Travel and subsistence	7	24	38	22
Company vehicle costs	209	216	253	217
Outside hauliers (sales)	61	33	83	53
Other	118	0	0	0
	<u>1,155</u>	<u>1,117</u>	<u>1,706</u>	<u>1,549</u>

4.2 Tangible fixed assets

Net book values

	2001 €'000	2002 €'000	2003 €'000	2004 €'000
Cars	113	102	200	178
Lorries and vans	73	116	83	177
Fixtures and fittings	72	84	114	54
Computers	9	6	68	105
Warehouse	295	420	982	1,600
Other	0	66	94	95
	<u>562</u>	<u>794</u>	<u>1,541</u>	<u>2,209</u>

4.3 Creditors

	2001 €'000	2002 €'000	2003 €'000	2004 €'000
Bank loans	85	76	280	740
Bank overdrafts	109	139	117	130
Obligations under finance leases	23	40	149	169
Trade creditors	734	873	1,378	1,908
Other taxes and social security	97	103	135	134
Other provisions	0	100	100	100
Accruals	0	48	166	119
	<u>1,048</u>	<u>1,379</u>	<u>2,325</u>	<u>3,300</u>

4.4 Obligations under finance leases

	2001 €'000	2002 €'000	2003 €'000	2004 €'000
Leases expiring:				
Within 1 year	12	20	58	97
Between 2 and 5 years	11	20	88	69
More than 5 years	0	0	3	3
	<u>23</u>	<u>40</u>	<u>149</u>	<u>169</u>

Yours faithfully

AGN Shipleys
Chartered Accountants
Registered Auditors

PART IV

ACCOUNTANTS' REPORT ON THE PROFIT FORECAST



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8 December 2004

Dear Sirs

INTRODUCTION

We refer to the following statement concerning the trading of Farm Holdings Limited and its subsidiaries (“the Group”) for the 4 months ending 31 December 2004 set out in Part IV of the circular, comprising an AIM admission document, dated 8 December 2004 (the “Circular”) issued by Lennox Holdings plc (“Lennox”) relating to, *inter alia*, the proposed acquisition of the entire issued share capital of the Group and a placing of ordinary shares by Lennox.

“The Directors forecast that, on the bases and assumptions set out below and in the absence of unforeseen circumstances, the profit before taxation of the Group for the 4 months ending 31 December 2004 will be approximately £622,000 (€920,000).”

Responsibility

The forecast of the profit for the 4 months ending 31 December 2004 is based on assumptions made by the Directors of Lennox, for which they are solely responsible.

Basis of Opinion

We have reviewed the accounting policies and calculations for the profit forecast of the Group for the 4 months ending 31 December 2004.

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Opinion

In our opinion, so far as the accounting policies and underlying calculations are concerned, the profit forecast has been properly prepared on the bases and assumptions made by the Directors, as set out in this Part IV of the Prospectus, and on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

AGN Shipleys
Chartered Accountants
Registered Auditors

Profit Forecast

Having made due and careful enquiry, the Directors forecast that, on the bases and assumptions set out below and in the absence of unforeseen circumstances, the profit before taxation of Farm Holdings Limited and its subsidiaries (“the Group”) for the 4 months ending 31 December 2004 (the “Forecast”) will be approximately £622,000 (€920,000).

Bases and Assumptions

The Forecast has been prepared on a basis consistent with the accounting policies normally adopted by the Group. The Forecast has been based on the Directors’ forecasts for the 4 months ending 31 December 2004.

In preparing the Forecast, the Directors have made the following principal assumptions, which are outside their control:

- (a) there will be no significant industrial, commercial, economic or political disputes or other interruptions to business adversely affecting the Group, its operations or its customers;
- (b) there will be no material change in the rates of taxation in the United Kingdom or other countries in which the Group operates;
- (c) there will be no material change to interest rates or exchange rates; and
- (d) there will be no material change in regulations or legislation in any country in which the Group operates affecting the Group.

Confirmation from Nominated Adviser

ARM Corporate Finance Limited has satisfied itself that the Forecast has been made after due and careful enquiry by the Directors.

PART V

PRO FORMA FINANCIAL INFORMATION OF LENNOX HOLDINGS PLC

(A) PRO FORMA PROFIT AND LOSS ACCOUNT OF LENNOX HOLDINGS PLC

Set out below is an unaudited pro forma profit and loss account of Lennox Holdings plc (“Lennox”), prepared on the basis of the notes set out below, to reflect on a pro forma basis the impact of the Acquisition and the Placing on the profit and loss account of the Company as if they had been in existence for the year ending 31 December 2004. This statement has been prepared for illustrative purposes only and, because of its nature, may not give a true or complete picture of the profit and loss account of Lennox Holdings plc, Farm Holdings and its subsidiaries (“Enlarged Group”).

	<i>Projected profit and loss account for the year ending 31 December 2004</i>		<i>Adjustments</i>	<i>Pro forma profit and loss account</i>
<i>Note</i>	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>loss account</i>
	<i>£'000</i>	<i>£'000</i>		<i>£'000</i>
Turnover	9,812			9,812
Gross profit	3,230			3,230
Profit before tax	1,701	(97)		1,604
Profit after tax	1,457	(63)		1,394
Earnings per share (EPS)	3			5.76

General:

- The projected profit and loss account for Farm Holdings and its subsidiaries (“the Group”) includes, without material adjustment, the profit and loss account of the Group for the 8 months ended 31 August 2004, as set out in Part III of this document.

Notes:

1. Projected profit and loss account for the year ending 31 December 2004

	<i>Profit and loss account for the 8 months ended 31 August 2004 €'000</i>	<i>Profit forecast for the 4 months ending 31 December 2004 €'000</i>	<i>Projected profit and loss account for the year ending 31 December 2004 €'000</i>	<i>Projected profit and loss account for the year ending 31 December 2004 €'000*</i>
Turnover	9,439	5,083	14,522	9,812
Gross profit	3,255	1,525	4,780	3,230
Profit before tax	1,597	920	2,517	1,701
Profit after tax	1,559	598	2,157	1,457

* conversion rate of €1.48 = £1 (using an averaged exchange rate for the period)

2. Adjustments

The adjustments reflect £97,000 of incremental Head Office costs following Admission, together with the associated tax effects, for the four months ended 31 December 2004.

3. Earnings per share

Calculated on the basis of 24,201,652 shares in issue with no interest allowance being made for cash balances notionally held by Lennox.

(B) PRO FORMA STATEMENT OF NET ASSETS OF LENNOX HOLDINGS PLC

Set out below is an unaudited pro forma statement of the net assets of the Lennox Holdings plc (“Lennox”), prepared on the basis of the notes set out below, to reflect on a pro forma basis the impact of the Acquisition and the Placing on the net assets of the Company had they taken place on 31 August 2004. This statement has been prepared for illustrative purposes only and, because of its nature, may not give a true or complete picture of the financial position of Lennox Holdings plc, Farm Holdings and its subsidiaries (“Enlarged Group”).

	<i>Note</i>	<i>Lennox net assets £'000</i>	<i>Adjustments £'000</i>	<i>Pro forma net assets £'000</i>
Fixed assets				
Intangible	1	—	5,124	5,124
Tangible		—	1,493	1,493
		<u>—</u>	<u>6,617</u>	<u>6,617</u>
Current assets				
Stock			1,517	1,517
Trade debtors			2,334	2,334
Cash	2,3	95	1,135	1,230
		<u>95</u>	<u>4,986</u>	<u>5,081</u>
Current liabilities				
Trade creditors		—	1,528	1,528
Other creditors		—	702	702
		<u>—</u>	<u>2,230</u>	<u>2,230</u>
Net current assets		<u>95</u>	<u>2,756</u>	<u>2,851</u>
Net assets	4	<u>95</u>	<u>9,373</u>	<u>9,468</u>

General:

- The assets of Lennox have been extracted, without material adjustment, from the balance sheet of Lennox as at 31 August 2004, as set out in Part II of this document.
- The assets and liabilities of Farm Holdings Limited and its subsidiaries (“the Group”) have been extracted, without material adjustment, from the audited consolidated balance sheet as at 31 August 2004, as set out in Part III of this document.
- No adjustments have been made to reflect the results of trading or any other transactions since 31 August 2004, being the date to which the latest accounts of Lennox and latest audited accounts of the Group were drawn up.

Notes:

1. Goodwill arising on acquisition of the Group

	<i>Group net assets €'000</i>	<i>Group net assets £'000</i>
Fixed assets		
Intangible	—	—
Tangible	2,209	1,493
	<u>2,209</u>	<u>1,493</u>
Current assets		
Stock	2,245	1,517
Trade debtors	3,455	2,334
Cash	1,208	816
	<u>6,908</u>	<u>4,667</u>
Current liabilities		
Trade creditors	2,261	1,528
Other creditors	1,039	702
	<u>3,300</u>	<u>2,230</u>
Net current assets	<u>3,608</u>	<u>2,437</u>
Net assets acquired	<u>5,817</u>	<u>3,930</u>
Consideration		
Cash	4,900	3,311
Shares	8,500	5,743
	<u>13,400</u>	<u>9,054</u>
Net assets acquired	<u>(5,817)</u>	<u>(3,930)</u>
Goodwill on acquisition	<u>7,583</u>	<u>5,124</u>

2. Offer for subscription

Assuming full subscription, the Company is expected to issue £4,000,000 of new share capital.

The share proceeds of up to £4,000,000 (less deal costs and commissions of £570,000) will be applied as follows:

Acquisition of the Group	£3,311,000 [†]
Cash at bank	£119,000
	<u>£3,430,000</u>

3. Cash reconciliation

Opening balance	£95,000
Preliminary expenses	(£95,000)
Share issued prior to placing	£200,000
Acquired with subsidiaries (Note 1)	£816,000
Working capital from placing proceeds (Note 2)	£119,000
	<u>£1,135,000</u>
Closing balance	<u>£1,135,000</u>

4. Net assets are derived as follows

Share capital	£95,000
Preliminary expenses	(£95,000)
Share issued prior to placing	£200,000
Shares issued on acquisition of Group	£5,743,000
Placing proceeds	£3,430,000
	<u>£9,373,000</u>
Total	<u>£9,373,000</u>

[†] conversion rate of €1.48 = £1 (using an averaged exchange rate)

PART VI

RISK FACTORS

Potential investors should carefully consider the risks described below before making a decision to invest in the Company. It should be noted that this list is not exhaustive and other risks may be encountered and apply to an investment in the Company. If any of the following risks actually occur, the Company's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and you could lose all or part of your investment. There can be no guarantee that the Company will maintain significant revenues and profitability.

Potential investors should particularly take into account the following:

Competition

The Business is largely based upon purchasing recognised brands from well known suppliers and selling these goods to a range of established outlets. There is no assurance that other businesses will not challenge the Business's predominance in its market place.

Key suppliers

The Business sources its products from a wide range of suppliers and six principal suppliers account for more than 50 per cent. of the Business's purchases. Should the Business lose its current status or such suppliers become unable to supply the goods ordered by the Business, the profitability of the Enlarged Group could be materially affected.

Whilst the Business has long standing arrangements with most of its key suppliers, there are no written contractual relationships.

Continuation of commercial associations

The success of the Business is, and will continue to be, largely dependent upon the continuation of satisfactory commercial relationships with its customers. There can be no guarantee that these will satisfactorily continue, or that its customers will not seek alternative suppliers.

Legislative and regulatory change

The Business's future success relies on its continuing ability to import and sell its goods in Spain. There is no assurance that future legislative or regulatory change will not introduce restrictive or other barriers on the importation and sale of such goods. Aggressive competition may also affect the Business's ability to import and sell its goods.

Risks related to acquisitions

Should the Enlarged Group seek to grow by corporate or business acquisitions, these may result in the need for significant amounts of cash, dilutive issues of equity securities and/or the incurrence of debt, any of which could materially and adversely affect the Enlarged Group's business, results of operations, financial condition or the market price of the Ordinary Shares. In addition, acquisitions may lead to assimilation problems with the consequent diversion of management's attention from other business concerns. Whilst there are currently no commitments or agreements with respect to any acquisition other than as set out in this document, there can be no assurance that the Enlarged Group's business, results of operations or financial condition would not be materially and adversely affected if such an acquisition does occur.

Dependence on key personnel

The Business's present and future success will depend greatly upon the experience and continued services of key directors, executives and technical personnel, whose retention cannot be guaranteed and whose loss could have a material adverse effect on its commercial and financial performance.

Securities traded on AIM

The Ordinary Shares will be traded on AIM rather than the Official List. An investment in securities traded on AIM may carry a higher risk than those traded on the Official List.

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Enlarged Group, divergence in financial results from

analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, overall market or sector sentiment, legislative changes in the Enlarged Group's sector and other events and factors outside of the Company's control.

Stock markets have from time to time experienced severe price and volume fluctuations, which, as well as general economic and political conditions, if recurring could adversely affect the market price of the Ordinary Shares.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares.

Suitability

An investment in Ordinary Shares may not be suitable for all recipients of this document. Before making an investment decision, potential investors are accordingly advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature.

PART VII

INFORMATION ON THE CONCERT PARTIES

Prior to the Placing, Acquisition and Admission, Peter Voller and Rebecca Hobson, his connected party, own 2,550,000 Ordinary Shares which represents 100 per cent. of the Company. As a result of Peter Voller and his connected party holding shares in Farm, they will receive additional Ordinary Shares on completion of the Acquisition. Peter Voller and his connected party are not participating in the Placing.

The shareholders of Farm prior to the Acquisition are as follows:

<i>Shareholder</i>	<i>Number of shares in Farm</i>	<i>Percentage shareholding in Farm</i>
Farm Holdings (Spain) Limited	297	29.7%
Robert Burns*	138	13.8%
Sage Holdings Limited	565	56.5%
Total	1,000	100%

* This is not the same person as the Non-Executive Director Robert Ernest Burns, but is his son.

Farm Holdings (Spain) Limited is owned by Peter Voller and Sage Holdings Limited is owned by the connected party to Peter Voller.

Peter Voller and Robert Burns have known each other for a number of years. Robert Burns is based in Spain and has acted as financial controller and director of various private companies and an AIM listed company. Prior to his move to Spain he worked for PriceWaterhouseCoopers. He is currently a director of two companies, one of which is a Spanish broking company. Rebecca Hobson is the beneficial owner of Sage Holdings Limited, a Delaware corporation, and is a personal friend of Peter Voller and is deemed for the purposes of the Code to be a connected party. Details of Peter Voller are set out under Directors in Part I of this document.

Peter Voller and his connected party, Sage Holdings Limited and Robert Burns (“Voller Concert Party”) are considered by the Panel to be acting in concert with each other for the purposes of the Code, and will own in aggregate a maximum of 37.95 per cent. of Lennox (assuming completion of the Placing, the Admission and the Acquisition) in the following proportions:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage shareholding in Lennox</i>
Peter Voller	5,488,974	22.68%**
Peter Voller connected party	1	—
Sage Holdings Limited	2,969,542	12.27%
Robert Burns*	726,049	3.00%
Total	9,184,566	37.95%

** includes 1,559,664 shares (6.44 per cent.) which are held through Farm Holdings (Spain) Limited and 1,379,311 shares (5.70 per cent.) being the maximum number of shares which may, at the option of Lennox, be issued to Farm Holdings (Spain) Limited to satisfy obligations to third parties.

David Franks, Steve Robinson and Jose Luis Tedesco (“Vendor Concert Party”) are considered by the Panel to be acting in concert with each other for the purposes of the Code, and will own in aggregate 31.02 per cent. of Lennox (assuming completion of the Placing, the Admission and the Acquisition) in the following proportions:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage shareholding in Lennox</i>
David Franks	4,004,003	16.54%
Steve Robinson	1,751,752	7.24%
Jose Luis Tedesco	1,751,752	7.24%
Total	7,507,507	31.02%

The Vendor Concert Party have known each other for a number of years, since coming together to start and promote a business in Spain distributing products to the ex-pat community.

Luis Tedesco has been involved in the Business since its inception in 1992. His additional experience includes 7 years working as a manager of a major estate agency in Javea. He has also owned a chain of restaurants in Javea. Steve Robinson, a chartered surveyor, has been involved in the Business since its inception in 1992. He has a background in construction and has acted as managing director and financial director of various private companies. Details on David Franks are set out under Proposed Directors in Part I of this document.

PART VIII

STATUTORY AND GENERAL INFORMATION

1. The Company and its share capital

- (a) The Company was incorporated in England and Wales as a public limited company on 25 April 2002 under the Act and with registered number 4424325.

The name of the Company was changed from Bosanquet Ives Group plc to Lennox Investments plc on 9 May 2002. It was then changed on 11 December 2003 to Lennox Holding plc and was changed again on 20 May 2004 to Lennox Holdings plc.

On 1 September 2004, the Company was issued with a certificate under section 117 of the Act entitling it to commence business and to exercise its borrowing powers.

The Company's principal place of business in the United Kingdom is 10 Orange Street, London WC2H 7DQ.

- (b) The liability of the members of the Company is limited.
- (c) The Company was incorporated with an authorised share capital of £1,000,000 divided into 100,000,000 shares of 1p each of which two subscriber shares were issued, one to Peter Voller and one to his connected party.

On 31 August 2004, Peter Voller subscribed for a further 9,499,998 ordinary shares of 1p each at par.

On 8 December 2004, Peter Voller subscribed for a further 16,000,000 ordinary shares of 1p each at a subscription price of 2p per share.

On 8 December 2004, an extraordinary general meeting of the Company was held at which special resolutions were passed consolidating the entire issued and unissued share capital into 10p shares and increasing the authorised share capital to £10,000,000.

- (d) The authorised and issued share capital of the Company at the date of this prospectus and following completion of the Placing, the Acquisition and the Admission:

<i>Authorised number of Ordinary Shares</i>	<i>£</i>	<i>Issued fully paid number of Ordinary Shares</i>			
		<i>Present</i>	<i>£</i>	<i>After the Placing, the Acquisition and the Admission</i>	<i>£</i>
100,000,000	10,000,000	2,550,000	255,000	24,201,652	2,420,165.2

- (e) The Directors are authorised for the purposes of section 80 of the Act to allot Ordinary Shares up to the maximum of the authorised but unissued share capital of £10,000,000, such authority to expire on the earlier of 7 December 2009 or the next AGM of the Company, unless previously revoked or varied by the Company in general meeting. For issues of Ordinary Shares for cash, section 89(1) of the Act has been disapplied during the period commencing on 8 December 2004 and expiring on the conclusion of the next annual general meeting of the Company, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities following an offer or agreement and provided that the authority is limited to:
- the allotment of equity securities in connection with the allotment and issue of Ordinary Shares in connection with the Acquisition;
 - the allotment of equity securities in connection with the allotment and issue of Ordinary Shares in connection with the Placing;
 - the allotment of equity securities, otherwise than pursuant to paragraphs (i) and (ii) above, up to an aggregate nominal amount of £1,000,000 being 10 per cent. of the Company's authorised share capital.
- (f) The Company does not have in issue any securities not representing share capital.
- (g) The business of the Company and its principal activity is as a general commercial company.

- (h) After completion of the Acquisition the Company will be the holding company of the following subsidiary undertakings, all of which are wholly owned private companies engaged in food distribution, with the exception of Farm Holdings Limited which is a holding company.

<i>Name</i>	<i>Registered office</i>	<i>Date and place of incorporation</i>	<i>Issued share capital</i>	<i>Percentage of share capital held</i>
European Supplies S.L.	Partido Plans Poligono Industrial, 03740 Gata de Gorgos, Alicante	16 July 1993, Spain	100 shares of 5,000 ptas each	100%
Mediterranean Supplies S.L.	c/ Gerald Brenan 57, Poligono Industrial Guadalhorce, 29004 Malaga	27 September 2001, Spain	3,006 shares of €1 each	100%
Milénio Foods S.L.	Poligono Industrial de Guimar, Manzana 8, P-17, 3850 Candlaria	16 December 1998, Spain	60 shares of 10,000 ptas each	100%
Farm Holdings Limited	College Chambers, 3-4 St James Street, Channel Islands, GY1 2NZ	26 October 2004, Guernsey	£1,000 shares at £1 each	100%

- (i) Prior to completion of the Acquisition, the shares in the above companies were held as follows:

<i>Name</i>	<i>Shareholders</i>	<i>Shareholding</i>
European Supplies S.L.	David Franks	33
	Steve Robinson	33
	Jose Luis Tedesco	34*
Mediterranean Supplies S.L.	David Franks	1,002
	Steve Robinson	1,002
	Jose Luis Tedesco	1,002
Milenio Foods S.L.	David Franks	20
	Steve Robinson	20
	Jose Luis Tedesco	20
Farm Holdings Limited	Farm Holdings (Spain) Limited	297
	Robert Burns	138
	Sage Holdings Limited	565

*Additional share held on trust for equal benefit of all shareholders

2. Substantial shareholders

- (a) Except for the interests of the Directors, which are set out in paragraph 3(a), and the interests disclosed in paragraph 2(b), the Directors are not aware of any holdings of Ordinary Shares representing 3 per cent. or more of the nominal value of the Company's share capital.
- (b) Assuming completion of the Placing, the Acquisition and the Admission, the following persons will hold 3 per cent. or more of the Company's issued Ordinary Share capital:

<i>Shareholder</i>	<i>Ordinary Shares (% issued share capital)</i>	
	<i>Prior to the Placing, Acquisition and Admission</i>	<i>Following the Placing, Acquisition and Admission</i>
Sage Holdings Limited	—	2,969,542 (12.27%)
Steve Robinson	—	1,751,752 (7.24%)
Jose Luis Tedesco	—	1,751,752 (7.24%)
Farm Holdings (Spain) Limited	—	5,488,974 (22.68%)*
Robert Burns	—	726,049 (3.00%)

* includes 1,559,664 shares (6.44 per cent.) which are held through Farm Holdings (Spain) Limited and 1,379,311 shares (5.70 per cent.) being the maximum number of shares which may, at the option of Lennox, be issued to Farm Holdings (Spain) Limited to satisfy obligations to third parties.

3. Directors' interests, service agreements and other costs

- (a) The interests of the Directors, their immediate families and of persons connected with them, within the meaning of section 346 of the Act, in the share capital of the Company as at the date of this prospectus and following the Placing, Admission and Acquisition, all of which are beneficial, are and will be as follows:

Shareholder	Prior to the Placing, Acquisition and Admission		Following the Placing, Acquisition and Admission	
	Number of Ordinary Shares	Percentage of Ordinary Shares	Number of Ordinary Shares	Percentage of Ordinary Shares
Peter Voller*	2,550,000	100%	5,488,974	22.68%**
David Franks	—	—	4,004,003	16.54%
David Sparks	—	—	—	—
Laurie Grove	—	—	—	—
Bob Burns	—	—	—	—

* Persons connected with Peter Voller own one Ordinary Share. 2,969,542 Ordinary Shares are owned by Sage Holdings Limited who is his connected party. Peter Voller has no beneficial interest in the shares held by Sage Holdings Limited.

** includes 1,559,664 shares (6.44 per cent.) which are held through Farm Holdings (Spain) Limited and 1,379,311 shares (5.70 per cent.) being the maximum number of shares which may, at the option of Lennox, be issued to Farm Holdings (Spain) Limited to satisfy obligations to third parties.

- (b) Except as disclosed in paragraph 3(a), none of the Directors, nor any member of their respective immediate families, nor any person connected with them within section 346 of the Act, is interested in any share capital of the Company.

- (c) The Company has entered into the following service agreements:

By an agreement dated 8 December 2004 Peter Voller was appointed as chief executive officer of the Company. The agreement provides for an annual salary of £100,000 but no other benefits, and is terminable on three months' written notice from either party. The agreement may be terminated summarily by the Company if, among other things, the executive is in material breach of its terms. No compensation is payable to the executive in the event of early termination of the appointment.

By an agreement dated 8 December 2004 Laurie Grove was appointed as finance director of the Company. The agreement will continue until termination on three months' written notice from either party. No benefits are provided other than salary of £18,000 per annum. The agreement may be terminated by the Company if, among other things, the executive is in material breach of its terms. No compensation is payable if there is early termination of the appointment.

By an agreement dated 8 December 2004 David Franks was appointed as director of Spanish Operations of the Company, such appointment conditional on completion of the Placing, the Admission and the Acquisition. The agreement will continue for a rolling period of three years. No benefits are provided other than salary of £15,000 per annum. The agreement may be terminated by the Company if, among other things, the executive is in material breach of its terms. No compensation is payable if there is early termination of the appointment. David Franks receives €100,000 under a separate contract with European Supplies S.L.

By a letter of appointment dated 8 December 2004 Bob Burns was appointed as a non-executive director of the Company. No benefits are provided other than a salary of £15,000 per annum. His appointment is terminable on three months' notice on either side. No compensation is payable for loss of office and each appointment may be terminated immediately if the appointee is, among other things, in material breach.

By a letter of appointment dated 8 December 2004 David Sparks was appointed as a non-executive director of the Company. No benefits are provided other than a salary of £15,000 per annum *pro rata* to the first three months of the appointment and increasing to £20,000 per annum (*pro rata*) thereafter. His appointment is terminable on three months notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if the appointee is, among other things, in material breach.

- (d) The aggregate remuneration paid and benefits in kind granted to the directors during the year ended 31 December 2003 amounted to €300,000 and the 8 months to 31 August 2004 amounted to €200,000. The aggregate remuneration and benefits in kind of the directors for the 4 months ending 31 December 2004 under arrangements in place at the date of this prospectus are estimated to amount to approximately £93,633.

- (e) The Directors have held the following directorships or been partners in the following partnerships within the five years prior to the publication of this prospectus:

David Sparks

Current

Lennox Holdings plc

Past

Goodfellow Cambridge Limited
Goodfellow Europe Limited
Goodfellow Technology Limited
Metals and Foils Limited

Liquidations

Nil

Laurie Grove

Current

Lennox Holdings Plc

Past

March Engineering Limited
Waterglade International Holdings Plc
CCL Realisations (Poole) Limited
NEDDATS Realisations Limited
Uncast (Realisations) Limited
Authentica Systems Limited
Customit Limited
Waterspace plc

Liquidations

Nil

Peter Voller

Current

Lennox Holdings Plc
14 Lennox Gardens Management RTM Limited

Past

March Group Public Limited Company
Endresult Limited
Starchamber Corp Plc
Astrostat Limited
Sage Holdings Limited (Delaware)¹
Farm Holdings (Spain) Limited²

Liquidations

Nil

David Franks

Current

Lennox Holdings plc*

Past

Nil

Liquidations

Nil

*Appointment conditional upon completion of the Placing, Admission and Acquisition

Bob Burns

Current

Highway Capital plc
Freeman and Proctor Limited
Lennox Holdings plc

Past

Fairmead Group Limited
Aircraft Engineering Components Limited
Fairmead Sales Limited
Fairmead Industries Limited
Conference Associates and Services Limited
Portman Lomas Limited
Portman Lomas Properties Limited

Liquidations

Nil

Except as disclosed above, no Director has:

- (i) any unspent convictions in relation to indictable offences;
- (ii) had a bankruptcy order made against him or entered into an individual voluntary arrangement;

1 Non-UK Company

2 Non-UK Company

- (iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
 - (iv) been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangements where such Director was a partner at the time of or within the 12 months preceding such events;
 - (v) been subject to the receivership of any asset of such Director or of a partnership of which the Director was a partner at the time of or within the 12 months preceding such events;
 - (vi) been publicly criticised by any statutory or regulatory authority, including recognised professional bodies; and
 - (vii) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (f) No Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current or previous financial year or during any previous financial year which remains outstanding or unperformed.

4. Memorandum of association

The principal objects of the Company are set out in clause 4(a)(i) of its memorandum of association and are to carry on business as a general commercial company.

5. Articles of association

The rights attaching to the shares, as set out in the Articles, contain, amongst others, the following provisions:

Votes of members

- (a) Subject to any special terms as to voting to which any shares may have been issued, on a show of hands every member who, being an individual, is present in person, or, being a corporation, is present by a duly authorised representative or proxy, has one vote and on a poll every member who is present in person or by proxy has one vote, for every share of which he is the holder.
- (b) Unless the Directors determine otherwise, no member will be entitled in respect of any shares held by him to vote at any general meeting either in person or by proxy, or to exercise any privilege as a member:
 - (i) if any calls or other sums presently payable by him in respect of those shares have not been paid; or
 - (ii) he or any person appearing to be interested in those shares has been duly served with a Section 212 Notice and he or any such person is in default in supplying to the company the information requested in it within 42 days after service of such notice or such longer period as may be specified in such notice for compliance with it and has not remedied such default within a further period of 14 days after service of a further notice requiring him so to do.

Variation of rights

Subject to the provisions of the Act, if at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class may be varied or abrogated either in such manner, if any, as may be provided by such rights, or in the absence of any such provision, with the consent in writing of the holders of at least three-fourths of the nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. The quorum at any such meeting is two or more persons present holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question.

Transfers of shares

- (a) Subject to the provisions of the Articles, all transfers of shares must be effected in the manner authorised by the Stock Transfer Act 1963 and must be signed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.
- (b) The Directors may, in their absolute discretion and without assigning any reason, refuse to register the transfer of a share in certificated form if it is not fully paid or if the Company has a lien on it, or if it is not duly stamped, or if it is by a member who has a holding of at least 0.25 per cent. of any class of shares of the Company and has failed to comply with a section 212 notice. In exceptional circumstances approved by the London Stock Exchange, the Directors may refuse to register any such transfer, provided that their refusal does not disturb the market.
- (c) The Articles contain no restrictions on the free transferability of fully paid ordinary shares provided that the transfers are in favour of not more than four transferees, the transfers are in respect of only one class of share and the provisions in the Articles, if any, relating to registration of transfers have been complied with.

Payment of dividends

Subject to the provisions of the Act and to any special rights attaching to any shares, the shareholders are to distribute amongst themselves the profits of the Company according to the amounts paid up on the shares held by them, provided that no dividend will be declared in excess of the amount recommended by the Directors. A member will not be entitled to receive any dividend if he has a holding of at least 0.25 per cent. of any class of shares of the Company and has failed to comply with a section 212 notice. Subject to the provisions of the Act and of the Articles, interim dividends may be paid if profits are available for distribution and if the Directors so resolve.

Unclaimed dividends

Any dividend unclaimed after a period of 12 years from the date of its declaration will be forfeited and will revert to the Company.

Untraceable shareholders

The Company may sell any share if, during a period of 12 years, at least three dividends in respect of such shares have been paid, no cheque or warrant in respect of any such dividend has been cashed and no communication has been received by the Company from the relevant member. The Company must advertise its intention to sell any such share in both a national daily newspaper and in a newspaper circulating in the area of the last known address to which cheques or warrants were sent. Notice of the intention to sell must also be given to the London Stock Exchange.

Return of capital

On a winding-up of the Company, the balance of the assets available for distribution will, subject to any sanction required by the Act, be divided amongst the members.

Borrowing powers

- (a) Subject to the provisions of the Act and the Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets, including its uncalled or unpaid capital, and to issue debentures and other securities and to give guarantees.
- (b) The Directors must restrict the borrowing of the Company and exercise all voting and other rights and powers of control exercisable by the Company in relation to subsidiary companies, if any, so as to secure, as regards subsidiary companies so far as by such exercise they can secure, that the aggregate amount for the time being remaining outstanding of all money borrowed by the Company and its subsidiaries, if any, and for the time being owing to persons outside the Business does not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the aggregate of the nominal amount of the share capital of the Company for the time being issued and paid up or credited as paid up and the amounts for the time being standing to the credit of the consolidated reserves, including share

premium account, capital redemption reserve and profit and loss account, of the Group all as shown in its then latest audited balance sheet and after adjustment as specified in article 22.3.

Directors

- (a) No shareholding qualification is required by a Director.
- (b) The Directors are entitled to fees at the rate decided by them, subject to an aggregate limit of £100,000 (one hundred thousand pounds) per annum or such additional sum as the Company may by ordinary resolution determine. The Company may by ordinary resolution also vote extra fees to the Directors which, unless otherwise directed by the resolution by which it is voted, will be divided amongst the Directors as they agree, or failing agreement, equally. The Directors are also entitled to be repaid all travelling, hotel and other expenses incurred by them in connection with the business of the Company.
- (c) At every annual general meeting, one-third of the Directors who are subject to retirement by rotation, or as near to it as may be, will retire from office. A retiring Director is eligible for reappointment.
- (d) The Directors may from time to time appoint one or more of their body to be the holder of an executive office on such terms as they think fit.
- (e) Except as provided in paragraphs (f) and (g) below, a Director may not vote or be counted in the quorum present on any motion in regard to any contract, transaction, arrangement or any other proposal in which he has any material interest, which includes the interest of any person connected with him, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. Subject to the Act, the Company may by ordinary resolution suspend or relax this provision to any extent or ratify any transaction not duly authorised by reason of a contravention of it.
- (f) In the absence of some other material interest than is indicated below, a Director is entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:
 - (i) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant as the holder of such shares, debentures or other securities or in its underwriting or sub-underwriting;
 - (iv) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, as defined in Part VI of the Act, not representing one per cent. or more of any class of the equity share capital of such company, or of a third company through which his interest is derived, or of the voting rights available to members of the relevant company, any such interest being deemed for the purpose of article 29.7 to be a material interest in all circumstances;
 - (v) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue;
 - (vi) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of an employee share scheme which includes full time executive Directors of the Company and/or any subsidiary or any arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not award him any privilege or advantage not awarded to the employees to whom such a scheme relates; and

- (vii) any contract, arrangement, transaction or proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit or persons including the Directors.
- (g) If any question arises at any meeting as to the materiality of a Director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question must be referred to the chairman of the meeting and his ruling in relation to any other Director will be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fully disclosed.
- (h) The Directors may provide or pay pensions, annuities gratuities and superannuation or other allowances or benefits to any Director, ex-Director, employee or ex-employee of the Company or any of its subsidiaries or any wife, widow, children and other relatives and dependants of any such Director, ex-Director, employee or ex-employee.
- (i) CREST
The Directors may implement such arrangements as they think fit in order for any class of shares to be held in uncertificated form and for title to those shares to be transferred by means of a system such as CREST in accordance with the Uncertificated Securities Regulations 2001 and the Company will not be required to issue a certificate to any person holding such shares in uncertificated form.

6. Material contracts

- (a) 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:
 - (i) on 4 November 2004 the Company entered into a conditional agreement with Farm Holdings (Spain) Limited, Robert Burns and Sage Holdings Limited (Farm Sellers) under which the Company will purchase Farm for a total cost of €13,400,000 (thirteen million four hundred thousand euro). Of this sum, €4,000,000 (four million euro) will be paid in cash and €900,000 (nine hundred thousand euro) will be paid in cash or Ordinary Shares at the Placing Price, or a mixture at the option of Lennox, with the balance of €8,500,000 (eight million five hundred thousand euro) being met with the issue of the Consideration Shares at the Placing Price;
 - (ii) on 7 September 2004 the Company and ARM entered into a nominated adviser engagement letter in relation to the latter acting as the Company's nominated adviser for the proposed application for admission to AIM;
 - (iii) on 8 December 2004 the Company and KBR entered into a broker engagement letter in relation to the latter acting as the Company's broker for the proposed application for admission to AIM;
 - (iv) on 8 December 2004 the Company and the Placing Agent entered into a conditional Placing Agreement under which the Placing Agent agreed to act as the Company's placing agent and to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price if so requested by the Company. The Placing Agreement provides that, conditional upon completion of the Placing, the Placing Agent will be paid a commission of 5 per cent. on the value of the Placing Shares. In addition, the Company shall issue to the Placing Agent warrants to subscribe for such number of Ordinary Shares as represents 3 per cent. of the value of the Placing Shares at the Placing Price, exercisable for a period of 3 years. The Company has agreed to pay all other costs and expenses relating to the Placing and the application for Admission. The Placing Agreement is conditional upon, amongst other things, Admission having occurred and applications having been received from persons in respect of all the Placing Shares on or before 7 January 2005, or such later date as the Placing Agent and the Company may agree. The Placing Agent contains certain warranties and indemnities by the Company and the Directors in favour of the Placing Agent. It also contains provisions entitling the Placing Agent to terminate it prior to the completion of the Placing in the event of a material breach of any of the warranties or an occurrence fundamentally and adversely affecting the position of the Company.
- (b) The following contract, not being a contract in the ordinary course of business has been entered into by Farm since its incorporation and is, or may be, material:

on 4 November 2004 Farm entered into a conditional agreement with David Franks, Steve Robinson and Jose Luis Tedesco ("Spanish Sellers") to purchase the Spanish Companies for a consideration of €9,000,000 (nine million euro) to be paid as to €4,000,000 (four million euro) in cash and €5,000,000

(five million euro) in shares in the Company. The Spanish Sellers have agreed not to sell the shares for twelve months and none of the shares being issued to the Spanish Sellers will qualify for dividends paid during the period of 24 months from the date of Admission. The agreement contains certain warranties, including tax warranties and a tax indemnity.

7. Working capital

The Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from Admission.

8. Litigation

The Group is not involved in any legal or arbitration proceedings which have or, since incorporation, may have had, a significant effect on the Company's financial position nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Group or any member of the Group.

9. Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Placing Shares as investments and not as securities to be realised in the course of a trade. They do not purport to be comprehensive nor to describe all potential relevant considerations. They are based on current legislation and UK Inland Revenue practice. Any shareholder or prospective purchaser of Placing Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

(a) Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the issue of the Placing Shares unless the subscriber is a person to whom the depository receipt or clearance service charges to stamp duty reserve tax may apply (1.5 per cent. of the value of the consideration).

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

(b) Taxation of chargeable gains

A subsequent disposal of the Placing Shares by persons resident or ordinarily resident in the United Kingdom in a tax year which gives rise to a gain may be liable to capital gains tax (individuals and trustees) and corporation tax (companies). Liability to tax and the rate of tax will depend on the shareholder's circumstances and the availability of exemptions or allowable losses.

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

For individuals and trustees, taper relief may be available to reduce the amount of a chargeable gain according to how long the asset has been held.

The availability and rate of taper relief will depend on the period of ownership and whether the Shares are held as business assets or non-business.

Under current legislation Shares in trading companies or trading groups will normally be treated as business assets. Business assets held for less than one whole year will not qualify for taper relief. The maximum taper relief (75 per cent. for business assets) accrues once qualifying shares have been held for at least two years.

Individuals and certain trusts have an overall annual exemption from capital gains tax on the first £8,200 of chargeable gains in the current tax year (2004/05). Settlements have an equivalent exemption of up to £4,100 in the current tax year (2004/05).

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

(c) Taxation of dividends

Under current legislation no advance corporation tax is payable by the company on dividends. Shareholders will receive a notional tax credit on dividends received, such that basic rate taxpayers will have no further tax to pay on the dividend received and higher rate taxpayers will have a liability to pay higher rate tax equivalent to 25 per cent. of the amount of the dividend received.

United Kingdom resident corporate shareholders are not normally liable to corporation tax on dividends received from UK companies.

(d) Tax Relief for Investors

Introduction

To obtain the tax reliefs described below it is necessary to subscribe for ordinary shares in a qualifying company and claim the relief. Please note that the value of any relief depends on investors’ individual circumstances. Provisional approval has been received from the Inland Revenue that, based on information disclosed, the Company and its activities will qualify under the Enterprise Investment Scheme. The summary below gives only a brief outline of how the tax reliefs are given assuming the investor is a 40 per cent. taxpayer. It does not set out all the rules which must be met by the investor and the Company. The summary is not a substitute for the investor obtaining professional tax advice before applying for shares. Please note that taxation levels, bases and reliefs can change.

EIS Relief

EIS relief as is currently applies has four elements:

(a) Income Tax Relief

Provided a qualifying investment is held for three years from the date of subscription or from when the trade commences, if later, individuals may obtain income tax relief of up to £40,000 (i.e the maximum investment limit of £200,000 × 20 per cent.) on the amount subscribed for shares subject to a minimum investment of £500 per company in one or more qualifying companies provided the individuals are not connected with the issuing company. Husbands and wives can each subscribe up to £200,000 per tax year (from 6 April 2004). The relief is given at the lower rate of tax (currently 20 per cent.) and is given against (but cannot exceed) the individual’s income tax liability for the tax year in which the shares are issued. It should be noted that EIS relief can be clawed back if the company ceases to satisfy the requirements of the EIS legislation in the three year period referred to above.

Example

	£
Gross investments in shares	10,000
Less income tax relief at 20%	(2,000)
Net cost of investment	8,000

Where an individual subscribes for qualifying shares before 6 October in a tax year, a claim may be made to carry back one half of the amount subscribed to the previous tax year, subject to a maximum of £25,000.

(b) Exemption from CGT

Any capital gains realised on disposal after three years from the date of issue of the shares on which EIS income tax relief has been given and not withdrawn, are tax free.

Example

	£
Realised value of shares after 3 years	15,000
Less original gross investment in shares	10,000
Tax free gain	5,000

Please note that individuals currently benefit from an annual capital gains tax exemption for the 2004/2005 tax year of £8,200.

(c) Loss relief against income or gains

Tax relief is available where there is a loss on a disposal at any time of shares on which EIS income tax relief (see (a) above) has been given and not withdrawn, provided the relevant requirements of the legislation are satisfied. The amount of the loss (after taking account of the income tax relief initially obtained) can be set against the individual's gains or taxable income in the tax year in which the disposal occurs, or against taxable income of the previous year.

<i>Example</i>	£
Realised value of shares	Nil
Gross investment in shares	(10,000)
Less income tax relief at 20%	2,000
	<hr/>
Loss before tax relief	(8,000)
Tax relief (40%)	3,200
	<hr/>
Net Loss	<u>(4,800)</u>

(d) CGT deferral

To the extent to which a UK resident investor (an individual or in some cases a trustee) subscribes for qualifying shares, he can claim to defer paying tax on all or part of a chargeable gain arising on the disposal of any asset. Although there is an annual investment limit of £200,000 for income tax relief there is no limit on the amount of gains that can be deferred. The subscription must be made within one year before or three years after the date of the disposal which gives rise to the gain or the date when a previously deferred gain crystallises. The gain is deferred until there is a chargeable event such as a disposal of shares or an earlier breach of the EIS rules. The investor must be UK resident or ordinarily resident at the time of the original gain and generally must not become non-resident for 3 years after reinvestment or the date the trade commenced, if later.

Inheritance Tax and Business Property Relief

Provided a shareholder has owned shares in a qualifying unquoted trading company for at least two years and certain conditions are met at the time of the transfer, 100 per cent. business property relief is available, which reduces the inheritance tax liability on the transfer to nil.

Tax Relief Certificates

Provisional confirmation has been received from the Inland Revenue that the Company will be a qualifying company for EIS purposes. Following the issue of Shares and after the Company has traded for four months, the Company can apply to the Inland Revenue for authorisation to issue tax relief certificates (form EIS 3) to investors. Although the time taken by the Inland Revenue to grant authorisation cannot be controlled by the Company, every effort will be made by the Directors to expedite matters and, as soon as authorisation is given, form EIS 3 will be distributed to investors. The Company anticipates commencing its qualifying trade by no later than Admission and accordingly EIS 3 certificates should be available by the end of 9 March 2005. Investors should then submit the forms EIS 3 to the Inspector of Taxes dealing with their own affairs.

The figures in this section are examples only. They are not, and should not be construed as, forecasts of the likely performance of the investment described in this document. Please note that this is only a condensed summary of the tax rules and should not be construed as constituting advice, which a potential investor should obtain from his or her own investment or taxation adviser before apply for shares.

10. Other information

- (a) The expenses of the Admission and other transactions described in this prospectus are estimated at £570,000 and are payable by the Company.
- (b) The accounting reference date of the Company is 31 December.
- (c) There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- (d) Save for the Acquisition, there are no significant investments in progress by the Company.

- (e) No exceptional factors have influenced the Company's activities.
- (f) The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in Schedule 1 of the Public Offers of Securities Regulations 1995 is £3,379,310, which will be applied as follows:
- | | |
|--|------------|
| (i) the purchase of property | £nil |
| (ii) preliminary expenses and expenses of the Placing, Admission and consideration for the Acquisition | £3,260,310 |
| (iii) repayment of money borrowed in respect of (i) and (ii) above | £nil |
| (iv) working capital | £119,000 |
- (g) The subscription list for the Placing will open at 12.00 noon on 8 December 2004 and may be closed any time after that date but not later than 12.00 noon on 14 December 2004. Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the Placing Letters issued by KBR until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 7 January 2005, application monies will be returned to the applicants at their risk without interest.
- (h) AGN Shipleys, Chartered Accountants, have given and not withdrawn their written consent to the issue of this prospectus with the inclusion in it of their report and letter and references to their name in the form and context in which they respectively appear.
- (i) ARM has given and not withdrawn its written consent to the issue of this prospectus with the inclusion in it of references to its name in the form and context in which it appears.
- (j) KBR has given and not withdrawn its written consent to the issue of this prospectus with the inclusion in it of references to its name in the form and context in which it appears.
- (k) Except as disclosed in this prospectus, there has been no significant change in the financial or trading position of the Company since 30 April 2004 the date to which the last unaudited accounts of the Company were drawn up.
- (m) Except as disclosed in this prospectus, since 30 April 2004, the date to which the last unaudited accounts of the Company were drawn up, no person has received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission to trading on AIM or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Issue Price or any other benefit with a value of £10,000 or more at the date of Admission.
- (n) It is expected that the CREST accounts will be credited on 16 December 2004 and certificates in respect of the Ordinary Shares will be despatched on 22 December 2004.
- (o) The Issue Price of 45p per Ordinary Share represents a premium of 35p over the nominal value of 10p of each Ordinary Share.
- (p) The financial information relating to the Company contained in this prospectus does not comprise statutory accounts for the purposes of section 240 of the Act. This financial information has been prepared in accordance with the law and the Directors accept responsibility for it.

11. 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 Fladgate Fielder at 25 North Row, London W1K 6DJ for one month from the date of Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the letter and report from AGN Shipleys set out in Parts II and III of this prospectus;
- (c) the profit forecast and pro forma profit and loss account set out in Parts IV and V of this prospectus;
- (d) the service agreements and letter of appointment referred to in paragraph 3(c) of Part VIII of this prospectus;
- (e) the material contracts referred to in paragraph 6 of Part VIII of this prospectus; and

- (f) the written consents of ARM, KBR and AGN Shipleys referred to in paragraphs 10(h), (i) and (j) of Part VIII of this prospectus.

12. Copies of this prospectus

Copies of this prospectus will be available to the public, free of charge, at the offices of Fladgate Fielder at 25 North Row, London W1K 6DJ during normal business on any weekday, Saturdays and public holidays excepted, until 30 days after Admission.

Dated 8 December 2004

