

3109613

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or other authorised independent professional adviser immediately.

This Prospectus has been drawn up in accordance with The Public Offers of Securities Regulations 1995. ✓

The Directors of the Company have taken all reasonable care to ensure that the facts stated in this Prospectus relating to the Company and its proposed activities are true and accurate in all material respects and that there are no other material facts the omission of which would make any statement in this Prospectus misleading. The Directors accept responsibility accordingly.

This Prospectus is issued and approved as an investment advertisement by the Sponsor, Beavis Walker, a member of and authorised to carry on Investment Business by The Institute of Chartered Accountants in England and Wales. Two copies of this Prospectus with the documents referred to in paragraph 7 of Appendix II have been delivered to the Registrar of Companies in England and Wales as required by Regulation 4 of The Public Offers of Securities Regulations 1995. ✓

The share capital of the Company is not listed on any stock exchange and it is not proposed that any application will presently be made to any stock exchange for the listing, quotation or permission to deal in any part of the share capital of the Company.

R.C. Bilborough **TEG ENVIRONMENTAL PLC**
(Incorporated in England under the Companies Act 1985 Registered Number 3109613) ✓

Alan Heyworth
Heyworth **OFFER FOR SUBSCRIPTION**
Andrew Rabbitt **UNDER THE ENTERPRISE INVESTMENT SCHEME** ✓
A.C. RABBITT

of
1,100,000 Ordinary shares of 5 pence each
at 30 pence per share payable in full on application

Offer opens:
Closing Date:
Required Subscription:
Minimum individual subscription:

10am on 24th November 1995
3pm on 15th December 1995
£330,000
£1,500

A. SYKES
P.L. BROWN

If before the Closing Date, minimum subscriptions for Shares under the Offer for Subscription have been received then at the discretion of the Directors, Shares may be issued earlier than the Closing Date, and/or the Offer may be closed. Further, at the discretion of the Directors and the Sponsor, the Closing Date may be extended beyond 15th December 1995 but not beyond 29th February 1996.

SHARE CAPITAL AND INDEBTEDNESS

Details of the share capital of the Company are given on page 28. As at the date of this Prospectus, the Company does not have any loan capital or term loans or any other borrowings or indebtedness in the nature of borrowings.

Attention is drawn to the section on RISK FACTORS set out on page 6.

24th November 1995



TEG ENVIRONMENTAL PLC

1. DEFINITIONS

"the Act"	The Companies Act 1985
"ACC"	Accelerated Commercial Composting
"AIM"	The Alternative Investment Market
"Application Form"	The form of application to subscribe for shares under the Offer which accompanies this document
"the Board" or "the Directors"	The Board of Directors of the Company
"CGT"	Capital Gains Tax
"Closing Date"	15th December 1995 or such later date as the Board and the Sponsor shall determine, being not later than the 29th February 1996.
"Enterprise Investment Scheme" and "EIS"	The Enterprise Investment Scheme as detailed in Chapter III, Part VII of the Income and Corporation Taxes Act 1988 as amended by the Finance Act 1994 and the Finance Act 1995
"Investor"	An individual who acquires Shares pursuant to the Offer.
"Offer"	The offer for subscription of 1,100,000 shares set out in this document and the accompanying Application Form
"POS Regulations"	The Public Offers of Securities Regulations 1995
"Reinvestment Relief"	Capital Gains Tax holdover relief under section 150c and Schedule 5B TCGA 1992
"Shares"	Ordinary shares of 5 pence each nominal value, of the Company
"System"	The ACC proprietary technology and know-how developed by Dr Alan Heyworth and acquired by the Company, described more fully in section 5.3.
"TEG" and "the Company"	TEG Environmental PLC

TEG ENVIRONMENTAL PLC

2. DIRECTORS AND ADVISERS TO THE COMPANY

- | | | |
|-----|------------------------------------|--|
| 2.1 | Directors | Allen Sykes, Non-Executive Chairman
Dick Bilborough, Managing Director
Peter Drown, F.C.A., Non-Executive
Dr Alan Heyworth, BSc, PhD., Technical Director
John Hough, Non-Executive
Andrew Rabett, BSc (Hons), Deputy Managing Director |
| 2.2 | Company Secretary | SRT Corporate Services Limited
Broadwalk House
5 Appold Street
London EC2A 2NN |
| 2.3 | Company Address | Surrey House
39/41 High Street
Newmarket
Suffolk CB8 8NA |
| 2.4 | Registered Office | Audrey House
16/20 Ely Place
London EC1N 6SN |
| 2.5 | Financial Advisers and Sponsor | Beavis Walker
Chartered Accountants
Audrey House
16/20 Ely Place
London EC1N 6SN |
| 2.6 | Solicitors to the Offer | Sinclair Roche & Temperley
Broadwalk House
5 Appold Street
London EC2A 2NN |
| 2.7 | Auditors and Reporting Accountants | KPMG
Chartered Accountants
37 Hills Road
Cambridge
CB2 1XL |
| 2.8 | Receiving Bankers | The Royal Bank of Scotland plc
Registrars' Department
New Issues Section
P O Box No. 859
Consort House
East Street
Bedminster
Bristol
BS99 1XZ |

TEG ENVIRONMENTAL PLC

3. KEY POINTS OF THE OFFER

THE FOLLOWING SUMMARY MUST BE READ IN THE CONTEXT OF THE WHOLE PROSPECTUS FROM WHICH IT IS DERIVED INCLUDING IN PARTICULAR THE SECTION HEADED "RISK FACTORS" ON PAGE 6. INDIVIDUALS CONSIDERING SUBSCRIBING UNDER THE OFFER ARE ADVISED TO CONSULT THEIR OWN PROFESSIONAL ADVISERS.

- 3.1 New legislation in the UK is enforcing changes in waste disposal methods. As a result there is a developing market opportunity for the commercial composting of organic waste - already well established in the USA. The Offer provides an opportunity to invest in a new company, with new technology, which will operate in this market.
- 3.2 The Company has acquired the worldwide Intellectual Property rights of an innovative system of accelerated composting, developed by Dr Alan Heyworth. The System, which is explained more fully in section 5.3, enables the rapid decomposition of organic waste streams (including toxic and noxious materials) more quickly than traditional commercial composting methods.
- 3.3 The System allows composting of high disposal cost waste to compete efficiently and cost effectively with alternative methods of disposal.
- 3.4 Combined with a new Silo-cage structure, designed and developed by the Executive Directors for the Company, the System can deal with selected, toxic and noxious organic waste streams in a further reduced time, rendering them harmless and resulting in a benign end product.
- 3.5 The Company is at an advanced stage in the negotiation of a collaboration agreement with a division of a major UK quoted company which, on completion, will provide secure sites for the System to be applied to pharmaceutical and chemical organic waste. The negotiations contemplate a working relationship to target those high value waste streams and contaminated soils.
- 3.6 The System with its Silo-Cage can provide a cost effective and environmentally acceptable method of composting sewage sludge which, after December 1998, is banned from disposal to the sea. At present 30% of all UK sewage is pumped out to sea.
- 3.7 The System will, where suitable, allow compliance with the provisions of new and pending legislation, affecting waste disposal and the environment, as existing methods are recognised as a source of pollution and, in the case of landfill, will be taxed.
- 3.8 The Company's Directors have a wealth of business experience, and they have put together a committed and well balanced management team. The Directors will follow the recommendations of the Cadbury Code of Best Practice published on the Financial Aspects of Corporate Governance as are relevant for the size of the Company.
- 3.9 Following the Offer, the Directors and founders of the Company will hold, either directly or indirectly, not less than 866,666 shares. There is no intention that they should receive any incentive payments, other than the remuneration as set out in this document, since the size of their shareholdings will provide sufficient incentive.
- 3.10 The Sponsor, Beavis Walker, has agreed to subscribe for 66,666 Shares on the same terms as Investors, the amount being equal to their fees to be charged in connection with the Offer.
- 3.11 Investors should obtain EIS tax relief of up to 20% on their investment. EIS clearance has been applied for from the Inland Revenue in respect of this issue.

TEG ENVIRONMENTAL PLC

- 3.12 An Investor to whom capital gains have accrued within the period of 3 years prior to and ending 1 year following subscription for Shares under the Offer may qualify for Reinvestment Relief at a maximum rate of 40% and such relief is in addition to EIS relief.
- 3.13 The Offer seeks to raise £330,000.
- 3.14 The minimum individual subscription under the Offer is £1,500.
- 3.15 The statistics for the Offer, assuming the required subscription is achieved, are:
- | | |
|---|-------------|
| Offer for Subscription share price | : 30 pence |
| Number of Shares in issue | : 1,900,000 |
| Theoretical capitalisation at
Offer for Subscription price | : £570,000 |
- For theoretical future values, based on illustrative projections, please refer to section 7, on page 19.
- 3.16 The Directors presently intend that shareholders will have the opportunity of realising their investment by means of a trade sale or through a listing on AIM at the end of the five year EIS qualifying period.
- 3.17 The Directors will recommend the payment of a dividend on the Shares if they believe that it is appropriate and prudent to do so.
- 3.18 The Closing Date is 15th December 1995. This date may be extended at the discretion of the Company and the Sponsor, but will not be extended beyond 29th February 1996.
- 3.19 For further information regarding the Offer, please contact Peter Drown or Jack Clipsham at Beavis Walker on 0171-430 1111, or Dick Bilborough on 0171 256 9542.

TEG ENVIRONMENTAL PLC

4. RISK FACTORS

Attention is drawn to the Risk Factors set out below and to the Risk Warning on page 4 which must be read by potential investors.

4.1 The Future

Historical facts, information gained from past experience, present facts, experience and information and assumptions from all or any of these is no guide to the future. Aims, targets, plans, intentions and projections referred to herein are no more than that and do not imply forecasts. This document and the contractual arrangements summarised herein have been prepared in accordance with current legislation only and the interpretation thereof by the Directors and advisers of TEG; legislation may change and the interpretation thereof may not be correct.

4.2 Taxation

This document is prepared in accordance with current legislation, Inland Revenue practice and the interpretation thereof by TEG's advisers. Legislation and Revenue practice may change and the interpretation thereof may subsequently be proven not to be correct. The rates of tax and tax reliefs may be altered. The levels and bases of and reliefs from taxation may change. Tax reliefs referred to are those currently available, and are personal to the investor. Their value depends on the individual circumstances of the investor.

Neither the Company, the Directors, nor the Sponsor makes any warranty or gives any undertaking that EIS relief or reinvestment relief will be available to Investors in respect of any investment in the Shares pursuant to this Prospectus, or warrants or undertakes that, once given, such relief will not be withdrawn.

4.3 Value

The value of shares may go down as well as up and an Investor may not get back the amount he/she has invested.

4.4 Business Risk

TEG is effectively a "start-up" operation. The success of TEG will depend largely upon its ability to market its products or services, the effectiveness of management and its ability to establish, maintain and enhance the Company's growth and profitability. It may be necessary for the Company to raise additional capital to enable it to progress through further stages of development and/or make acquisitions. To the extent that any borrowings are incurred, it is likely that such borrowings will be secured over the assets of TEG. In the event of default by TEG any lender would be able to foreclose.

4.5 Illiquidity

None of the Shares are quoted on any Stock Market. Investments in unquoted shares carry higher risk than investments in quoted shares, may be difficult to realise and there can be no certainty that market makers will be prepared to deal in them. Proper information for determining their value may not be available. Failure to hold EIS investments for five years will, and using them to obtain or improve terms of credit may, cause loss of tax relief obtained initially, with a requirement for repayment of such tax relief with interest. Accordingly, investments in TEG may not be suitable as a short or medium term investment.

TEG ENVIRONMENTAL PLC

4.6 Dividends

The Directors will recommend the payment of a dividend on the Shares if they believe that it is appropriate and prudent to do so. The Directors are unable, at this time, to suggest when an investor may expect to receive income from his Shares.

4.7 Suitability

The investment offered here may not be suitable for all recipients of this document. Applicants are advised not to proceed unless they have taken independent advice from an adviser authorised under the Financial Services Act 1986, who specialises in investments of this kind, before making their decision.

TEG ENVIRONMENTAL PLC

5. PRINCIPAL ACTIVITIES

5.1 Background

The disposal of organic waste is an international problem. The established methods of waste disposal are landfill, the sewage system, (including dumping of sewage into rivers or the sea) and incineration. As a result of increased political concern over pollution, these are now subject to restrictive new legislation in addition to greater general public awareness and concern.

Waste management in the UK is currently a £3 billion market and waste generation is growing at an annual rate of 3%. Most waste is currently disposed of in the UK by landfill (90%) and the rest by other means, including marine disposal, incineration and chemical methods. The low cost of landfill has to date restricted the commercial development of alternative disposal methods, such as composting, regardless of the environmental benefits provided. But landfill is now recognised as a major source of land, water and air pollution and is increasingly subject to new legislative controls and restrictions, particularly for the acceptance and management of organic and dangerous wastes. A landfill tax, announced in the November 1994 Budget is to be introduced and applied through H M Customs & Excise in 1996, increasing the cost of disposal by this method.

New legislation is also enforcing changes in waste disposal. From June 1995 all wastes must be classified, affecting the cost and method of disposal. Restrictions on landfill sites and the long-term responsibility of their owners for after-management and pollution control, arising as a result of this new legislation will also increase costs and restrict the willingness of operators to accept organic waste, since this is the principal source of pollution.

From December 1998 the disposal of sewage through piping and dumping into the sea is banned and this measure, together with the tighter controls for incineration plants, will contribute to increased costs and pressure for alternative and more environmentally acceptable disposal methods.

These combined steps will move the UK waste industry and its management towards tighter control of waste disposal and pollution as practised in the USA, where the introduction of more acceptable disposal methods, including highly mechanised composting, has been hastened.

In many areas American authorities have banned the dumping or incineration of certain organic wastes and are now diverting all garden waste from valuable landfill sites and are legislating to outlaw the inclusion of this material. Composting, to deal with this and other low disposal cost organic waste, has been benefiting from higher capital investment and is now widely practised. It is seen as an attractive and efficient means of waste disposal to the environmentally aware Authorities and public. Even the long time scale (3 to 4 months) and relatively high cost of accelerating traditional methods of composting (compared to those of the System) has not been a deterrent. In the UK, the Department of the Environment ("DoE") estimates the potential for composting organic waste is in the region of 40 million tonnes annually. The market opportunity is only now emerging in the UK and a DoE sponsored survey in May 1994 identified only thirty Local Authority operated composting schemes.

TEG ENVIRONMENTAL PLC

The commercial opportunity for composting has been researched for two and a half years. Previous attempts to exploit the System commercially, under other managements no longer involved, proved abortive. TEG was established in October and, subject to obtaining a trading certificate, will start trading in December, 1995 to exploit technology developed by Dr Alan Heyworth.

The System, all rights to which have been acquired by the Company from Dr Alan Heyworth, enables:-

- * The treatment, by an improved method of composting, of a variety of organic waste streams (including toxic and noxious materials), in a reduced timescale,
- * in accordance with current legislation and the pending requirement of the Environment Act 1995,
- * resulting in a benign, usable and, in many cases, saleable product,
- * in a more efficient, cost effective and environmentally friendly manner than existing alternative methods (composting and otherwise).

The System can be used to process various toxic and noxious wastes from the pharmaceutical and chemical industries, which are costly to dispose of by other means and provide a solution to the excess sewage sludge which has to be disposed of on land after December 1998.

5.2 Traditional Commercial Composting Methods

The decay of organic materials is brought about by naturally-occurring micro-organisms, which feed on them, and, in the process, produce energy in the form of heat. In nature this heat is dissipated to the surroundings, and no significant rise in temperature occurs. This process can be aerobic (requiring oxygen) or anaerobic (not requiring oxygen). The aerobic process is much more vigorous and converts carbon to CO₂: the slower anaerobic process produces methane, and other compounds which may have unpleasant odours.

In a waterlogged or compacted mass the available oxygen will soon be used up, and anaerobic conditions will develop. In a more open material, oxygen will be drawn in, and conditions will remain aerobic.

When the materials are made into a heap, thus increasing the volume to surface-area ratio, heat is produced more quickly than it can escape, and the temperature begins to rise, and as it does so, the metabolic rate of the micro-organisms and the rate of heat production increase, so that the temperature rises further. In an aerobic heap this positive feedback mechanism continues, and other organisms which prefer higher temperatures (thermophilic species) take over the breakdown process, and can raise the temperature of the heap to 65°C or more. Maximum temperatures are usually around 70°C, as few species are active at higher temperatures.

Pathogens (disease-causing organisms) of man and other animals are most active at body temperature (c. 36°C for warm-blooded animals) and are killed or inactivated by temperatures over 50°C, if maintained for more than a few days.

TEG ENVIRONMENTAL PLC

A typical conventional composting operation in the UK deals with garden and parks waste (brushwood, lawn-mowings, etc) which would otherwise be landfilled, at low cost. A powerful machine is required, to shred the material, the smaller fragments having a greatly-increased total surface area, which the micro-organisms can attack, giving a much faster rate of decomposition. The shredded material is left in windrows, 4 to 5 feet high, to allow the composting process to proceed. At regular intervals the windrows are turned, to ensure that oxygen levels are maintained, and that all the material is equally processed.

After a period of 10-18 weeks the compost can be screened and allowed to cool and mature. The fine compost can be bagged and sold for retail purposes and the mulch can be used by local authorities and horticulturists. The larger residue from the screening can be re-shredded and returned to the composting process.

General advantages of composting include:-

- Weight loss of up to 50% - principally due to the reduction in water content.
- Volume reduction of up to 60%.
- Marketable end product to offset costs, in addition to receipts for the acceptance of the waste in the first instance, leading to significant margins.

However, traditional composting methods have the following disadvantages:

- Length of time to complete the process.
- Large amount of land area required.
- Frequent turning is required which is costly and releases odour.
- Limited application.

The System has all the advantages of traditional composting which are enhanced with a shorter timescale, greater efficiency and none of the disadvantages.

5.3 The System

The System uses selected waste streams which, when mixed in the correct proportions, stimulate a vigorous consortium of micro-organisms, which are able to raise the temperature to over 65°C, and to break down a great many organic compounds.

Because the rate of heat-production is greater than in a normal compost heap, high temperatures can be maintained just below the surface, with only a thin insulating layer. The majority of the stack will, therefore, be hot, and perform well. There is a rapid loss of water from the outer layers, which shrink and crack, becoming more permeable to air whilst their insulating properties are improved. The active zone moves towards the centre of the stack so that eventually the whole volume has undergone a vigorous aerobic decomposition. Air is drawn into the heap via the chimney effect; anaerobic conditions are not present and neither are the noxious smells associated with them. As the outer layers are very dry, rain is easily absorbed and no leachate is produced. The size of stacks can be very much larger than usual - up to twenty feet high.

The System is based on data gathered from numerous laboratory and field trials and analyses. Examples of these are given in Figs 1 and 2.

Fig 1 shows results from a 130-ton stack of a chicken-litter-based mix. The characteristic pattern of heating from the surface inwards can be clearly seen. Note that only a single turning is carried out to ensure that the thin outer layer, and the bottom of the stack, in contact with the ground, will reach high temperatures.

Fig 2 shows a bench-scale comparison between two poultry-litter composting trials; one using a mix of selected additional materials, as used in the System, and a second using a poultry-litter/shredded-paper mix. Both mixes have the same carbon:nitrogen ratio. The extremely vigorous nature of the System mix can be seen.

Dr Alan Heyworth has developed a process, which has been refined with the assistance of Andrew Rabett for composting in large prefabricated Silo-cages which create the optimum aerobic environment for the System. Trials through prototype models show that this method will further speed up the composting process with the System and it is intended that these Silo-cages will be installed on selected sites.

Temperature readings from a trial using a prototype Silo-cage are given in Fig 3, which shows the more rapid heating of a greater proportion of the mass, as a result of better aeration and insulation. When in full-scale operation, the cages will be kept at a constant temperature, new material being gradually added to the top, whilst finished compost is removed from the bottom.

A further advantage of the Silo-cage method is that a greater volume of compost can be accommodated on a given area.

TEG Silo-cages can be installed singly or in a battery of Silo-cages according to capacity requirement. On waste streams which justify the capital cost and use of the Silo-cages with the System, the effects are to further reduce the composting process to approximately three weeks and to reduce the cost of core ingredients.

The Silo-cages also provide the opportunity to offer a dedicated disposal unit to companies wishing to audit the disposal of their sensitive wastes.

FIG. 1

STAGES IN THE PROGRESSIVE HEATING AND COOLING OF A 130-TON STACK: DAYS AFTER MIXING: TURNED ON DAY 29

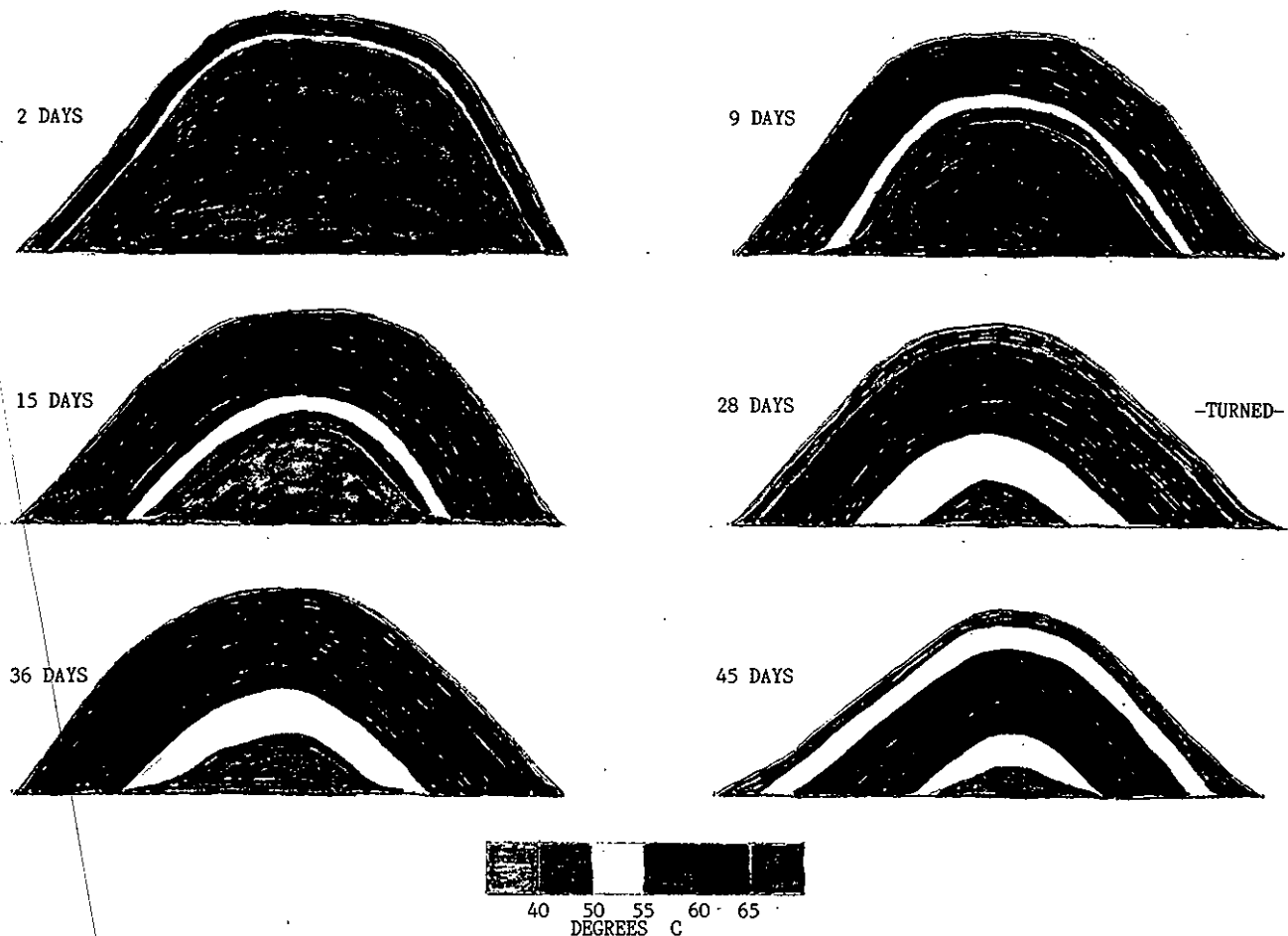
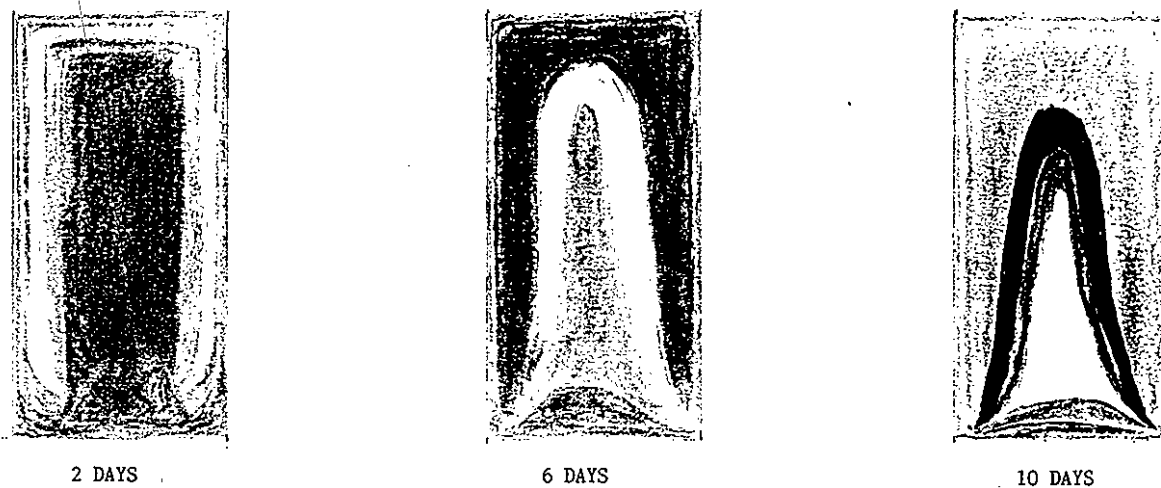


FIG. 3

TEMPERATURE CHANGES IN 8-FOOT HIGH, 4-FOOT WIDE COMPOSTING CAGES: DAYS AFTER MIXING: MIX AS IN ABOVE STACK.



NOTE THAT THESE TEMPERATURES ARE FROM A CAGE FILLED FROM EMPTY:
WHEN USED IN A CONTINUOUS PROCESS (MATERIAL ADDED AT THE TOP AT
THE SAME RATE IT IS REMOVED FROM THE BOTTOM) THE INITIAL WARMING-
UP PERIOD DOES NOT APPLY.

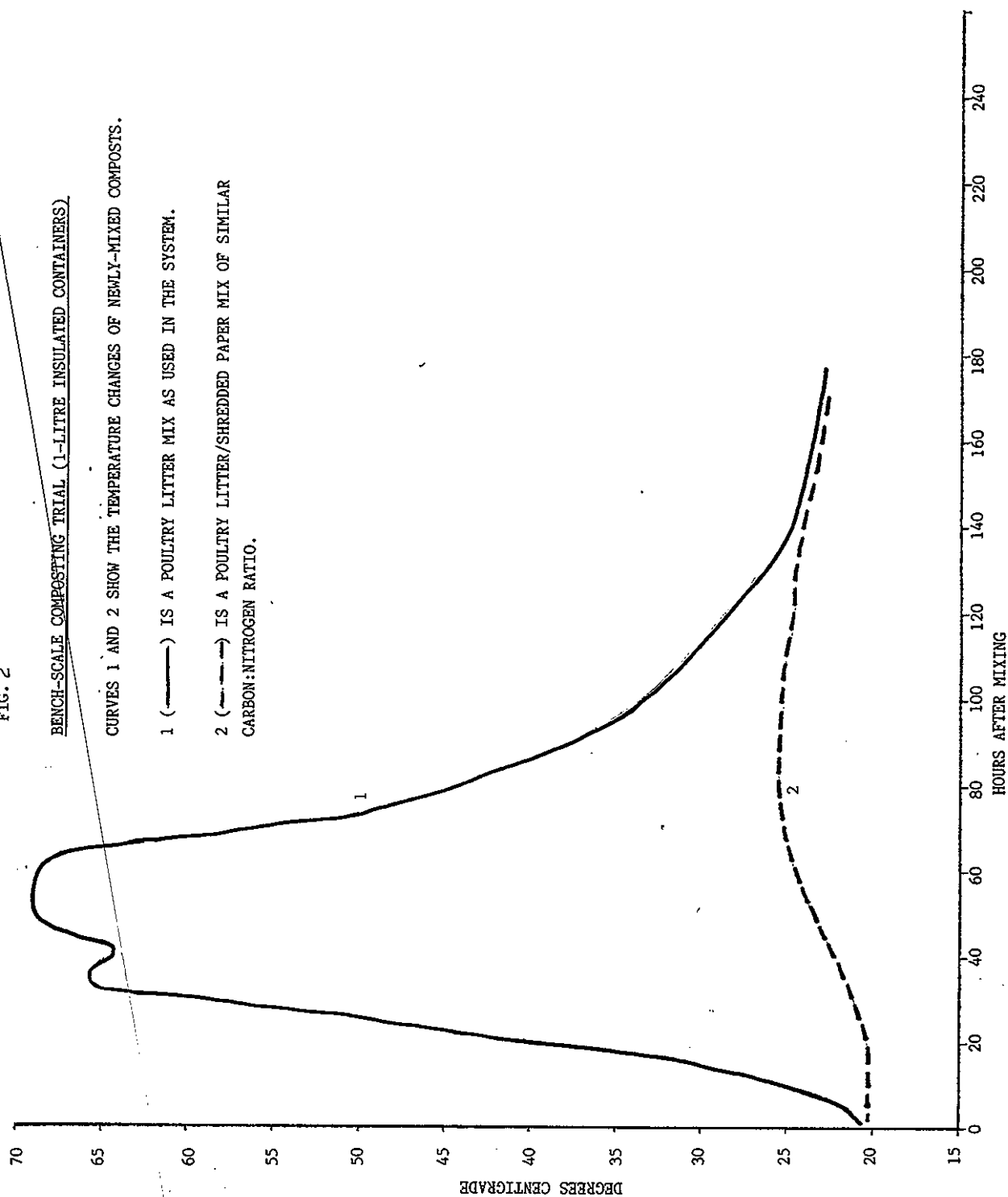
FIG. 2

BENCH-SCALE COMPOSTING TRIAL (1-LITRE INSULATED CONTAINERS)

CURVES 1 AND 2 SHOW THE TEMPERATURE CHANGES OF NEWLY-MIXED COMPOSTS.

1 (—) IS A POULTRY LITTER MIX AS USED IN THE SYSTEM.

2 (---) IS A POULTRY LITTER/SHREDDED PAPER MIX OF SIMILAR CARBON:NITROGEN RATIO.



TEG ENVIRONMENTAL PLC

5.4 Assessment of Composting Within the Current Waste Management Industry

The main categories of organic waste within the UK are as follows:

Type	Annual Tonnage ('000)	Suitable for composting ('000 tonnes)	Estimated Average present charge per tonne
Pharmaceutical	350	350	£800
Industrial (including chemical)	50,000	2,500	£200
Sewage	30,000	24,000 - 30,000	£80 +
Abattoir & meat ind.	1,700	1,700	£55
Household	14,000	2,500-4,500	£38
Park & Garden	2,500	1,800	£15
Agricultural	250,000	250,000	negligible
Food Processing & Brewery/Fermentation	2,600	2,600	£30
Forestry & Wood Processing	4,500	4,500	negligible

The currently established methods are:

i) Traditional Composting

Composting is a clear answer to the problem but the traditional methods being practised in Europe and in the UK (as yet on a small scale), frequently involve a composting time of up to six months even when the waste material has been mechanically shredded and turned or remixed.

Advanced methods of traditional composting are now widely practised in the United States of America on large specialised sites where it is heavily mechanised. These still suffer from relative slowness and, together with the need for frequent turning of the compost windrows, require larger sites.

ii) Anaerobic Digestion Systems

Organic waste can be disposed of through anaerobic digestion which recovers gas which can be used to generate energy. This can be a satisfactory but expensive solution to the problem, requiring investment in large scale capital plant for the process. By the nature of the process (anaerobic) this system can create noxious smells thus requiring that the plant is sited well away from populated areas.

iii) **Do-It-Yourself Composting**

Some Local Authorities are seeking cheaper solutions for household waste, by subsidising small local compost sites (traditional method), particularly for garden waste, in the hope that local communities will use these facilities rather than include this type of waste among the refuse taken by the collection service. The System is not currently competitive for this low disposal-cost waste stream.

iv) **The System**

The System can be applied to all types of organic waste, but is most commercially viable when applied to high disposal cost waste streams, particularly toxic and noxious material. Pharmaceutical, chemical, sewage, abattoir and meat wastes are particularly suitable for treatment using the System.

5.5 **Target Markets**

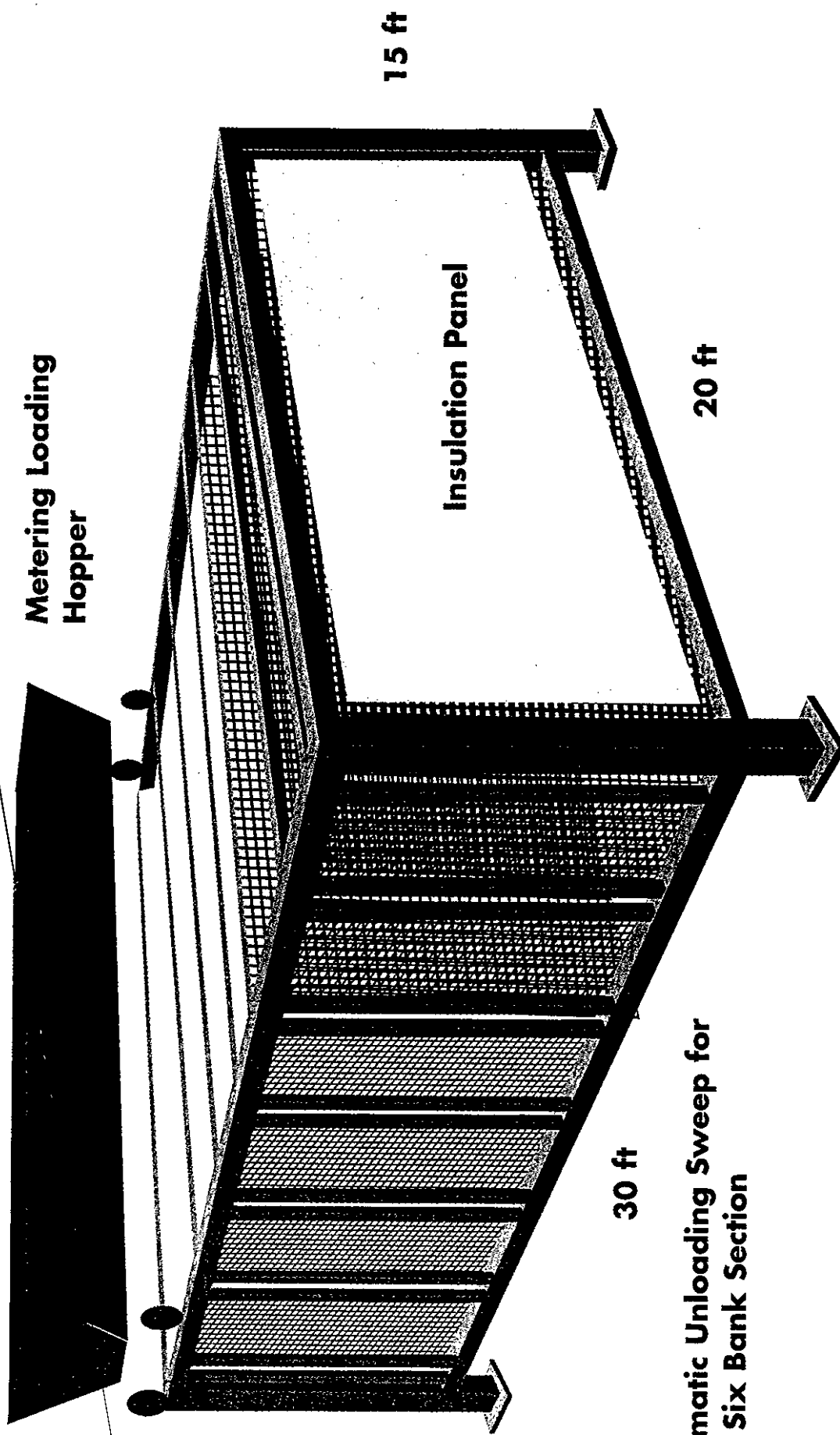
In the industrial waste sector, high disposal cost pharmaceutical and chemical waste provides by far the greatest long term potential for successful commercial exploitation. However, the consumer market will also be the immediate target to provide short term income and cash flow.

i) **The consumer market - the production of an organic peat-free compost fertiliser marketed to public authorities and the garden-centre market.**

The System when using selected waste materials produces an economic organic compost/fertiliser of a consistent quality. This is suitable for bulk sales to local authorities for parks and other land under their control, as well as to the horticultural, landscaping and outdoor leisure industries. The key selling points of the Company's product are the beneficial effects of a slow release of nutrients, it is odour free and will be supported by verified growing trials. The Company plans to produce it in bag form for wholesale marketing to the garden centre industry and is in contact with major distribution companies in this sector. Successful marketing to these outlets is expected to produce a higher profit than bulk sales. The production and sale of this product is expected to provide an earlier source of income to the Company while the other market opportunities for the System are developed. The total UK retail and horticultural market is estimated in the range of £25-£120 million (source: DoE Wastes Technical Division, Technical Summary 024-May, 1994).

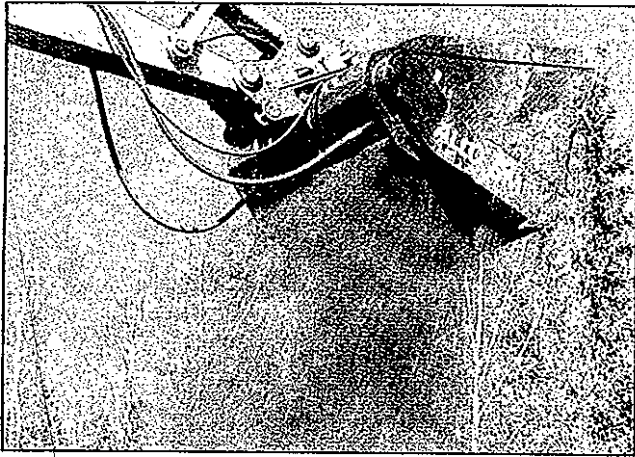
ii) **The industrial market - the high-disposal cost organic waste streams of the pharmaceutical and chemical industries.**

Companies in the pharmaceutical and chemical sector are subject to a high cost of disposal of their waste, much of it toxic and noxious, and have a major concern over the security of its destruction. They therefore require their waste to be disposed of at secure sites which are well managed and subject to their own audit of the disposal of their waste. Pharmaceutical organic waste generated is estimated at 350,000 tonnes annually (DoE). Total UK industrial chemical waste suitable for conventional composting amounts to 2.5 million tonnes per annum which represents 5% of the total waste from this sector. A high proportion of this waste may be available for composting with the use of the System.

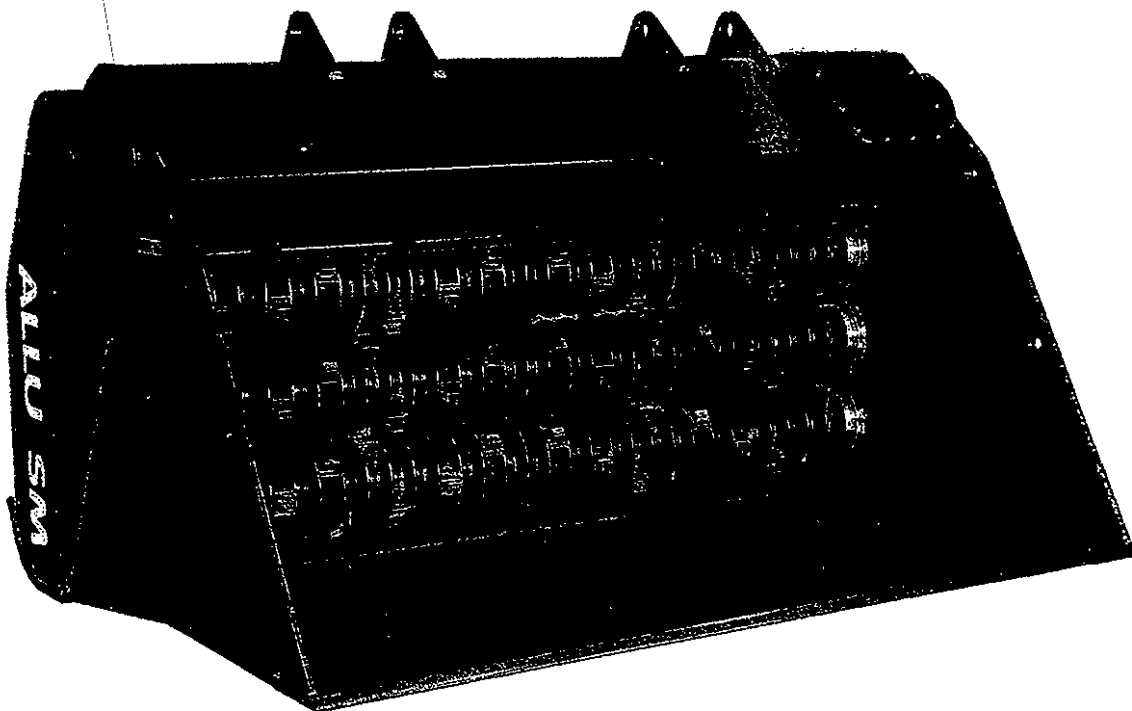
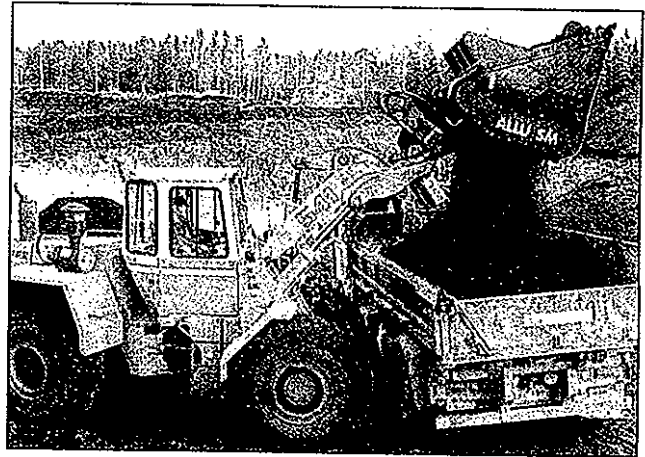


**Automatic Unloading Sweep for
Each Six Bank Section**

TEG SILO-CAGE



HYDRAULIC POWERED SHREDDER BUCKET
USED IN THE
PRODUCTION OF COMPOST FERTILIZER



TEG ENVIRONMENTAL PLC

To access this market, TEG is negotiating a collaboration agreement with a division of a major UK quoted company. This arrangement will provide well located secure sites with the required infrastructure with the bonus of access to the future development of the contaminated soil market with which TEG's intended partner is already concerned. TEG intends to provide technology, capital equipment, site supervision and on-going research, and lead the marketing of the service to the companies producing the targeted wastes. Confidentiality agreements have been exchanged together with a letter of understanding and draft Heads of Terms have been agreed. Completion is currently expected in January 1996; meanwhile joint marketing of the System has begun resulting in composting trials on a commercial scale of waste from selected pharmaceutical companies at a site of TEG's intended partner. TEG's share of income from this collaboration is expected to be in excess of £100,000 in 1997, and it is anticipated that turnover of the collaboration will build to approximately £4 million per annum by year five of which approximately £1,280,000 would be due to TEG.

The projections of revenue from this collaboration contained in section 7, are considered to be prudent as only pharmaceutical waste streams have been included. In addition, mycelium, the pharmaceutical waste with the lowest disposal cost, has been used as the basis of the projections.

iii) International

The Company is negotiating with the waste management and environmental division of a major US corporation to licence the System, with the provision of technological back-up and the benefit of on-going research. An agreement is being negotiated involving the payment of a licence fee and a structured commission on sales volume. It is currently anticipated that an eight year contract will be effective from January, 1996, meanwhile commercial scale trials are on-going. The US corporation believes this business will build to annual sales of between \$50 - \$100 million.

Licence fee and commission income will also be sought by marketing the System to companies in other countries where waste management and pollution is of increasing concern and disciplined by effective legislation, notably Northern American and European countries.

The USA market is the most advanced in the world in both recognising the problems of waste disposal and its pollution effect. It is estimated that the organic waste market in the US is 1.8 billion tons per year. The US compost market is currently estimated to be 518 million tons and growing. Composting in the United States is the most highly developed in scale, method, mechanisation and capital investment.

The relatively advanced stage of the development and use of composting in the United States, compared to the UK and Europe, provides a fertile market for the introduction of the System. Successful tests of the System involving major US Corporations concerned with the safe disposal of organic waste, have been undertaken at one of the world's most advanced composting sites. TEG's technology is capable of having a significant positive impact in reducing the cost of large scale composting.

Other industrial market opportunities include:

i) Sewage Treatment

European legislation prescribes that from 31st December, 1998 the current policy of sewage being pumped out to, or dumped into, the sea must end. All sewage will have to be dealt with on land and this is expected to raise the cost of sewage disposal and cause problems with both environmental groups and the public.

TEG ENVIRONMENTAL PLC

Over one million tonnes of dry solids of sewage sludge are produced annually in the UK as a result of sewage treatment. The responsibility for its safe and economic disposal lies with the 10 Water Authorities in England and Wales and, from 1996, with the three new Scottish Water Boards when they take over this responsibility from the present regional authorities. In the period up to the embargo on the disposal of sewage at sea, the companies responsible are planning and conducting trials on alternative means of disposal. However, there is a reluctance to accept some alternatives, such as the spreading of sewage sludge on land, by both the farming and residential communities suspicious of possible contamination. In co-operation with identified machinery manufacturers whose equipment can reduce the water content of sewage to 50%, TEG proposes to use the system with dewatered sewage sludge to produce a clean, odour-free product and intends to engage the services of civil engineers specialising in sewage disposal to assist in the promotion of the use of the System for this purpose.

ii) Contaminated Land

Contaminated land represents an excellent future market opportunity for the Company's System through the collaboration agreement with a division of a major listed UK company. The present methods of digging up contaminated soils and dumping in landfill sites are expected to become progressively more expensive and unacceptable, with the onus expected to be placed on owners and occupiers of contaminated sites to take remedial action. Trials have proved the efficiency of the System composting soils contaminated with explosives and hydrocarbons. It is anticipated that it may be five years before this market offers a profitable opportunity to the Company.

iii) High Disposal Cost Organic Waste

TEG intends to work with waste disposal companies which can provide licensed sites, with appropriate facilities to handle high disposal cost organic waste which is unsuitable or is expected to become unsuitable for landfill. It is anticipated that disposal costs for these types of waste are likely to increase, enabling the System to become of increasing importance as an economic alternative method of treatment.



GREEN WASTE AND SEWAGE SLUDGE
SHREDDED AND MIXED BEFORE
LOADING INTO TEG SILO-CAGES



TEG ENVIRONMENTAL PLC

6. DIRECTORS AND KEY PERSONNEL

6.1 Current Directors

Allen Sykes (aged 63), Non-Executive Chairman

Allen Sykes has mainly worked for British-based, major international companies, principally in the fields of mining, natural resources and energy and insurance.

He was a Managing Director of Consolidated Gold Fields plc from 1986 until the September 1989 takeover. He is a Non-Executive Director of Willis Corroon Group plc (where he was formerly finance director) and Chairman of the small composite insurance company, Economic Insurance Company Limited, a "Management Buy-Out" financed by Candover Investments plc. Between May 1990 and January 1994, he was a Director of the Canadian-based international packaging company Lawson Mardon Group Limited until the takeover by Alusuisse. He is also an active international adviser on the successful accomplishment of very large projects, including the £4 billion Protection of Venice Project. His background is economics, finance, accountancy and law.

Dick Bilborough (aged 64), Managing Director

Dick Bilborough has always worked in the Property and Agribusiness Sector, concerned with rural land-based activity and its related industries. This has covered farm land acquisition and management, land development, machinery manufacture and distribution, irrigation and milling companies, feed lots and meat packing, and leisure use development. His strength is general management with a heavy marketing bias.

While principally UK-based, his work has also covered the United States, Canada, South Africa, West and East Europe. He has been responsible for establishing new business in different countries and applying latest technology to improve production efficiency in differing markets.

He is a founder Director of Green Wall Sound Barriers Limited, founded in 1989 and was instrumental in the formation of TEG Environmental PLC in October 1995. He has spent the last two and a half years actively researching the market for commercial composting, both here and in the United States and identifying the opportunities for both companies.

Peter Drown, FCA (aged 45), Non-Executive

Peter Drown has been a Partner of Beavis Walker, a London based firm of Chartered Accountants since 1978. He is responsible for the firm's Corporate Finance activities and is an adviser to a number of quoted and large private companies.

Beavis Walker will be responsible for the control of TEG's accounting function and all taxation matters.

Beavis Walker has agreed to subscribe for 66,666 Shares at 30 pence per share, the aggregate amount being equal to their fees to be charged in connection with the Offer.

TEG ENVIRONMENTAL PLC

Dr Alan Heyworth BSc, PhD (aged 57), Technical Director

Dr Heyworth has been involved with commercial composting since the late 1950's. Initially through family and associated firms manufacturing peat-based composts and organic fertilisers, this involvement developed into extensive research over a twenty year period whilst at the University of Wales, culminating in the establishment of an environmental consultancy group, Environmental Consultants Limited. Through his work Dr Heyworth has established the optimum material mix and process for commercial composting which now constitutes the System.

John Hough, (aged 63), Non-Executive

John Hough spent his entire career in the insurance industry. He was Deputy Chairman of a major Lloyds Broker, when he resigned in 1973 to form a new independent organisation, Alwen Hough Johnson Limited, which, over a period of fifteen years, grew into a substantial business in the insurance market.

In 1987 he retired from all executive involvement as Chairman of Alwen Hough Johnson Limited, continuing as Chairman of AHJ Investments Limited, the Holding Company of the group that he founded.

He is currently Chairman of AHJ Investments Limited and Chairman of The Griffin Insurance Assn. Limited. (A Mutual Company incorporated for the purpose of insuring Errors and Omissions liability of insurance brokers)

Andrew Rabett BSc (Hons) (aged 38), Deputy Managing Director

Andrew Rabett obtained an Honours degree in Marketing at the University of Newcastle-upon-Tyne before pursuing a career in Sales and Marketing with Mercedes Benz. He ultimately became responsible, as an Area Sales Manager, for over half the UK market for Mercedes Benz specialist offroad tractor units selling to the military, Public Authorities and other industrial and agricultural users.

In 1987 due to his father's ill health, he rejoined the family farming business. Subsequently he also developed a contracting business utilising his machinery assets and skills for other farmers. A manager has now been hired for his business and Andrew Rabett will devote 100% of his time to TEG following the proposed fund raising. He will be responsible for all day to day operations.

TEG ENVIRONMENTAL PLC

6.2 Management

The Company has a strong, experienced Board with three Executive Directors who have the relevant skills and experience to develop the business. In the initial stages:

Dick Bilborough will lead and drive the marketing activity and frontline selling to the producers of high disposal cost waste streams; the pharmaceutical and chemical sectors in conjunction with TEG's intended collaboration partner; and directly with Water Companies for sales of the Company's machinery and technology for composting sewage sludge. He will also be responsible for selling the ACC licence agreement to overseas companies.

Dr Alan Heyworth, who has developed the technology underlying the Company's services, will provide the technical sales backup in all areas of the Company's activity and supervise the composting operations as they are established. He will also be responsible for the growing trials of the compost fertiliser product.

Andrew Rabett, Deputy Managing Director, is responsible for developing the Company's compost/fertiliser market which will provide the initial cashflow. He will be responsible for sourcing key raw material and sub-contracting the manufacture of the TEG Silo-cage, which he has assisted to develop, when orders are secured.

6.3 Keyman Insurance

It is intended to take out £200,000 of Keyman Life Assurance in respect of Andrew Rabett and Dr Alan Heyworth, and £200,000 of Personal Accident Insurance in respect of Dick Bilborough. The terms of such policies will be five years.

TEG ENVIRONMENTAL PLC

7. ILLUSTRATIVE PROJECTIONS

The tables below illustrate the possible profits of the Company, before tax, which the Directors believe could be achieved for the first four periods of trading of the Company. The following figures are illustrative projections only and should not be taken to constitute, and are not, a forecast of the Company's results.

Years ended 31st December

	1996 £000	1997 £000	1998 £000	1999 £000
Sales	110	664	1,496	2,204
Cost of Sales	79	180	201	238
Gross Profit	31	484	1,295	1,966
Gross Margin (%)	28	73	87	89
Overheads	220	412	625	735
Operating Profit/(Loss)	(189)	72	670	1,231
Operating Margin (%)	-	11	45	56
Profit/(Loss) Before Tax	(202)	53	641	1,195
Profit/(Loss) After Tax	(202)	53	508	800
EPS (pence)	(10.6)p	2.8p	26.7p	42.1p
Theoretical value per share (pence) assuming p/e ratio of:				
10	-	28p	267p	421p
9	-	25p	240p	379p
8	-	22p	214p	337p

The above figures must be read in conjunction with the risk factors that appear on page 6 and the following key assumptions.

- i) The Offer for Subscription achieves the required subscription of £330,000.
- ii) The total number of Shares in issue following the Offer is 1,900,000.
- iii) The trading activities of the Company commence in December 1995.
- iv) All figures have been included exclusive of VAT.
- v) There will be no change in taxation or national or local authority regulations that would significantly affect the Company.

TEG ENVIRONMENTAL PLC

8. PRO FORMA STATEMENT OF NET ASSETS

Set out below, for illustrative purposes only, is a pro forma Statement of Net Assets which has been prepared on the basis of the opening balance sheet as adjusted to take account of the Offer.

	The Company £	Net Proceeds of the Offer £	Pro forma £
FIXED ASSETS			
Tangible	-	-	-
Intangible	40,000	-	40,000
	<hr/>	<hr/>	<hr/>
CURRENT ASSETS			
Bank balances and cash	80,000	290,000	370,000
	<hr/>	<hr/>	<hr/>
	120,000	290,000	410,000
	<hr/>	<hr/>	<hr/>
CREDITORS DUE WITHIN ONE YEAR			
	90,000	-	90,000
	<hr/>	<hr/>	<hr/>
NET ASSETS	<hr/>	<hr/>	<hr/>
	£30,000	£290,000	£320,000
	<hr/>	<hr/>	<hr/>

On the basis of the above pro forma net assets of £320,000 and of 1,900,000 shares in issue following the Offer (assuming the required subscription under the Offer is achieved), the net assets per share amount to 17 pence.

Notes:

(1) The figures for The Company reflect:

- The issue of 800,000 Shares to Allen Sykes, Dick Bilborough, Andrew Fox, Dr Alan Heyworth, John Hough and Andrew Rabett at 10 pence a share and the position immediately prior to the Offer.
- Amounts due to be repaid in respect of pre incorporation expenditure.
- the value placed on the Company's intellectual property by the Directors.

(2) In preparing the pro forma statement, adjustment has been made to reflect:

- the issue of 1,100,000 shares pursuant to the Offer.
- to reflect the required £330,000 to be raised pursuant to the Offer.
- the estimated expenses of the Offer of £40,000.

TEG ENVIRONMENTAL PLC

9. FUNDING

9.1 Introduction

Additional funding is now required, to take TEG forward, to enable the finalisation of trading agreements discussed on page 14; to enable the progression of initial discussions with producers of pharmaceutical and toxic waste for its disposal; and actively to market its products/services both to existing and new contacts within the identified markets.

9.2 Funding Requirement

The total funds required to achieve the above is estimated to be £330,000 and is made up as follows:-

	(£'000)
Capital expenditure	74
Investment in collaboration agreement	25
Marketing	11
R & D	7
Working capital	173
Expenses of fund raising	40

£330

9.3 The Offer for Subscription

The total funds net of expenses raised from the Offer is estimated to be £290,000.

9.4 Debt Funding

Assuming the required £330,000 is subscribed, it is TEG's intention to raise up to a further £100,000 by way of a borrowing facility.

9.5 Working capital

The Directors of the Company are of the opinion that, assuming the required subscription is achieved, the Company has sufficient working capital for its present requirements.

TEG ENVIRONMENTAL PLC

10. TERMS AND CONDITIONS OF THE OFFER

10.1 Share Application and Issue Procedure

Applications for Shares on the Application Form must be made for a minimum of £1,500 and, thereafter, in multiples of £1,000, on or before the Closing Date. A currently dated cheque for the full subscription amount must accompany the application. The maximum individual subscription permitted is governed by the overriding requirement that, subject to the Company's discretion, no single investor may hold more than 24% of the Shares in issue following the Offer. A currently dated cheque for the full subscription amount and made payable to "The Royal Bank of Scotland plc A/C TEG Environmental PLC" must accompany the application. If by the Closing Date, applications for Shares in an aggregate amount in excess of £330,000 have been received, it is proposed that individual applications will be reduced proportionately to ensure that the amount subscribed for Shares will equal £330,000. Alternatively, at the discretion of the Directors and the Sponsor, the Offer may be closed early upon the receipt of applications for an aggregate subscription amount of £330,000. Share Certificates will be posted to successful applicants within 21 days of the Closing Date.

10.2 Share Issue Price

The amount payable on application for and issue of each Share is 30 pence which includes a premium of 25 pence. The par value of the Shares is 5 pence. The issue price of 30 pence will not have any adverse effect on the value of the Shares but will enable issue costs to be written off against share premium account and not charged to the profit and loss account of the Company in its first accounts following the Offer.

10.3 Shares Issued to Founders and Directors

Allen Sykes, Dick Bilborough, Andrew Fox, Dr Alan Heyworth, John Hough and Andrew Rabett have subscribed £80,000 for 800,000 shares.

10.4 The Closing Date

The date by which an application for Shares under the Offer, accompanied by a currently dated cheque for the subscription amount, must be received by the Sponsors is 15th December 1995. This date may be extended at the discretion of the Company and the Sponsors, but will not be extended beyond 29th February 1996.

10.5 Return of Subscription Monies

Application monies will be retained by The Royal Bank of Scotland plc in a separate designated client account pending allotment of shares. Interest earned on application monies pending allotment, or return to subscribers will be paid to the Company. If any application is not accepted or lapses the amount paid will be returned by cheque without interest. If any application is accepted for a lesser number of shares than the number applied for, the balance of the amount will be returned by cheque without interest.

TEG ENVIRONMENTAL PLC

12. AN OUTLINE OF THE ENTERPRISE INVESTMENT SCHEME

- 12.1 The EIS replaces the former Business Expansion Scheme and is designed to encourage, through the affording of certain tax reliefs to investors, investment in unquoted trading companies through the subscription for ordinary shares in such companies.

The principal tax reliefs available are:

- (a) an amount equal to 20% of the amount subscribed for the relevant shares (up to a maximum aggregate amount for all EIS investments made in any one year of £100,000) may be set off, on a pound for pound basis, against the investor's income tax liability for the tax year in which those shares are issued to him, thus reducing the effective initial cost of investment to 80%.
- (b) Provided an investment is held for five years and relief is not withdrawn or reduced, it is exempt from capital gains tax on its first disposal and;
- (c) a subscription for EIS shares may also qualify for Reinvestment Relief (see 12.3), in which case, an investor paying tax at the higher rate may qualify for relief and deferment totalling up to 60% of the investment.
- (d) If the investment fails or is sold at less than cost, loss relief should be available on the net loss against either the investors income or capital gains.

In order for EIS relief to be available, however, certain conditions must be satisfied by both the company issuing the EIS shares and the individuals subscribing for them.

- 12.2 Primarily, those conditions are:

- (a) the shares in question must be issued for the purpose of raising funds which will be applied by the EIS company wholly for employment in a qualifying trade carried on by that company or a qualifying subsidiary;
- (b) the shares must be issued for bona fide commercial purposes and not as part of a scheme or arrangements the main purpose or one of the main purposes of which is the avoidance of tax;
- (c) the shares must not carry any present or future preferential right to dividends or to the company's assets on a winding up;
- (d) the relief in paragraphs 12.1(a) and (b) above is restricted for most companies on a proportional basis where the company raises more than £1,000,000 as a result of the share issue;
- (e) to qualify for the relief, an investor must subscribe a minimum of £500 and relief is restricted to a maximum of £100,000 subscribed in any one tax year;
- (f) with certain limited exceptions, the investor must not be connected with the issuing company; investors previously unconnected with the company may become remunerated directors and can invest and obtain tax relief on their investment.

TEG ENVIRONMENTAL PLC

- (g) the issuing company must not be a subsidiary of another company and, except in limited circumstances, must not itself have subsidiary companies;
- (h) the issuing company's shares must not be quoted and must all be fully paid;
- (i) the company's trade must continue for a minimum three years and, in order to qualify as a qualifying trade, must not consist to any substantial extent of any of certain prohibited activities;

12.3 Reinvestment Relief

It is understood that the Shares will qualify for relief under EIS. As a result an investment in the Shares may be eligible for Reinvestment Relief. Where individuals have made a chargeable gain on the disposal of any asset after 29th November 1994 or where they make a gain on the disposal of any asset in the twelve months following investment in the Shares, then they may, on acquiring the Shares, be able to roll over the gains under the Reinvestment Relief provisions provided that the Company continues to satisfy the relevant statutory requirements.

Also, provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange and assuming that the Company remains a trading company or the holding company of a trading group and resident for tax purposes in the UK, the capital loss relief provisions contained in Section 573 to 576 Income and Corporation Taxes Act 1988 (subject to the relevant conditions specified in those sections) will apply to individuals and investment companies investing in the Shares.

In the case of an individual subscribing for shares, these provisions apply where he incurs, for CGT purposes, an allowable loss (after taking into account any Reinvestment Relief referred to above) on the disposal of the shares in any tax year. The loss can normally be set off either against the investor's income or gains in the year of disposal, or his income for the previous year, or against future CGT liabilities.

TEG ENVIRONMENTAL PLC

APPENDIX I: ACCOUNTANT'S REPORT

The following is the copy of a letter received from KPMG, Chartered Accountants, the auditors and reporting accountants to the Issue, regarding the Company:

The Directors
TEG Environmental PLC
Surrey House
39/41 High Street
Newmarket
Suffolk
CB8 8NA

KPMG
Chartered Accountants
37 Hills Road
Cambridge
CB2 1XL

Our ref: rff/cjs

Beavis Walker
Audrey House
16/20 Ely Place
London
EC1N 6SN

24th November 1995

Dear Sirs

TEG Environmental PLC ("the Company")

We have examined the financial statements of TEG Environmental PLC (the Company) from incorporation to 31st October 1995. Our work has been carried out in accordance with the Auditing Guidelines: Prospectuses and the reporting accountant.

The financial information set out below is based on the financial statements of the Company for which the Directors of the Company are solely responsible.

In our opinion the financial information set out below gives for the purposes of the Prospectus dated 24th November 1995, a true and fair view of the state of affairs of the Company at 31st October 1995.

We consent to the inclusion in the Prospectus dated 24th November 1995 of this report and accept responsibility of this report for the purposes of paragraph 45 (8)(b) of Schedule 1 of the Public Offers of Securities Regulations 1995.

1. Balance sheet

	Note	31 October 1995
		£
Current assets		
Debtors		2
		-
Capital and reserves		
Called up share capital	2.2	2
		-

TEG ENVIRONMENTAL PLC

2. Notes to the financial information

2.1 TEG Environmental PLC was incorporated on 3rd October 1995 under the name of Coincentral Public Limited Company (company number 3109613). It subsequently changed its name to TEG Environmental PLC. The Company has not yet commenced business, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

2.2 Called up share capital

The Company's initial authorised share capital was £100,000 divided into 100,000 Ordinary Shares of £1 each, of which 2 shares were issued not paid at par on incorporation. On 21st November 1995 the authorised capital was increased to £5,000,000 and then subdivided into 100 million Ordinary Shares of 5 pence each.

Yours faithfully
KPMG

TEG ENVIRONMENTAL PLC

APPENDIX II: STATUTORY AND GENERAL INFORMATION

1. Incorporation and Share Capital

- (a) The Company was incorporated in England and Wales, under the Companies Act 1985, with number 3109613, on 3rd October 1995 as Coincentral Public Limited Company. Its name was changed to TEG Environmental PLC on 6th November 1995.
- (b) TEG's initial authorised share capital was £100,000 divided into 100,000 Ordinary Shares of £1 each, of which 2 shares were issued not paid at par on incorporation. On 21st November 1995 the authorised share capital was increased to £5,000,000 and then subdivided into 100,000,000 Ordinary Shares of 5 pence each.
- (c) TEG will, on the Offer becoming unconditional, apply for a Certificate of Entitlement to do business and borrow under section 117(1) of the Companies Act 1985.
- (d) The Directors pursuant to Ordinary and Special Resolutions respectively passed at an Extraordinary General Meeting of the Company held on 21st November are authorised and empowered.
 - (i) generally and unconditionally pursuant to section 80 of the Companies Act 1985 to allot the relevant securities (as defined in section 80 of that Act) such authority and power being limited to a nominal amount of up to £5,000,000; and
 - (ii) pursuant to section 95 (1) of that Act to allot equity securities (as defined in section 94 of that Act) as if section 89 (1) of that Act did not apply to such allotment and to make at any time prior to the expiry of the power conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power.

Each of the authorities and powers referred to above expires on 21st November 2000. The authority for the purposes of section 80 is subject to the condition that no such shares would be allotted or issued if by reason thereof the Company would no longer be a qualifying Company under the terms of the Enterprise Investment Scheme as from time to time enacted. The Directors will not exercise their powers to allot shares such that the Company would be under any obligation to remain a qualifying company for the EIS purposes after 21st November 2000.

- (e) Immediately following completion of the Offer (on the assumption that the required subscription is achieved the authorised and issued share capital of the Company will be as follows:

Class	Authorised		Issued and fully paid	
	Nominal	Number	Nominal	Number
Ordinary	£5,000,000	100,000,000	£95,000	1,900,000

- (f) TEG has no subsidiaries.

TEG ENVIRONMENTAL PLC

- (g) Save as disclosed above no share or loan capital of the Company has since its incorporation been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or a consideration other than cash and no discounts or other special terms have been granted by the Company during such a period in connection with the sale or issue of any shares or loan capital of any such company.
- (h) No share capital of the Company is under option and there is no conditional or unconditional agreement to put any such capital under option.

2. Directors and Other Interests

- (a) The Directors of the Company, each of whose business address for the purposes hereof is Surrey House, 39/41 High Street, Newmarket, Suffolk, CB8 8NA are Allen Sykes, Dick Bilborough, Peter Drown, Dr Alan Heyworth, John Hough and Andrew Rabett.
- (b) The interests in the shares in TEG of the Directors and founders of the Company including persons connected with them within the meaning of section 346 of the Companies Act 1985, which have been notified by each Director to TEG pursuant to section 324 of section 328 of the Act are as follows:

Name	Number of Shares		
	Prior to Offer	Following Offer	% Holding
Allen Sykes	132,000	132,000	6.9
Dick Bilborough	227,000	227,000	12.0
Peter Drown	-	66,666	3.5
Andrew Fox	85,000	85,000	4.5
Dr Alan Heyworth	112,000	112,000	5.9
John Hough	132,000	132,000	6.9
Andrew Rabett	112,000	112,000	5.9
Total	<u>800,000</u>	<u>866,666</u>	<u>45.6</u>

The number of shares following the Offer excludes any further shares that Directors and founders of the Company may subscribe for under the Offer.

Other than the above there are no shareholders, known to the Directors at this time, who will have a holding of more than 3% assuming the required subscription is achieved.

- (c) Other than the acquisition of the System from Dr Alan Heyworth and certain intellectual property from Andrew Rabett in connection with the Silo-cages (see 4(b) and 4(c) below), no Director has or has had any direct or indirect interest in any asset which has been acquired or disposed of, by, or leased to TEG since the date of its incorporation or which is proposed to be so acquired, disposed of or leased.
- (d) The following Directors will have executive service contracts with the Company on the following basic terms:
- i) Dick Bilborough is to be employed as Managing Director at an initial salary of £10,500 per annum (subject to upwards review) for a fixed term of 3 years, terminable thereafter on 3 months notice.

TEG ENVIRONMENTAL PLC

- ii) Andrew Rabett is to be employed as Deputy Managing Director at an initial salary of £18,000 per annum (subject to upwards review) for a fixed term of 3 years, terminable thereafter on 3 months notice.
- iii) Dr Alan Heyworth is to be employed as Technical Director at an initial salary of £18,000 per annum (subject to upwards review) for a fixed term of 3 years, terminable thereafter on 3 months notice.
- (e) Dick Bilborough and Peter Drown are also Directors of GSB (Holdings) PLC and Allen Sykes and John Hough proposed Directors. The principal activity of GSB (Holdings) PLC is the construction of environmentally friendly and cost effective barriers designed to protect properties from noise pollution and the target customers of which are similar to those of the Company. GSB (Holdings) PLC is currently raising up to £195,000 through an EIS.
- (f) The Company has entered into an agreement for services with Beavis Walker pursuant to which in consideration for an initial fee of £20,000 and an annual fee of £15,000 Beavis Walker will provide the following services to the Company: Sponsor of the Offer; monitoring of operations; Peter Drown's services as a Director; Corporation Tax compliance and registered office services. The agreement is for a period of 5 years, and thereafter is terminable on 3 months notice.
- (g) It is intended that remuneration, if any, of all Non-Executive Directors, will be discussed after the end of the first year's trading.
- (h) Except as detailed above there is no contract or arrangement to which the Company is a party and in which any Director is materially interested and which is significant in relation to the proposed business of TEG and no amount or benefit has been or is intended to be paid or given to any promoter of TEG.

3. Memorandum and Articles of Association

- a) The Memorandum of Association contains (inter alia) provisions to the following effect:
 - (i) Liability

The liability of the members is limited.
 - (ii) Objects

The Company's principal objects are to carry on:

 - The business of commercial composting and disposal of organic waste.
 - Any other trade or business whatever which can in the opinion of the Board of Directors be advantageously carried on in connection with or ancillary to any of the businesses of the Company.

TEG ENVIRONMENTAL PLC

b) The Articles of Association contain (inter alia) provisions to the following effect:

(i) Share Capital

The Company's share capital comprises Ordinary Shares of 5p each which rank *pari passu* in all respects and, in particular, have the following rights:

- **Voting.** 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, not being himself a member entitled to vote, shall have one vote and on a poll every member shall have one vote for every share of which he is the holder.
- **Dividends.** Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members but no dividend shall exceed the amount recommended by the Directors. Subject to the Act, the Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. All dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Dividends will be paid net of the appropriate rate of tax (currently 25%) withheld at source. A general meeting declaring a dividend may, upon the recommendation of the Directors, direct that it shall be satisfied wholly or partly by the distribution of assets. Dividends may be paid by cheque, sent by post to the registered address of the person entitled. No dividend shall bear interest. Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Directors so resolve, be forfeited.
- **Return of Capital.** On a winding up the liquidator may with a sanction of an extraordinary resolution of the Company and any other sanction required by the Act divide among the members in specie the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members. The liquidator may with the like sanction vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines but no member shall be compelled to accept any assets upon which there is a liability.
- **Redemption.** The Shares are not subject to redemption, other than as provided in the Act.

(ii) Variation of Rights

Subject to the Act, all or any of the rights or privileges attached to any class of shares may be varied in such a manner (if any) as may be provided by such rights or in the absence of any such provision, either with the consent of the holders of at least three quarters of the nominal amount 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 issued shares of that class, but not otherwise.

TEG ENVIRONMENTAL PLC

(iii) Transferability

The Directors may during the period expiring on 6th April 2001 refuse to register any proposed transfer or transfers of Shares that would give rise to a person or persons having a controlling interest (which expression means for the purpose of the relevant article the ability to exercise or control the exercise of in aggregate more than 50% of the total voting rights, within the meaning of section 736(A)(2) of the Act, capable of being exercised at general meetings of the Company). The Directors may, in their absolute discretion, decline to register any transfer of any Share which is not a fully paid share or of which the Company has a lien or in other limited circumstances. Subject to the foregoing, any member may transfer all or any of his Shares by an instrument of transfer in any usual form or in any other form which the Board may approve.

(iv) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money without limit as to amount and upon such terms and in such manner as they think fit and subject (in the case of any security convertible into Shares) to section 80 of the Act, to grant any mortgage, charge or standard security over its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

4. Material Contracts

- (a) The Executive Service Contracts and the Agreement for services referred to in 2(d) and 2(f) above.
- (b) The Transfer of Intellectual Property Rights between Dr Alan Heyworth and the Company whereby Dr Heyworth transfers all rights in the System to the Company, in consideration for payments of £35,000 and a royalty based on future turnover, conditional on the Offer becoming unconditional.
- (c) The Transfer of Intellectual Property Rights between Andrew Rabett and the Company whereby Mr Rabett transfers all rights in the design of the Silo-cages to the Company, in consideration for the payment of £5,000, conditional on the Offer becoming unconditional.

5. Commission Arrangements

Commission will be paid to all intermediaries in raising the subscription monies pursuant to the Offer at the rates set out below. For these purposes the monies raised means the monies raised and accepted by TEG. On monies raised by an intermediary up to £250,000 a commission at the rate of 3% shall be paid and on monies raised by an intermediary which total between £250,000 and £330,000 a commission at the rate of 4% shall be paid on the whole of the monies raised.

6. General

- (a) The amount which, in the opinion of the Directors, must be raised by the Offer in order to provide the sums required as outlined in this Prospectus is £330,000.
- (b) The Company is not engaged in any litigation or arbitration and so far as the Directors are aware has no litigation or claim pending or threatened against it.

TEG ENVIRONMENTAL PLC

- (c) The following have given and not withdrawn their written consent to the issue of this Prospectus with inclusion therein of their report and references thereto in the form and context in which they are included:
 - (i) KPMG, Chartered Accountants, in relation to their Report.
 - (ii) Royal Bank of Scotland in relation to its role as Receiving Banker.
- (d) The documents attached to the copies of this Prospectus delivered to the Registrar of Companies for registration comprise the Application Form, copies of the material contracts referred to in paragraph 4 above and the written consents mentioned in sub-paragraph 6 (c) above.
- (e) TEG's accounting date is 31st December in each year and the first accounts will be prepared for the period to 31st December 1996.
- (f) No financial information contained in this Prospectus is intended by the Company to represent or constitute a forecast of profits by TEG nor to constitute publication of accounts by it.
- (g) The estimated amount of expenses of the Offer including accountancy and legal fees and the costs of printing and despatching this document, is £40,000 and will be payable by TEG. However, Beavis Walker have agreed to subscribe an amount equivalent to their fee (£20,000) for Shares pursuant to the Offer. No figure has been included in the above amount in respect of commissions paid to intermediaries who introduce investors as the Directors believe this figure is unquantifiable at this stage.
- (h) No underwriters or paying agents are involved with the Offer for Subscription.

7. Documents for Inspection

Copies of the following documents are available for inspection at the Company's registered office during usual business hours on any week day other than public holidays (until the application list has been closed):

- (a) the Memorandum and Articles of Association of TEG;
- (b) the material contracts referred to in paragraph 4 above;
- (c) the report of KPMG, Chartered Accountants set out in this Prospectus;
- (d) the written consents mentioned in paragraph 6 (c) above ; and
- (e) the letter to the Inland Revenue seeking EIS clearance

THIS DOCUMENT IS IMPORTANT AND MUST BE READ IN CONJUNCTION WITH THE PROSPECTUS ISSUED BY TEG ENVIRONMENTAL PLC DATED 24TH NOVEMBER 1995 ("THE PROSPECTUS"). THE DEFINITIONS USED IN THE PROSPECTUS APPLY IN THIS APPLICATION FORM.

In considering what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other authorised independent professional adviser.

TEG ENVIRONMENTAL PLC

APPLICATION FORM

OFFER FOR SUBSCRIPTION

UNDER THE ENTERPRISE INVESTMENT SCHEME

**of 1,100,000 Ordinary shares of 5 pence each
at 30 pence per share payable in full on application**

The subscription list for shares will open on the 24th November 1995 at 10.00am and will close as soon as the subscription list is fully subscribed and no later than 3.00pm on 15th December 1995 (unless extended at the discretion of the Directors of TEG Environmental PLC and the Sponsor).

Your attention is drawn to the section on Risk Factors set out on page 6 of the Prospectus

Applications for Shares must be made only on the attached Application Form upon the Terms and Conditions set out on page (iv) of this form of application. The completed Application Form must be delivered by hand or by post to The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, P O Box No. 859, Consort House, East Street, Bedminster, Bristol, BS99 1XZ; or by hand only to The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, 67 Lombard Street, London EC3P 3DL

The subscription list for the Shares now being offered will open at 10.00am on 24th November 1995 and will close once the issue has been fully subscribed and will not remain open later than 3.00pm on 15th December 1995 unless extended prior to that date.

The Offer for Subscription is conditional upon minimum subscriptions of £330,000.

In the event of over subscription and subject as mentioned in the terms and conditions, individual applications will be reduced proportionately to ensure that the maximum amount subscribed for Shares will equal £330,000. Applicants are advised to allow two full business days for delivery through the post within the United Kingdom and to use first class mail.

How to Complete the Application Form

1. Insert in Box 1 (in figures) the number of shares (if any) for which you are applying and their (if any) total subscription price which will be the amount for which your cheque or bankers draft should be drawn.

Applications must be for a minimum subscription of £1,500 and thereafter in multiples of £1,000.

The maximum individual subscription permitted is governed by the overriding requirement that, subject to the Company's discretion, no single investor may hold more than 24% of the Shares in issue following the Offer for Subscription.

2. Insert in Box 2 your full name and address in block capitals.
3. Sign and date the application form in Box 3.
4. Agents who are entitled to receive commissions should stamp and complete Box 4 giving their full name and address, telephone number and details of their authorisation under the Financial Services Act 1986. TEG Environmental PLC reserves the right to withhold payment of any commission if it is not, in its sole discretion, satisfied that the agent is so authorised.
5. Send your completed application form and a cheque or bankers draft for the amount specified in Box 1 payable to "The Royal Bank of Scotland plc A/C TEG Environmental PLC" and crossed "not negotiable" by hand or by post to The Royal Bank of Scotland plc, Registrars' Department, New Issues Section, P O Box No. 859, Consort House, East Street, Bedminster, Bristol BS99 1XZ; or by hand only to The Royal Bank of Scotland plc, Registrars' Department, New Issues Section, 67 Lombard Street, London EC3P 3DL.

TEG ENVIRONMENTAL PLC

Application Form for Ordinary Shares

Issue of 1,100,000 Ordinary Shares of 5 pence each at 30 pence per share ("the Shares") payable in full on application

TO: The Directors, TEG Environmental PLC ("TEG")

Dear Sirs

I irrevocably offer to subscribe for the number of fully paid Shares set out in Box 1 below on the terms of the prospectus relating to TEG Environmental PLC dated 24th November 1995 ("the Prospectus") and the conditions set out overleaf subject to the Memorandum and Articles of Association of TEG Environmental PLC. I agree to accept the same or any lesser number of Shares in respect of which this application may be accepted subject to a minimum of 1,000 Shares. This application is conditional upon a minimum subscription for the Shares in respect of £330,000.

I have taken such advice as may be appropriate from an independent financial adviser authorised under the Financial Services Act 1986 as to whether the Shares are suitable investments in the light of my personal circumstances and the resources available to me and I have read and understand the Prospectus and am aware of the risks involved in investing in the Shares.

I enclose a cheque or bankers draft for the amount set out in Box 1 payable to The Royal Bank of Scotland plc A/C TEG Environmental PLC and crossed "not negotiable" being the amount payable in full for the application of the stated number of Shares.

I understand that completion and delivery of this application form constitutes an undertaking that the enclosed cheque will be honoured on first presentation.

I hereby request you to send me at the address given below at my risk (a) definitive share certificate(s) for the number of Shares in respect of which this application is accepted together with a cheque, if applicable, for any surplus application monies.

Box 1	Number of Shares	Amount payable at 30 pence per Share
Total Shares applied for		

Applicants details: (Please use Block Capitals)

Box 2

Mr/Mrs/Miss/or Title:
Forenames in Full:
Surname:
Address in Full:
Post Code:
Daytime Telephone No:

Box 3

Signature:

Dated:

Stamp of Introducing Agent

We confirm that we are authorised under the Financial Services Act 1986 to handle investments in EIS companies

Name:
Firm/Company
Address
.....

Authorisation
Telephone No

Box 4

TERMS AND CONDITIONS OF APPLICATION

1. Application must be for a minimum subscription of £1,500 and thereafter in multiples of £1,000 thereafter.
2. Applications will be irrevocable. Application monies will be retained by The Royal Bank of Scotland plc in a separate designated client account pending allotment of shares. Interest earned on application monies pending allotment will be paid to TEG Environmental PLC. Post-dated cheques will not be accepted.
3. Completion and delivery of an application form accompanied by a cheque will constitute an irrevocable undertaking that such cheque will be honoured on first presentation.
4. If any application is not accepted or lapses the amount paid will be returned by cheque without interest. If any application is accepted for a lesser number of shares than the number applied for, the balance of the amount will be returned by cheque without interest.
5. Share Certificates will be posted to successful applicants within 21 days of the date of issue of the Shares.
6. All cheques and other documents will be despatched by post at the risk of the person entitled thereto.
7. TEG Environmental PLC reserves the right:
 - (a) to present all cheques for payment on receipt and to retain documents of title and surplus application monies pending clearance of applicants' cheques; and
 - (b) to reject any application or to accept any application in part only.
8. In consideration of TEG Environmental PLC agreeing to consider his or her application on the terms of and subject to these conditions the application shall constitute a collateral contract between the applicant and TEG Environmental PLC which shall become binding upon delivery of this Application Form duly completed at the address shown.
9. Each applicant agrees:
 - (a) that in making this application he or she is not relying on any information or representation relating to TEG Environmental PLC other than those contained in the Prospectus and accordingly agrees that no persons responsible solely or jointly for the Prospectus is liable for any such other information or representation;
 - (b) that, having had the opportunity to read the Prospectus, he or she shall be deemed to have had notice of all information and representations concerning TEG Environmental PLC and the Shares contained in it;
 - (c) to accept the same or any lesser number (being no less than 1,000) of Shares in respect of which this application may be accepted.
10. No person receiving a copy of the Prospectus and/or any Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation to him, nor should he in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him or such form could lawfully be used without compliance with any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection herewith, including obtaining any governmental or other consents which may be required or observing any other formalities needing to be observed in such territory.
11. All applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English Law and each applicant submits to the jurisdiction of the English Courts and agrees that nothing shall limit the right of TEG Environmental PLC to bring any action, suit or proceedings arising out of or in connection with any such application, acceptances and contracts in any other manner permitted by law or in any court or competent jurisdiction.