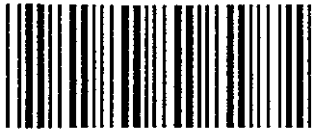


# SEPARATOR SHEET



\*ZZZZZ\*

GWR GROUP PLC

Y15143



KLO \*KU2LHK24\* 542  
COMPANIES HOUSE 22/03/96

715143

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services Act 1986.

If you have sold or transferred all your ordinary shares in GWR Group plc (other than ex-rights) or your shares in East Anglian Radio plc, you should forward this document to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This document, which comprises a prospectus and listing particulars relating to GWR Group plc has been prepared in accordance with Part IV of the Financial Services Act 1986 and the Listing Rules made thereunder. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with sections 149 and 154A of that Act.

Hambros (which is regulated by The Securities and Futures Authority Limited) is acting exclusively for GWR Group plc in relation to the Acquisitions and the Rights Issue and is not advising any other person or treating any other person as its client in relation to the Acquisitions and/or the Rights Issue. Hambros will not be responsible to any persons other than GWR Group plc for providing protections afforded to its clients or advising them on the contents of this document or any matter referred to herein.

## GWR Group plc

Recommended offer for East Anglian Radio PLC

Proposed acquisition of Radio New Zealand Limited

and

10 for 39 Rights Issue of 17,827,136 Stock Units  
(automatically convertible into GWR Shares)

at 205p per Stock Unit payable in two instalments

Application has been made to the London Stock Exchange for the Stock Units, the Rights Shares and the GWR Consideration Shares to be admitted to the Official List. It is expected that, in the case of the Stock Units, admission will become effective and dealings will commence, nil paid, on 25th March, 1996. It is expected that, in the case of the GWR Consideration Shares, admission will become effective and dealings will commence on the first dealing day following the day on which the East Anglian Radio Offer becomes or is declared otherwise unconditional in all respects.

**The latest time for acceptance and payment of the First Instalment is 12.00 midnight on 16th April, 1996. The procedure for acceptance and payment is set out in Part III of this document and in the Provisional Allotment Letter.**

C E BLACKWELL

by his attorney

R J PALMER

by his attorney

R N GILBERT

by his attorney

R M BERNARD

by his attorney

H J MEAKIN

by her attorney

N S TRESILIAN

by his attorney

J H TRAFFORD

by his attorney

J P E TAYLOR

by his attorney

S J PIRIE

by her attorney

## DEFINITIONS

The following definitions apply throughout this document and the Provisional Allotment Letter unless the context requires otherwise:

"Acquisitions"	the RNZ Acquisition and the proposed acquisition of East Anglian Radio by GWR pursuant to the East Anglian Radio Offer
"Act"	Companies Act 1985
"Capital Radio"	Capital Radio PLC or, where the context requires, one or more of its subsidiary undertakings
"Chiltern stations"	the radio stations operated by Chiltern Radio PLC
"Circular"	the circular to GWR Shareholders dated 22nd March, 1996
"Conversion Date"	7.00 am (London time) on (a) the business day immediately following the Second Instalment Payment Date or (b) in relation to Stock Units for which payment of the Second Instalment is accepted late by the Company, the business day following the date of such payment or (c) if the Second Instalment is cancelled or in certain other circumstances specified in the Deed Poll, the time and date ascertained in accordance with the provisions of the Deed Poll
"Conversion Rate"	a rate of one new GWR Share for each fully paid Stock Unit in issue on the Conversion Date, as adjusted from time to time in the circumstances referred to and in the manner provided in the Deed Poll
"Deed Poll"	the deed poll made by the Company constituting the Stock dated 22nd March, 1996
"Directors" or "Board"	the directors of the Company
"East Anglian Radio"	East Anglian Radio PLC
"East Anglian Radio Group"	East Anglian Radio and its subsidiary undertakings
"East Anglian Radio Offer"	the recommended offer by Hambros on behalf of GWR to acquire the whole of the issued and to be issued share capital of East Anglian Radio as described in Part II of this document
"East Anglian Radio Offer Resolution"	the ordinary resolution to be proposed at the Extraordinary General Meeting in respect of the East Anglian Radio Offer
"East Anglian Radio Shares"	ordinary shares of 25p each in the capital of East Anglian Radio
"East Anglian Radio Shareholders"	holders of East Anglian Radio Shares
"East Anglian Radio Share Options"	options outstanding under the East Anglian Radio PLC Employee Share Option Scheme and under the agreement between East Anglian Radio and GR Stuart
"Enlarged Group"	the Group as enlarged by the Acquisitions
"Extraordinary General Meeting"	the extraordinary general meeting of the Company convened for 10.30 a.m. on 9th April, 1996, notice of which is set out in the Circular, or any adjournment thereof
"First Instalment"	the initial instalment of 74p payable on acceptance in respect of each Stock Unit
"Form of Acceptance"	the form of acceptance and authority relating to the East Anglian Radio Offer
"GWR" or "Company"	GWR Group plc
"GWR Consideration Shares"	the new GWR Shares to be issued credited as fully paid pursuant to the East Anglian Radio Offer
"GWR Group" or "Group"	the Company and its subsidiary and associated undertakings at the date of this document
"GWR Shares"	ordinary shares of 5p each in GWR
"GWR Shareholders"	holders of GWR Shares

"GWR South stations"	the radio stations operated by GWR (West) Limited, Wiltshire Radio plc, Thames Valley Broadcasting plc, Two Counties Radio Limited and Isle of Wight Radio Limited
"Hambros"	Hambros Bank Limited
"Harmsworth Media"	Harmsworth Media Limited, a wholly-owned subsidiary of Daily Mail & General Trust plc
"Independent Directors"	the directors of East Anglian Radio other than Mr. C. Cox who is an employee of Harmsworth Media, which is a substantial shareholder in both GWR and East Anglian Radio
"James Capel"	James Capel & Co. Limited
"Kiwi Share"	the one ordinary share of NZ\$1 in RNZ to be retained by the New Zealand Government pursuant to the RNZ Acquisition
"Listing Rules"	the listing rules and regulations made by the London Stock Exchange under the Financial Services Act 1986
"London News Radio"	London News Radio Limited
"London Stock Exchange"	London Stock Exchange Limited
"Midlands stations"	the radio stations operated by Beacon Broadcasting Limited, Radio Trent Limited, Leicester Sound Limited, Mercia Sound Limited and RAM FM Limited
"Mid Anglian stations"	the radio stations operated by Hereward Radio Limited, Mid Anglian Radio plc and Cambridge and Newmarket FM Limited
"NewCo"	a company that it is intended will acquire RNZ
"New Zealand Government"	Her Majesty the Queen in right of New Zealand acting by and through Her Minister of Finance and Her Minister for State-Owned Enterprise
"New Zealand Institutions"	the institutions referred to on page 6 of this document
"Offer Document"	the offer document dated 22nd March, 1996 setting out the terms and conditions of the East Anglian Radio Offer
"Official List"	the Official List of the London Stock Exchange
"Prospect Acquisition"	the acquisition of the entire issued share capital of each member of the Prospect Group and of certain related assets by members of the GWR Group on 15th March, 1996 as described in Part IX of this document
"Prospect Group" or "Prospect"	Prospect Limited, Primedia Auckland Limited, Primedia Hamilton Limited, Look Outdoor Limited, Median Limited, Arrow Limited, Ran Limited, IRN Limited, Studio Time Limited, Graphics Outdoor Limited and Primedia Limited
"Provisional Allotment Letters"	the renounceable provisional allotment letters in respect of Stock Units
"Qualifying Shareholders"	those holders of GWR Shares on the register of members of GWR at the close of business on the Record Date who are entitled to subscribe for Stock Units in accordance with the terms set out in this document and the Provisional Allotment Letter
"RAJAR/RSL"	Radio Joint Audience Research Limited/Research Services Limited
"RNZ"	Radio New Zealand Limited
"RNZ Acquisition"	the proposed acquisition of RNZ as described in Parts I and IV of this document
"RNZ Acquisition Agreement"	the conditional agreement pursuant to which GWR or its nominee (in accordance with the terms thereof) will acquire the entire issued share capital of RNZ (other than the Kiwi Share) if the New Zealand Government accepts the Tender Offer
"RNZ Resolution"	the ordinary resolution to be proposed at the Extraordinary General Meeting in respect of the RNZ Acquisition and the authorities necessary to enable the Company to satisfy entitlements to Rights Shares in the event the Second Instalment is not cancelled
"Receiving Bank"	The Royal Bank of Scotland plc, Registrar's Department, New Issues Section

"Record Date"	18th March, 1996
"Rights Issue" or "Issue"	the proposed issue by way of rights of 17,827,136 Stock Units to Qualifying Shareholders on the terms and subject to the conditions set out in Part III of this document
"Rights Shares"	the new GWR Shares to be issued on conversion of the Stock in accordance with the terms of the Deed Poll
"Second Instalment"	the final instalment of up to 131p payable, subject to the conditions set out in the Deed Poll, in respect of each Stock Unit
"Second Instalment Notice"	the notice to Stockholders requiring payment of the Second Instalment
"Second Instalment Payment Date"	the date on which the Second Instalment becomes due and payable, as set out in the Deed Poll
"Securities Act"	the United States Securities Act of 1933 (as amended)
"Share Options"	share options outstanding under the Share Option Schemes
"Share Option Schemes"	the GWR 1995 Executive Share Option Scheme and the GWR 1995 Savings-Related Share Option Scheme
"Stock"	the £891,356.80 convertible subordinated unsecured loan stock 1996/2001 of GWR, constituted by the Deed Poll, which is to be offered pursuant to the Rights Issue
"Stockholders"	the holders of Stock
"Stock Unit"	a unit of Stock of 5p nominal value
"Subscription Price"	205p per Stock Unit, payable in two instalments
"Tender Offer"	the offer by GWR to acquire from the New Zealand Government the whole of the share capital of RNZ, except for the Kiwi Share
"Underwriting Agreement"	the underwriting agreement dated 22nd March, 1996 between GWR and Hambros described in paragraph 7 of Part IX of this document
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America, and the District of Columbia

In this document, unless otherwise specified:

- except as noted below amounts in New Zealand dollars ("NZ\$" or "\$") have been translated into pounds sterling ("£") at the reference rate of NZ\$2.240 = £1, being the rate prevailing at the close of business in London on 20th March, 1996 (being the latest practicable date prior to the posting of this document).
- in respect of the financial information contained in this document the following NZ\$:£ exchange rates have been applied:

	1993/94	1994/95	6 months to 31st December, 1995
Average rate for profit and loss account	2.659	2.496	2.381
Closing rate for balance sheet	2.593	2.381	2.375

- all financial information is derived from audited accounts.

## CONTENTS

	Page
I. General information	6
II. Details of the East Anglian Radio Offer	9
III. Details of the Rights Issue	11
IV. Details of the RNZ Acquisition	19
V. Financial information on the GWR Group	20
VI. Accountants' Report on RNZ	36
VII. Pro forma unaudited statement of combined net assets of the Enlarged Group	44
VIII. Particulars of the Stock	45
IX. Additional information	52

## **PART I General information**

### **1. Introduction**

The Boards of GWR and East Anglian Radio announced on 22nd March, 1996 the terms of a recommended offer to be made by Hambros, on behalf of GWR, to acquire the whole of the issued and to be issued share capital of East Anglian Radio. The East Anglian Radio Offer values East Anglian Radio's fully diluted share capital at approximately £24.3 million. The Board of GWR announced at the same time that GWR had submitted a conditional offer to the New Zealand Government to acquire the whole of the issued share capital of RNZ (other than the Kiwi Share). The Board of GWR further announced at the same time an issue by way of rights of 17,827,136 Stock Units, automatically convertible into new GWR Shares. The Subscription Price for the Stock Units is payable in two instalments equivalent to an aggregate price of 205p per new GWR Share. These two instalments will together raise up to approximately £35.4 million (net of expenses).

### **2. Recommended Offer for East Anglian Radio**

It was announced on 22nd March, 1996 that the Boards of GWR and East Anglian Radio had reached agreement on the terms of a recommended offer to be made by Hambros, on behalf of GWR, to acquire the whole of the issued and to be issued share capital of East Anglian Radio.

The consideration for the East Anglian Radio Offer is to be satisfied by the issue of GWR Consideration Shares. The offer of 10,5541 GWR Consideration Shares for each East Anglian Radio Share values each East Anglian Radio Share at £25.50 and the whole of the issued share capital of East Anglian Radio, assuming the exercise of the East Anglian Share Options, at approximately £24.3 million (on the basis of the closing middle market price of 251p per GWR Share on 21st March, 1996 (being the latest practicable date prior to the posting of this document) as derived from the Daily Official List of the London Stock Exchange and the theoretical ex-rights price of 241.6p per GWR share). Accepting East Anglian Radio Shareholders who validly accept the East Anglian Radio Offer may accept £23.46 in cash per East Anglian Radio Share instead of all or some of the GWR Consideration Shares to which they would otherwise have become entitled under the East Anglian Radio Offer. The cash alternative has been partially underwritten by Hambros. The East Anglian Radio Offer is conditional, *inter alia*, upon the passing of the East Anglian Radio Offer Resolution and the admission of the GWR Consideration Shares to the Official List becoming effective.

Further information on the East Anglian Radio Offer is set out in Part II of this document.

### **3. Information on East Anglian Radio**

The principal business activity of the East Anglian Radio Group is the provision of commercial radio broadcasting to the Norfolk, Suffolk and East Essex areas.

For the year ended 30th September, 1995, the audited accounts of East Anglian Radio reported profits before tax of £1.3 million (1994: £0.7 million) on turnover of £5.1 million (1994: £4.1 million). As at 30th September, 1995, East Anglian Radio had net assets of £2.5 million.

### **4. The RNZ Acquisition**

On 22nd March, 1996 the Board of GWR announced that GWR has submitted an offer to the New Zealand Government to acquire the entire issued share capital of RNZ (other than the Kiwi Share), conditional on the passing of the RNZ Resolution and the determination of the Maori legal proceedings referred to in paragraph 6 below. RNZ, whose principal activity is commercial radio broadcasting in New Zealand, is being sold by the New Zealand Government by means of a competitive tender process. In order to safeguard its commercial interests in the confidential competitive tender process, the Company is not publishing the price submitted in the Tender Offer but can state that this price does not exceed NZ\$85 million (£37.9 million). If the Tender Offer is successful it is proposed that RNZ be purchased by NewCo, which it is intended will be owned 75 per cent. by GWR and 25 per cent. by New Zealand-based institutions, which have entered into non-binding commitments to subscribe for shares in NewCo. In this case GWR will provide NewCo with funding for 75 per cent. of the consideration payable for RNZ. Should some or all of the New Zealand Institutions not subscribe for shares in NewCo, then GWR will subscribe for those shares itself and accordingly will provide any additional consideration. It is anticipated that the New Zealand Government will have announced the name of the successful bidder by not later than 16th April, 1996.

The Second Instalment will only be called to the extent required by GWR to fund the RNZ Acquisition after taking into account the contribution of the New Zealand Institutions towards the RNZ Acquisition and the level to which GWR's contribution is funded from existing bank facilities.

### **5. Competition and overseas investment issues**

GWR has received the following advice regarding the application of the New Zealand Commerce Act 1986 ("Commerce Act") to the RNZ Acquisition.

The Commerce Act prohibits the acquiring of a dominant position in any market for goods or services in New Zealand, or the strengthening of such a position, through the acquisition of assets or shares of a business. In a situation where there is a risk that a proposed acquisition may create or strengthen a dominant position, clearance from the New Zealand Commerce Commission (the "Commission") will normally be sought. A clearance may be given if the Commission is satisfied that the proposed acquisition will not result in the prohibited effect of acquiring

or strengthening a dominant position in any market. While a clearance (which expires 12 months after it is given) is in force, the statutory prohibition does not apply to the acquisition to which the clearance relates. Competition issues may arise for GWR in relation to the RNZ Acquisition as it follows the recently announced Prospect Acquisition and there would be an aggregation of the activities and market shares of RNZ and Prospect in those markets in which they both operate.

The bare transfer of market dominance is not prohibited by the Commerce Act, and accordingly, clearance from the Commission was not required for the Prospect Acquisition. If the Tender Offer is not accepted by the New Zealand Government, no further action will be required under the Commerce Act in connection with Prospect by reason of the acquisition of Prospect alone, although the trading activities of Prospect will continue to be subject to the Trade Practices Provisions of the Commerce Act in the normal way.

A tender offer cannot be conditional on clearance from the Commission having been obtained. The successful tenderer will be required to warrant that all necessary consents, including clearance from the Commission, have been obtained. Whether a clearance for the RNZ Acquisition is obtained by GWR will depend essentially upon what competition effects, the Commission determines, the RNZ Acquisition is likely to have on the market position of GWR following the Prospect Acquisition, having regard to remaining competitors in affected markets and barriers to entry to those markets. In giving clearance, the Commission may accept a written undertaking by the applicant to dispose of specified assets or shares, if such disposition would remove the Commission's competition concerns about the proposed acquisition. GWR has indicated to the Commission that GWR would be prepared to divest certain radio stations, together with the radio frequency licences which those stations require to operate, as a condition of the Commission's permitting the RNZ Acquisition to proceed.

Conditional clearance of the RNZ Acquisition has been given by the Commission on the basis of an undertaking given by GWR to dispose of certain radio licences which in the opinion of the Directors, are not material to the business of RNZ as a whole.

NewCo has received the consent in principle of the Overseas Investment Commission of New Zealand to acquire RNZ, provided GWR owns at least 75 per cent. of NewCo. If GWR's bid is successful, it will be necessary to make a further application to the Overseas Investment Commission, advising of NewCo's structure and the consideration payable, for final consent. Provided there is no material change in the structure of the NewCo or the circumstances of GWR since the Overseas Investment Commission gave its consent in principle, GWR has been advised that it will be a formality for NewCo to obtain a final consent for the RNZ Acquisition.

## **6. Maori claims under the Treaty of Waitangi**

The Treaty of Waitangi was signed in 1840 between Maori and the Crown. The Treaty of Waitangi comprises two texts, an English and a Maori version. It is generally accepted that the Treaty of Waitangi, in return for the ceding of sovereignty to the Queen of England, guaranteed that the Crown would protect Maori in the unqualified exercise of chieftainship (possession and/or control) of their lands, villages and all their treasures. However, to date, the Treaty has only been legally enforceable in New Zealand to the extent that it has been expressly referred to in statute. The State Owned Enterprises Act 1986 is such a statute, section 9 providing that nothing in that Act shall permit the Crown to act in a manner that is inconsistent with the principles of the Treaty of Waitangi. As a result of a claim brought on behalf of Maori in reliance on section 9, the State Owned Enterprises Act was amended to make provision for a memorial to be placed on the title of any land subject to a Maori claim that was transferred to any state owned enterprise. Such a memorial warns prospective purchasers that the land may be the subject of a resumptive order returning the land to Maori ownership in the event of a successful claim to the Waitangi Tribunal. The Waitangi Tribunal is a specialist statutory body established to enquire into and make recommendations in relation to Maori claims of breaches of the Treaty of Waitangi by the Crown.

RNZ is currently a state owned enterprise and, as such, the vast majority of the land that was transferred to RNZ when it became a state owned enterprise is subject to memorials in relation to Maori claims made to the Waitangi Tribunal. As a result all those RNZ land titles which are encumbered by memorials may in the event of a successful Maori claim be the subject of the recommendation from the Waitangi Tribunal that such land (which may include buildings or structures on the land) be returned to Maori ownership. In that event, compensation is payable by the Crown to the landowner based on the market value of the land that is resumed. It is not possible to rule out the possibility of the Waitangi Tribunal making an order in the future that would have the effect of returning the land owned by RNZ to Maori.

The protective mechanism of memorials under the State Owned Enterprises Act only applies to land and interests in land, not other assets that may be transferred to a state owned enterprise. In relation to the transfer of assets from the Crown to RNZ, proceedings were commenced by Maori in 1988 challenging the transfer in relation to radio frequencies and radio frequency licences. The proceedings were based, *inter alia*, on the claim that the Maori language is a treasure protected by the Treaty of Waitangi (consistent with an earlier finding of the Waitangi Tribunal) and that that protection extended to Maori access to modern forms of communication such as radio and television. That case was pursued from the High Court to the Court of Appeal and Privy Council. Those Courts declined to make orders preventing the transfer of assets from the Crown to RNZ. However, the Courts' decisions in that regard were influenced by assurances given by the Crown in the form of a Cabinet decision dated 15th July, 1991 to the effect that the Crown would take steps to protect, provide for and enhance the use of the Maori language in relation to television. While it is arguable whether the Crown's assurances in that regard created enforceable legal obligations, the Privy Council commented that they are likely to constitute a legitimate expectation which could form the basis of a claim by Maori if the matters detailed in the Cabinet decision are not fulfilled by the Crown.

There have been discussions between Maori and the Crown in relation to the sale of RNZ. However, those discussions have not been to the satisfaction of Maori and proceedings were issued against the Crown and RNZ



on 1st March, 1996 seeking orders preventing the sale of RNZ. Those proceedings are based, *inter alia*, on the allegation that the Crown has failed to fulfil the assurances contained in the Cabinet decision dated 15th July, 1991 which was made in the context of the earlier proceedings. While the Courts in the earlier decision were prepared to allow the transfer of assets from the Crown to RNZ having regard to the Crown's assurances in relation to Maori interests in television, the current proceedings must be taken seriously given the allegations in the statement of claim and the Privy Council's comments in relation to Maori's legitimate expectation arising from the Crown's assurances. The proceedings include an application for interim orders preventing the sale of RNZ pending a substantive hearing, which application is to be heard on 25th March, 1996.

The RNZ Acquisition is conditional, *inter alia*, upon the Maori legal proceedings being withdrawn or determined, in either case, in a way which satisfies the New Zealand Government that there no longer exists any realistic impediment to settlement or the ownership, use or enjoyment by GWR of the shares in RNZ or by RNZ of its assets or rights after settlement.

## **7. The Rights Issue**

In order to provide monies for use in or towards funding the RNZ Acquisition, to repay borrowings of £11 million incurred to fund the acquisition of Prospect and to pay expenses incurred in connection with the Acquisitions and Rights Issue, the Board of GWR further announced on 22nd March, 1996 an issue by way of rights of 17,827,136 Stock Units, automatically convertible into new GWR Shares, payable in two instalments equivalent to an aggregate price of 205p per new GWR Share. The two instalments of the Rights Issue will together raise approximately up to £35.4 million (net of expenses). It is proposed that the Second Instalment of the Rights Issue will be used in or towards funding GWR's share of the cost to NewCo of acquiring RNZ. It is envisaged that this Second Instalment will raise up to £23.4 million. The Second Instalment will only be called to the extent required by GWR to fund the RNZ Acquisition after taking into account the contribution of the New Zealand Institutions towards the RNZ Acquisition and the level to which GWR's contribution is funded from existing bank facilities. Further information on the Rights Issue is set out in Part III of this document.

## **8. Current trading and prospects**

The current year has started well for the GWR Group with revenues ahead of expectations and significantly ahead of last year. Local sales for the four months to 31st January, 1996 are 15.3 per cent. higher than for the same period in the previous year. National advertising sales for the same period are 26.2 per cent. higher than for the four months to 31st January, 1995.

## **9. Broadcasting Legislation**

Current broadcasting legislation provides to the effect that no group of companies or connected persons may hold more than 35 local radio licences or, under a system by which points are ascribed to such licences, more than an aggregate 15 per cent. of the total points in issue. Further points join the system as new licences are awarded.

Upon the East Anglian Radio Offer becoming or being declared unconditional in all respects, the Enlarged Group would hold 33 local radio licences. Depending on the total points in the system at that time, it appears likely that the points ascribed to these licences would exceed the 15 per cent. maximum, albeit by less than half of one per cent. In these circumstances, the Radio Authority has indicated that it would require GWR to take prompt steps to come within the relevant ownership rules and that, subject to approval by members of the Radio Authority who propose to consider the matter at their next meeting on 4th April, 1996, it is likely that a grace period for compliance would be given. GWR has given the Radio Authority an assurance that it would take the necessary steps within such a grace period and, subject to those steps being taken, the Radio Authority has confirmed that it would not propose to take any action regarding either GWR's existing radio licences or those currently held by East Anglian Radio.

## **PART II Details of the East Anglian Radio Offer**

### **1. The East Anglian Radio Offer**

The Boards of GWR and East Anglian Radio announced on 22nd March, 1996 that agreement has been reached on the terms of a recommended offer to be made by Hambros on behalf of GWR, to acquire the whole of the issued and to be issued share capital of East Anglian Radio. The terms and conditions of the East Anglian Radio Offer are contained in the Offer Document which was posted to East Anglian Radio Shareholders on 22nd March, 1996. The East Anglian Radio Offer has been made on the following basis:

**for each East Anglian Radio Share**

**10.5541 GWR Consideration Shares**

and so in proportion for any other number of East Anglian Radio Shares held.

Full acceptance of the East Anglian Radio Offer, assuming full exercise of the East Anglian Radio Share Options, will require the issue of approximately 10 million GWR Consideration Shares, representing approximately 10.3 per cent. of the enlarged issued share capital of GWR following implementation of the East Anglian Radio Offer and after the issue of the Rights Shares assuming payment of both instalments in respect of each Stock Unit is made. On the same basis, but on the assumption that only the first instalment of 74p per Stock Unit is paid, such GWR Consideration Shares would represent 11.7 per cent. of the enlarged issued share capital of GWR.

On the basis of the closing middle market price per GWR Share on 21st March, 1996 (the latest practicable date prior to the posting of this document) as derived from the Daily Official List of the London Stock Exchange of 251p and the theoretical ex-rights price of 241.6p per GWR Share, the East Anglian Radio Offer values each East Anglian Radio Share at £25.50 and the whole of the existing issued share capital of East Anglian Radio at approximately £24.3 million, assuming full exercise of all East Anglian Radio Share Options.

Acceptances in respect of the East Anglian Radio Offer should be despatched as soon as possible but in any event so as to be received not later than 3.00 p.m. on 12th April, 1996.

### **2. The Cash Alternative**

East Anglian Radio Shareholders who validly accept the East Anglian Radio Offer may accept cash instead of all or any of the GWR Consideration Shares to which they would otherwise have become entitled under the East Anglian Radio Offer. East Anglian Radio Shareholders who validly accept the cash alternative will receive:

**for each East Anglian Radio Share**

**£23.46 in cash**

The cash alternative is being provided, as to £21.63 for each East Anglian Radio Share, by Hambros, and as to £1.83 for each East Anglian Radio Share by GWR making cash payments out of its own resources.

Holders of 169,717 East Anglian Radio Shares have given irrevocable undertakings in respect of the whole of their holdings not to accept the cash alternative other than in circumstances where they will be required to do so under the East Anglian Radio Offer.

Full acceptance of the cash alternative (assuming the cash alternative is not accepted or deemed to be accepted by those persons giving commitments under the irrevocable undertakings received by GWR) would involve the payment of approximately £18 million, assuming full exercise of the East Anglian Radio Share Options.

**The cash alternative will remain open until 3.00 pm on 12th April, 1996. If the East Anglian Radio Offer is then unconditional as to acceptances, the cash alternative will then close unless otherwise required by the City Code on Takeover and Mergers or unless GWR and Hambros in their absolute discretion agree otherwise.** If the East Anglian Radio Offer is not then unconditional and is extended beyond that time the cash alternative may be extended. However, GWR and Hambros reserve the right at their discretion to close the cash alternative on 12th April, 1996. If the cash alternative lapses or closes at a time when the East Anglian Radio Offer remains conditional as to acceptances, GWR and Hambros reserve the right to reintroduce a cash alternative as long as the East Anglian Radio Offer is still then conditional as to acceptances.

No acceptance of the cash alternative will be valid unless both a valid acceptance of the East Anglian Radio Offer and a valid acceptance of the cash alternative, duly completed in all respects and accompanied by all relevant share certificates and/or other documents of title, are duly received by 3.00 p.m. on 12th April, 1996 (or such later date to which the cash alternative may be extended). The cash alternative is conditional upon the East Anglian Radio Offer becoming or being declared unconditional in all respects by 3.00 p.m. on 12th April, 1996 or such later time(s) and date(s) as GWR and Hambros may agree.

### **3. Conditions and further terms of the East Anglian Radio Offer**

The East Anglian Radio Shares to be acquired pursuant to the East Anglian Radio Offer will be acquired free of all liens, equities, charges and encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights now or hereafter attaching thereto, including the right to all dividends and other distributions declared, paid or made after 22nd March, 1996 save, for the final dividend of 22.0p (net) per East Anglian Radio Share to be paid on 1st April, 1996 in respect of the year ended 30th September, 1995.

The GWR Consideration Shares will be allotted credited as fully paid and will rank *pari passu* in all respects with the existing GWR Shares save that they will not rank for the final dividend of 1.31p (net) to be paid on 6th April, 1996 in respect of the year ended 30th September, 1995 or for the Rights Issue. The GWR Consideration Shares are to be created pursuant to the East Anglian Radio Offer Resolution.

Fractions of GWR Consideration Shares will not be allotted or issued to persons accepting the East Anglian Radio Offer and entitlements will be rounded down to the nearest whole number of GWR Consideration Shares. Fractional entitlements to GWR Consideration Shares will be aggregated and sold in the market and the net cash proceeds distributed *pro rata* to persons accepting the East Anglian Radio Offer who are entitled thereto. However, individual entitlements to amounts of less than £3.00 will not be paid to persons accepting the East Anglian Radio Offer but will be retained for the benefit of the Company. Temporary documents of title will not be issued in respect of the GWR Consideration Shares.

Application has been made to the London Stock Exchange for the GWR Consideration Shares to be admitted to the Official List. The East Anglian Radio Offer is conditional, *inter alia*, on such admission and on the passing of the East Anglian Radio Offer Resolution. It is expected that certificates in respect of GWR Consideration Shares will be despatched within 21 days from the later of the date on which the East Anglian Radio Offer becomes or is declared wholly unconditional and the date of receipt of a valid and complete acceptance.

#### **4. Irrevocables**

GWR has received irrevocable undertakings from all the Independent Directors, undertaking to accept the East Anglian Radio Offer in respect of their beneficial holdings, amounting, in aggregate, to 59,628 East Anglian Radio Shares, representing approximately 6.4 per cent. of East Anglian Radio's existing issued share capital. In addition GWR has received irrevocable undertakings from Harmsworth Media and certain other East Anglian Radio Shareholders to accept the East Anglian Radio Offer in respect of their beneficial holdings amounting, in aggregate, to 531,869 East Anglian Radio Shares, representing approximately 57.3 per cent. of the existing issued share capital of East Anglian Radio. Accordingly, GWR has received irrevocable undertakings in respect of approximately 63.8 per cent. of East Anglian Radio's existing issued share capital. Holders of 169,717 East Anglian Radio Shares have undertaken not to accept the cash alternative under the terms of some of these irrevocable undertakings other than in circumstances where they will be required to do so under the East Anglian Radio Offer.

#### **5. United Kingdom taxation**

##### *General*

The following statements are intended as a general guide to the position under current United Kingdom law and Inland Revenue practice as at the date of this document and relate only to certain limited aspects of the taxation position of East Anglian Radio Shareholders who hold their East Anglian Radio Shares as an investment and who are resident in the United Kingdom for taxation purposes. The taxation position of special classes of taxpayers such as banks, insurance companies and collective investment schemes is not considered below.

##### *Taxation of capital gains*

Liability to United Kingdom taxation of chargeable gains will depend on an East Anglian Radio Shareholder's circumstances and on the form of consideration received. To the extent that an East Anglian Radio Shareholder receives GWR Consideration Shares under the East Anglian Radio Offer, he will not be treated as having made a disposal of his East Anglian Radio Shares for the purposes of United Kingdom taxation of chargeable gains. Any gain or loss which would otherwise have arisen on a disposal of his East Anglian Radio Shares will be "rolled over" into the GWR Consideration Shares so that the GWR Consideration Shares will be treated as the same asset as his original East Anglian Radio Shares and therefore as acquired at the same time as, and based upon the value at which, those East Anglian Radio Shares were acquired. A subsequent disposal of some or all of such GWR Consideration Shares may give rise to a liability to United Kingdom taxation on any chargeable gain.

In certain circumstances the treatment outlined above might not apply to East Anglian Radio Shareholders who, alone or together with persons connected with them, hold more than five per cent. of the issued share capital of East Anglian Radio. Such persons are advised that clearance has been given by the Inland Revenue under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the East Anglian Radio Offer which confirms that the treatment outlined above will also be available to such East Anglian Radio Shareholders.

To the extent that an East Anglian Radio Shareholder receives cash by accepting the cash alternative, this will constitute a disposal of his East Anglian Radio Shares for the purposes of the United Kingdom taxation of capital gains. Such a disposal may, depending on the individual circumstances of the East Anglian Radio Shareholder, give rise to a liability to United Kingdom taxation.

An East Anglian Radio Shareholder who is neither resident nor ordinarily resident in the United Kingdom for United Kingdom taxation purposes is not subject to United Kingdom taxation on capital gains unless he carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which East Anglian Radio Shares are attributable.

##### *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax will be payable by East Anglian Radio Shareholders on the transfer of East Anglian Radio Shares by East Anglian Radio Shareholders as a result of accepting the East Anglian Radio Offer.

**Any East Anglian Radio Shareholder or holder of East Anglian Radio Share Options who is in any doubt about his own tax position, or is subject to taxation in a jurisdiction other than the United Kingdom, should consult his independent professional adviser.**

## PART III Details of the Rights Issue

### 1. Terms of the Rights Issue

Subject to the fulfilment of the conditions set out below, Qualifying Shareholders have been provisionally allotted Stock Units at a subscription price of 205p per Stock Unit, payable in two instalments on the following basis:

10 Stock Units for every 39 GWR Shares

held on the Record Date, and so in proportion for any greater or lesser number of GWR Shares held.

The attention of overseas shareholders is drawn to paragraph 8 of this Part III which sets out restrictions applicable to them.

#### (a) Fractional entitlements

Entitlements of Qualifying Shareholders have been rounded down to the nearest whole number of Stock Units. Stock Units representing fractional entitlements have not been allotted to Qualifying Shareholders. Qualifying Shareholders with 39 or fewer GWR Shares are not entitled to receive Stock Units and have not been sent Provisional Allotment Letters.

#### (b) First and Second Instalments

The Stock will be issued at a subscription price of 205p per Stock Unit, payable in two instalments as follows:

- (i) the first instalment of 74p per Stock Unit, which is unconditional, will be payable on acceptance not later than 12.00 midnight on 16th April, 1996 and will be payable irrespective of whether the RNZ Acquisition proceeds; and
- (ii) the second instalment of up to 131p per Stock Unit is conditional upon the acceptance by the New Zealand Government of the Tender Offer, the passing of the RNZ Resolution and the RNZ Acquisition Agreement becoming otherwise unconditional, and will be payable, subject to the issue, and in accordance with the terms, of the Second Instalment Notice.

#### (c) Conditions

The Rights Issue is conditional upon:

- (i) the admission of the Stock Units, nil paid, to the Official List becoming effective by no later than 8.30 a.m. on 25th March, 1996 (or such later time and/or date as may be agreed between the Company and Hambros, being no later than 8.30 a.m. on 1st April, 1996); and
- (ii) the Underwriting Agreement otherwise becoming unconditional in all respects and not being terminated in accordance with its terms.

The Rights Issue has been underwritten by Hambros save for 3,791,605 Stock Units which are the subject of irrevocable undertakings to take up their rights received from Shareholders and Directors. Details of these irrevocable undertakings are contained in paragraph 9 of this Part III. Details of the Underwriting Agreement, including the conditions thereof, are contained in paragraph 7 of Part IX of this document.

#### (d) Liability for payment of instalments

The First Instalment is payable on acceptance. After 12.00 midnight on 16th March, 1996 the Stock, in its partly paid form, will become registered. The Second Instalment will only become payable if the New Zealand Government accepts the Tender Offer, the RNZ Resolution is passed and the RNZ Acquisition Agreement becomes otherwise unconditional. If any of these events do not occur, then the Second Instalment will be cancelled. If the Second Instalment is payable, the registered holder of the partly paid Stock Units at the time payment is due will be the person liable to pay that instalment. On registration of a renunciation or of a transfer of partly paid Stock Units, the liability to pay the Second Instalment will pass to the renouncee or transferee. Stockholders will be given not less than 21 and not more than 60 days notice of the amount of the Second Instalment and the Second Instalment Payment Date, which will not, in any event, be later than 22nd September, 1996. **Failure to pay the Second Instalment may, under the terms of the Deed Poll, result in the partly paid Stock Units and the First Instalment thereon being forfeited as described in paragraph 6 of Part VIII of this document.**

#### (e) Interest and dividends

The Stock will not bear interest (except as described in paragraph 5 of Part VIII of this document). The GWR Shares issued as a result of the conversion of the Stock Units will rank *pari passu* in all respects with and be identical to the GWR Shares in issue at the Conversion Date, save that such shares will not carry the right to receive the final dividend of 1.31p (net) in respect of the year ended 30th September, 1995. In the event that the Conversion Date occurs after the record date for any such dividend or distribution then an equivalent dividend or distribution will be paid, without interest, on the later of the payment date for such dividend or distribution and 21 days after the Conversion Date to the holders of Rights Shares whose names appear in the register of members at the close of business on the Conversion Date. Dealings in the Rights Shares are expected to commence on the first business day following the Conversion Date.

(f) Conversion

Stock Units will convert into new GWR Shares at the Conversion Rate on the Conversion Date. The Conversion Rate, which is currently one new GWR Share for each fully paid Stock Unit (assuming a subscription price of 205p), is subject to adjustment in certain circumstances as described in paragraph 4 of Part VIII of this document. Fractions of Rights Shares will not be issued but will be aggregated and sold in the market and the net proceeds distributed pro rata among the persons entitled thereto. Entitlements of less than £3.00 in respect of any one holding will not be distributed but will be retained for the benefit of the Company. If the Second Instalment is cancelled while the Stock is represented by Provisional Allotment Letters such letters will be deemed to constitute an offer of  $\frac{74}{205}$  of the number of the Stock represented thereby (rounded down to the nearest whole Stock Unit) and Provisional Allotment Letters representing the Stock in respect of which the First Instalment has been paid before any such cancellation of the Second Instalment will be deemed to be fully paid as to the whole of such nominal value of the Stock to which such letters are so deemed to relate. If the Second Instalment is less than 131p the partly paid Stock Units registered in the name of a Stockholder will be consolidated into one fully paid Stock Unit for every 205p partly paid Stock. Fractional entitlements arising on consolidation will be dealt with as described in paragraph 2 of Part VIII of this document.

## 2. Provisional Allotment Letters

Provisional Allotment Letters which set out the holdings of GWR Shares on which Qualifying Shareholders' entitlements under the Rights Issue are based and the number of Stock Units for which Qualifying Shareholders are entitled to subscribe accompany the Circular. The Provisional Allotment Letters contain full details regarding acceptance and payment, splitting, renunciation and registration.

## 3. Procedure for acceptance and payment

**Qualifying Shareholders who wish to subscribe for their entitlements under the Rights Issue, in whole or in part, must lodge the Provisional Allotment Letter in accordance with the instructions thereon, together with a cheque or banker's draft for the amount of the First Instalment payable on acceptance in respect of the First Instalment, by post with The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, PO Box 859, Consort House, East Street, Bedminster, Bristol BS99 1XZ, or by hand only (during normal business hours) to The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, 5-10 Great Tower Street, London EC3P 3HX, to arrive as soon as possible, and in any event so as to be received no later than 12.00 midnight on 16th April, 1996. A reply paid envelope is enclosed.**

**Cheques or banker's drafts must be made payable to "Royal Bank of Scotland plc — A/C GWR Group plc" crossed "A/C Payee Only" and drawn in sterling on a bank or building society in the United Kingdom which is either a settlement member of Cheque & Credit Clearing Company Limited or CHAPS Clearing Company Limited or which has arranged for cheques and banker's drafts (as appropriate) to be cleared through the facilities provided by those companies and must bear the appropriate sort code in the top right hand corner.** If the person making the payment is not the original allottee he should insert the name and address of the paying agent in the space provided in Box 6 of the Provisional Allotment Letter. Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty that all cheques (which the Company reserves the right to have represented on receipt) will be honoured on first presentation. The Company may elect not to treat as valid any acceptances in respect of which cheques are notified to it or its agent as not having been so honoured. The Company reserves the right to instruct the Receiving Bank to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. Interest will not be paid on payments received before they are due, but will accrue for the benefit of the Company. Eurocheques, unless drawn on a bank in the United Kingdom, will not be accepted.

The Company reserves the right (to be exercised only with the consent of Hambros), but shall not be obliged, to accept (i) Provisional Allotment Letters and accompanying remittances which are received through the post no later than 9.30 a.m. on April, 1996 (the cover bearing a legible postmark no later than 12.00 midnight on 16th April, 1996) and (ii) applications from authorised persons (as defined in the Financial Services Act 1986) in respect of which remittances are received prior to 12.00 midnight on 16th April, 1996 specifying the Stock Units concerned and undertakings to lodge the relevant Provisional Allotment Letter duly completed in due course.

The Company may (at its sole discretion) treat a Provisional Allotment Letter as valid and binding on a person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instruction or not accompanied by a valid power of attorney when required.

The Money Laundering Regulations 1993 may require the Receiving Bank to establish the identity of any person by whom, or on whose behalf, a Provisional Allotment Letter is lodged with payment. These requirements are referred to in this paragraph 3 as the "verification of identity requirements".

Each person (being a Qualifying Shareholder or a person in whose favour the Provisional Allotment Letter has been renounced, and in either case referred to below as the "acceptor") who, by lodging a Provisional Allotment Letter with payment accepts the allotment of Stock Units comprised in such Provisional Allotment Letter (the "relevant Units") and any agent lodging such a Provisional Allotment Letter on his behalf, shall thereby be deemed to agree to provide the Receiving Bank and/or the Company with such information and other evidence (if any) as they or either of them may require to satisfy the verification of identity requirements.

If the Receiving Bank determines that the verification of identity requirements apply to any acceptance of an allotment and the verification of identity requirements have not been satisfied by 12.00 midnight on 16th April,

1996 the Company, may, in its absolute discretion and without prejudice to any other rights of the Company, either (i) treat the acceptance as invalid, in which event the monies payable on acceptance of the rights to allotment will be returned without interest to the account of the drawee bank or building society from which such monies were originally debited, or (ii) make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant Stock Units and for that purpose the Company will be expressly authorised to act as agent of the acceptor. Any proceeds of sale of the relevant Stock Units (net of expenses of sale, including value added tax) which shall be issued to and registered in the name of the purchaser(s) will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations 1993. The Receiving Bank is entitled in its absolute discretion to determine whether the verification of identity requirements apply to any acceptor or to any person on whose behalf the Receiving Bank considers that an acceptor may be acting and whether such requirements have been satisfied, and neither nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

**If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted Provisional Allotment Letter and a partly paid Stock certificate.**

The verification of identity requirements will not usually apply:

- (i) if the acceptor is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (ii) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in his name; or
- (iii) if the aggregate subscription price for the relevant Units (at 205p per Unit) is less than £11,000.

Where the verification of identity requirements apply, the satisfaction of these requirements may be facilitated in the following ways:

- (A) if payment is made by building society cheque (not being a cheque drawn on an account of the acceptor) or a banker's draft, the building society or bank should be requested to endorse on the cheque or draft the acceptor's name and the number of an account held in the acceptor's name at such building society or bank. Such endorsement must be validated by a stamp and an authorised signature;
- (B) if payment is not made by cheque drawn on an account in the name of the acceptor, the acceptor should enclose with his Provisional Allotment Letter evidence of his name and address from an appropriate third party, for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the acceptor's name and address (originals of which documents (not copies) are required, but will be returned in due course); or
- (C) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Australia, Canada, Hong Kong, Iceland, Japan, New Zealand, Norway, Singapore, Switzerland, Turkey and the United States) the agent should provide with the Provisional Allotment Letter written confirmation that it has that status, and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Receiving Bank or the relevant authority.

In order to confirm the acceptability of any written assurance referred to in (C) above or in any other case, the acceptor should contact The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, PO Box 859, Consort House, East Street, Bedminster, Bristol BS99 1XZ.

If a Provisional Allotment Letter is delivered by hand by the acceptor in person, he should ensure that he has with him evidence of his identity bearing his photograph (for example, his passport) and evidence of his address.

**All queries in connection with Provisional Allotment Letters should be addressed to The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, PO Box 859, Consort House, East Street, Bedminster, Bristol BS99 1XZ quoting the reference number on the Provisional Allotment Letter.**

#### **4. Dealings and Splitting**

##### **(a) Dealings in nil paid rights**

Dealing on the London Stock Exchange in the rights to subscribe for the Stock Units provisionally allotted are expected to commence, nil paid, at 8.30 a.m. on 25th March, 1996. A transfer of such rights in nil paid form, without payment of the First Instalment of the Subscription Price for the Stock Units provisionally allotted, may only be made by renunciation of the Provisional Allotment Letter or, in the case of the renounee, by delivery of such letter to the transferee, up to 12.00 midnight on 16th April, 1996. Instructions for the disposal of all or part of an entitlement to subscribe for Stock Units are set out in sub-paragraph (c) below and in the Provisional Allotment Letter.

##### **(b) Dealings in partly paid Stock Units**

Dealings in the Stock Units are expected to commence, partly paid, at 8.30 a.m. on 17th April, 1996. After 12.00 midnight on 16th April, 1996 and pending the issue of definitive Stock certificates, instruments of transfer will be certified by the Company's registrars, The Royal Bank of Scotland plc, Securities Services —

Registrars against lodgement of duly paid Provisional Allotment Letters or, in the case of nil paid renounees, against duly paid registration receipt forms issued by The Royal Bank of Scotland plc, Securities Services --- Registrars. Following the issue of definitive Stock certificates, the partly paid Stock Units will be transferable by written instrument of transfer in any usual or common form.

(c) Renunciation and splitting

A Qualifying Shareholder who wishes to renounce the right to all the Stock Units comprised in his Provisional Allotment Letter must complete and sign Form X on such letter and deliver the entire Provisional Allotment Letter to the transferee, or to the broker, bank or other agent acting for him in the transaction. Once a Provisional Allotment Letter has been so renounced, it will become a negotiable instrument in bearer form and the rights to the Stock Units comprised therein may be transferred by delivery of such letter to the transferee. The latest time for registration of renunciation is 12.00 midnight on 16th April, 1996.

If a Qualifying Shareholder wishes to have registered in his own name only some of the Stock Units to which he is entitled and to transfer the remainder or to transfer all the Stock Units to different persons, he may have the Provisional Allotment Letter split, for which purpose he must complete and sign Form X on the Provisional Allotment Letter. The letter must then be lodged by post or by hand only (during normal business hours), with The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, 5-10 Great Tower Street, London, EC3P 3HX, to be received no later than 3.00 p.m. on 12th April, 1996 to be cancelled and exchanged for the split letters required. The number of split Provisional Allotment Letters required and the number of Stock Units to be comprised in each should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue.

(d) Registration in names of Qualifying Shareholders

A Qualifying Shareholder who wishes to have all his entitlement to Stock Units registered in his name must accept and make payment for such allotment in accordance with the provisions set out in the Provisional Allotment Letter.

(e) Registration in names of persons other than Qualifying Shareholders

The person making the renouncement or his agent must complete Forms Y and Z on the Provisional Allotment Letter and lodge the entire letter together with payment by post with The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, PO Box 859, Consort House, East Street Bedminster, Bristol, BS99 1XZ or by hand only (during normal business hours) with The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, 5-10 Great Tower Street, London, EC3P 3HX, to be received no later than 12.00 midnight on 16th April, 1996.

(f) Documents of title

Where the First Instalment in respect of the Stock Units comprised in a Provisional Allotment Letter has been paid in accordance with the provisions of sub-paragraph 1(b)(i) above, the Provisional Allotment Letter will be returned to the person making the payment with the receipt at the foot thereof duly completed. Definitive Stock certificates (partly paid) are expected to be despatched by post by 22nd April, 1996 to accepting Qualifying Shareholders and nil paid renounees or their agents (or, in the case of joint holdings, to the first-named such person). After the despatch of Stock certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. It is expected that definitive certificates in respect of the Rights Shares will be despatched to the person entitled thereto within 14 days of the Conversion Date. After the despatch of certificates for the Rights Shares, partly paid Stock certificates will cease to be valid for any purpose whatsoever.

Particulars of the Stock are set out in Part VIII of this document.

(g) Governing law

The terms and conditions of the Rights Issue, as set out in this document and in the Provisional Allotment Letter, shall be governed by and construed in accordance with the laws of England.

(h) Posting

All documents, cheques and banker's drafts posted to or by the persons entitled thereto (or their agents, as appropriate) will be posted at their risk.

## 5. Procedure in respect of rights not taken up

If a Qualifying Shareholder does not wish to take up his entitlement, he does not need to take any action. Save only in the special circumstances described in paragraph 3 above, if payment of the First Instalment (whether by the original allottee or nil paid renounee) is not received by 12.00 midnight on 16th April, 1996 in accordance with the procedure for acceptance and payment of the First Instalment, the provisional allotment will be deemed to have been declined and will lapse. Hambros will, as agent for the Company, instruct James Capel to endeavour to procure, by no later than 3.00 p.m. on 18th April, 1996 subscribers for any Stock Units not taken up, if a price at least equal to the aggregate of the amount of the First Instalment and expenses of sale (including value added tax if applicable) can be obtained. Notwithstanding the above, if at any time after 12.00 midnight on 16th April, 1996 Hambros has been informed by James Capel that, in its opinion, it is unlikely that subscribers can be procured on the basis described above, Hambros shall be under no obligation to any persons to endeavour to procure subscribers on such terms.

Stock Units for which subscribers are procured on this basis will be reallocated to such subscribers on payment of the amount of the First Instalment and the expenses of sale and the net proceeds after deduction of the amount



of the First Instalment and expenses of sale will be paid (without interest) by cheque to the original provisional allottees who have not taken up their rights pro rata to their lapsed provisional allotments, except that individual amounts of less than £3.00 will not be paid to such shareholders but will be aggregated and paid to the Company. None of the Company, Hambros or any persons arranging or procuring any such transactions, shall be liable for any loss or alleged loss arising from any insufficiency or alleged insufficiency of the price or from the timing of any such transactions or any decision not to endeavour to procure subscribers.

If subscribers for the Stock Units not taken up cannot be procured on the basis described above, such Stock Units will be reallocated to Hambros or any sub-underwriters.

## **6. The Share Option Schemes**

In accordance with the rules of the Share Option Schemes, the Directors intend to make adjustments to the number of GWR Shares comprised in each outstanding option, to the price at which such options may be exercised and to the numerical limits imposed by the rules of each Share Option Scheme to take account of the Rights Issue. Any such adjustments will be subject to written confirmation from the auditors of the Company that the adjustments are, in their opinion, fair and reasonable and may, where appropriate, be subject to prior United Kingdom Inland Revenue approval. Holders of outstanding options will be informed individually of these adjustments in due course.

## **7. United Kingdom taxation**

The following paragraphs comprise only a guide to the current United Kingdom tax law and Inland Revenue practice as at the date of this document. The comments are of a general nature and may not apply to certain classes of shareholders, such as market makers, brokers, dealers, persons connected with depositary receipt arrangements or clearance services or those who are not absolute beneficial owners of their shares.

### **(a) Tax on chargeable gains**

- (i) For the purposes of United Kingdom taxation on chargeable gains, the allotment of the Stock Units (and the conversion of Stock Units into GWR Shares) pursuant to the Rights Issue will be regarded as a reorganisation of the share capital of the Company. Accordingly, a shareholder will not be treated as making a disposal or part disposal of his existing holding of GWR Shares to the extent that he takes up his rights to Stock Units. Instead, his existing GWR Shares and his Stock Units (and the GWR Shares into which they convert) will be treated as the same asset, acquired at the time he acquired his existing GWR Shares. The subscription moneys for the Stock Units will be added to the base cost of his existing holding. However, for the purposes of calculating any indexation allowance, such subscription moneys will only be taken into account from the month in which they are paid;
- (ii) If a shareholder disposes of all or some of the Stock Units allotted to him, or his rights to them, or if he allows or is deemed to have allowed his rights to lapse and receives a cash payment in respect of them, he may, depending upon his circumstances, incur a liability to United Kingdom taxation on any gain realised. If the proceeds resulting from a disposal or lapse of the rights are small (currently not more than five per cent. of the market value on the date of disposal or lapse of the corresponding holding) the United Kingdom Inland Revenue may, on a claim being made, allow the proceeds to be deducted from the acquisition costs of the corresponding holding in computing the capital gain arising on any subsequent disposal of GWR Shares;
- (iii) the conversion of the Stock Units into GWR Shares will not give rise to a disposal of the Stock Units for the purposes of the taxation of chargeable gains in the United Kingdom; and
- (iv) if a shareholder is neither resident nor ordinarily resident in the United Kingdom for tax purposes, he will not normally be subject to United Kingdom taxation on chargeable gains except where he carries on a trade, profession or vocation through a branch or agency in the United Kingdom to which the GWR Shares are attributable.

The Stock Units will not constitute qualifying corporate bonds for the purposes of the Taxation of Chargeable Gains Act 1992.

If the Second Instalment is less than 131p or is not called and the Stock Units are converted into GWR Shares in accordance with the terms of the Deed Poll, a holder may become entitled to fractions of GWR Shares. The proceeds of sale resulting from the sale of fractions will be distributed pro rata among the persons entitled thereto (except that amounts less than £3.00 will be aggregated and retained for the benefit of the Company) and the receipt of that cash by a holder of GWR Shares may be treated as a part disposal for the purposes of United Kingdom tax on capital gains.

### **(b) Stamp duty and stamp duty reserve tax**

- (i) No stamp duty or stamp duty reserve tax ("SDRT") will be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters or on the issue or registration of the Stock Units or on the conversion of the Stock Units into GWR Shares;
- (ii) the purchase of rights to Stock Units represented by Provisional Allotment Letters (whether nil paid or partly paid) on or before the latest time for registration of renunciation will not be liable to stamp duty, but will generally be liable to SDRT at the current rate of 50p for every £100 or part thereof of the consideration paid. Where such a purchase is effected through a stockbroker or financial intermediary, that person should normally account for the liability to SDRT and should indicate that this has been done



in any contract note issued to a purchaser. In other cases, the purchaser of the rights to the Stock Units represented by a Provisional Allotment Letter is liable to pay the SDRT and must account for it to the Inland Revenue;

- (iii) no stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters, whether by the original holders or their renounees; and
- (iv) the conveyance or transfer on sale of the Stock Units after the latest time for registration of renunciation or of the GWR Shares into which they convert, will generally give rise to a liability on the purchaser to ad valorem stamp duty or (if an unconditional agreement to transfer such Stock Units or GWR Shares is not completed by a duly stamped transfer within two months of the date of that unconditional agreement) to SDRT generally in each case at the current rate of 50p for every £100 or part thereof of the consideration paid.

Provisions in the Finance Bill 1996 make a number of proposed changes to stamp duty and stamp duty reserve tax which would take effect from 1st July, 1996; in particular, the two-month "waiting period" before a stamp duty reserve tax charge arises would be removed.

(c) Taxation of dividends

**The statements that follow assume that the Company will not elect to pay any foreign income dividends under the provisions contained in the Finance Act 1994. The Directors have no present intention of making any such election.**

Under current United Kingdom tax legislation, the Company is not required to withhold tax when paying a dividend, but the Company is required to account to the Inland Revenue for advance corporation tax, the rate of which is currently one quarter of the dividend. Shareholders resident in the United Kingdom for taxation purposes (other than corporate shareholders) will generally be liable to income tax on the aggregate amount of the dividend and a tax credit equal to 25 per cent. of the dividend. For example, on a dividend of £80, the tax credit would be £20 and the individual would be liable to income tax on £100. The tax credit satisfies in full the income tax liability in respect of the dividend for United Kingdom resident individual shareholders (and the trustees of certain trusts) who are liable to income tax at the basic or lower rate only. Individual shareholders resident in the United Kingdom whose income tax liability is less than the aggregate of the amount of income tax deducted from other income paid to them and the tax credit in respect of dividends are entitled to an appropriate repayment of tax. United Kingdom resident individual shareholders who are subject to tax at the higher rate (currently, 40 per cent.) will have to account for additional tax to the extent that the tax at such rate on the aggregate of the dividend and tax credit exceeds the tax credit. For example, on a dividend of £80, such a taxpayer would have to account for additional tax of £20. For this purpose, dividends will be treated as the top slice of the individual's income. United Kingdom resident trustees of discretionary trusts liable to account for income tax at a rate of 34 per cent. (with effect from 6th April, 1996) on trust income may also be required to account for additional tax.

United Kingdom resident shareholders who are exempt from tax in respect of investment income are entitled to repayment by the United Kingdom Inland Revenue of the tax credit in respect of dividends.

Subject to certain exceptions for some insurance companies, a United Kingdom resident corporate shareholder will not generally be liable to corporation tax on any dividend received, and the dividend received and related tax credit will normally constitute franked investment income.

Individual shareholders who are citizens of member states in the European Economic Area should note that provisions contained in the Finance Bill 1996 would, if enacted, automatically allow citizens of these countries a tax credit in respect of a dividend paid by the Company, or in certain circumstances to obtain repayment in full or in part of that tax credit. Subject to other special provisions which currently apply to Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands and certain others, shareholders not resident in the United Kingdom are generally not entitled to the benefit of a tax credit in respect of any dividend received. Such shareholders are treated as receiving gross income of an amount which, when reduced by income tax at 20 per cent. is equal to the cash dividend. However, no assessment is made on such shareholders in respect of lower or basic rate income and a non-resident individual's liability, if any, to pay income tax in respect of the gross income is limited to the excess of higher rate (currently, 40 per cent.) over lower rate (currently, 20 per cent.) liability. In respect of dividends paid on or after 6th April, 1996, this additional liability will not apply to dividends received by non-residents other than where, exceptionally, the investment is managed by a United Kingdom investment manager acting, broadly, on non-arm's length terms. Special rules apply to non-resident discretionary trusts in receipt of United Kingdom dividends.

An entitlement to a payment from the Inland Revenue of a proportion of the tax credit may be available to some non-United Kingdom shareholders if there is an appropriate provision granting such entitlement in a double taxation agreement between the country where they are resident and the United Kingdom. Non-United Kingdom resident shareholders may also be subject to tax on dividend income under any law to which they are subject outside the United Kingdom.

Holders who are not resident in the United Kingdom for tax purposes should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

- (d) The Company is not at present a close company within the meaning of the UK Income and Corporation Taxes Act 1988 and (on the basis of advice received) the Directors believe that it is unlikely to become one following admission of the Stock Units, the Rights Shares and the GWR Consideration Shares to the Official List.

**Qualifying Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser without delay.**

## **8. Overseas shareholders**

### **(a) General**

The making of the Rights Issue to persons who are resident in, or citizens of, countries other than the United Kingdom ("overseas shareholders") may be affected by the laws of the relevant jurisdictions.

Receipt of a Provisional Allotment Letter will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer. No person receiving a copy of this document and/or a Provisional Allotment Letter in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him to subscribe, nor should he in any event use a Provisional Allotment Letter, unless in the relevant territory such an offer or invitation could lawfully be made to him and the Provisional Allotment Letter can lawfully be used without compliance with any registration or other legal or regulatory requirements. In such circumstances this document and the Provisional Allotment Letter is sent for information only.

**Any person outside the United Kingdom (including, without limitation nominees and trustees) wishing to subscribe for any or all of the Stock Units comprised in a Provisional Allotment Letter must satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining all requisite governmental or other consents, observing all other requisite formalities and paying all issue, transfer or other taxes due in such territory. Such overseas shareholders should consult their professional adviser as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up or renounce the Stock Units provisionally allotted to them.**

Persons (including, without limitation, nominees and trustees) receiving a Provisional Allotment Letter should not distribute or send it into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter is received by a person in any such jurisdiction or by the agent or nominee of such a person, he must not seek to take up Stock Units or renounce such Provisional Allotment Letter except pursuant to an express agreement with the Company. Any person who does forward a Provisional Allotment Letter into any such jurisdiction, whether pursuant to a legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph.

The Company reserves the right to treat a Provisional Allotment Letter as having been declined or to refuse to register any purported renunciation of the rights represented thereby or to reject a purported acceptance of a provisional allotment represented thereby from, or in favour of, Qualifying Shareholders in any such jurisdiction or persons who are acquiring Stock Units for resale in any such jurisdiction.

In cases where due to restrictions set out in this paragraph 8, overseas shareholders are not sent Provisional Allotment Letters, such shareholders will have the benefit of the arrangements described in paragraph 5 above, whereby, Hambros will, as agent for the Company, instruct James Capel to endeavour to procure subscribers for Stock Units not taken up, if a price at least equal to the amount of the First Instalment and expenses of sale (including value added tax, if applicable) can be obtained. The net proceeds of sale (after deduction of the amount of the First Instalment and the expenses of sale) will be paid to the original provisional allottees who have not taken up their rights pro rata to their lapsed provisional allotments, except that individual amounts of less than £3.00 will not be paid to such shareholders but will be aggregated and paid to the Company.

In cases where provisional allotments are made to overseas shareholders but may not be taken up because of local securities laws and the restrictions set out in this paragraph 8, arrangements described in paragraph 5 above will apply.

**All payments by overseas shareholders must be made strictly in accordance with paragraph 3 of this Part III.**

### **(b) Notice in London Gazette**

In accordance with section 90(5) of the Companies Act 1985, the offer by way of rights to Qualifying Shareholders who have no registered address within the United Kingdom, and who have not supplied to the Company an address within the United Kingdom for the service of notices, will be made by the Company publishing a notice in the London Gazette on 25th March, 1996 stating where copies of this document and the Provisional Allotment Letter may be inspected or obtained on personal application by or on behalf of such Qualifying Shareholders. Accordingly, such shareholders may accept the offer by way of rights by obtaining copies of the Provisional Allotment Letter from the place stated in the notice and returning them in accordance with the instructions set out therein (subject to surrendering any original Provisional Allotment Letters posted to them).

### **(c) United States**

The Stock Units, the Rights Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act, nor under the securities laws of any State of the United States, and, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, may not be offered, sold, taken up, renounced, delivered or transferred within the United States.

Accordingly, the Rights Issue is not being made in the United States and Provisional Allotment Letters have not been sent to GWR Shareholders with registered addresses in the United States.

Envelopes containing Provisional Allotment Letters should not be post marked in the United States or otherwise despatched from the United States. All subscribers for Stock Units must provide an address for registration outside the United States. Persons will be deemed to have declined their provisional allotments or the provisional allotments that have been renounced to them if they submit a Provisional Allotment Letter in an envelope postmarked in the United States, provided an address in the United States for registration or do not make the representation and warranty set out below.

To give effect to the foregoing restrictions, in order to take up any or all of his entitlement, each person exercising rights to take up Stock Units (whether as an original allottee or as a renouncee requiring registration) will be deemed to have made a representation and warranty to the following effect (except where, in the absolute discretion of the Company, proof has been provided that completion of the Provisional Allotment Letter will not result in contravention of any applicable legal requirement in any jurisdiction):

- (i) that he is not (A) a person in the United States or (B) acting on a non-discretionary basis for the account or benefit of a person in the United States; and
- (ii) that he is not subscribing for Stock Units with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Stock Units to a person in the United States.

(d) **Australia and Canada**

No prospectus in relation to the Stock Units or the Rights Shares has been lodged with, or registered by, the Australian Securities Commission. The relevant exemptions have not been and will not be obtained from the Securities Commission of any province or territory of Canada and no document in relation to the Stock Units or the Rights Shares or the Provisional Allotment Letters has been registered under the relevant Canadian securities laws. Accordingly, no Stock Units will be offered or sold directly or indirectly in Australia or Canada pursuant to this document or the Provisional Allotment Letters.

Provisional Allotment Letters have not been sent to any person with a registered address in Australia or Canada. In addition, the Company reserves the right to refuse any renunciation of a Provisional Allotment Letter in favour of any person whose registered address is known to be in Australia or Canada.

The Company will not authorise the registration of any Stock Units in the name of a holder at an address in Australia or Canada nor the delivery of definitive certificates for partly paid Stock Units or the Rights Shares to an address in Australia or Canada nor such registration or delivery in the name of or to any person whom the Company knows or reasonably believes to be resident in Australia or Canada or who is unable to make the representation and warranty described below.

Each person lodging a Provisional Allotment Letter (whether for acceptance and payment or for registration) shall in so doing be deemed to represent and warrant that:

- (i) he is not a person resident in Australia or Canada and that he is not acquiring any Stock Units comprised in the Provisional Allotment Letter for the account or benefit of any such person or with a view to the offer, sale, resale, transfer, delivery or distribution in or into Australia or Canada; and
- (ii) he will not offer or sell directly or indirectly any of the Stock Units in Australia or Canada as part of the distribution of the Stock Units.

## **9. Irrevocable undertakings**

Harmsworth Media and European Media Associates Limited have given irrevocable undertakings in respect of 14,719,636 GWR Shares in aggregate (representing 21.17 per cent. of the existing issued share capital of GWR) to subscribe in full for their respective entitlements of Stock Units under the Rights Issue. Irrevocable undertakings have also been received from certain of the Directors to take up their entitlements under the Rights Issue in respect of 491,992 GWR Shares. The remaining Directors will sell sufficient of their nil paid rights to enable them to subscribe for the balance of their entitlements under the Rights Issue.

## PART IV Details of the RNZ Acquisition

RNZ is owned by the New Zealand Government which is selling RNZ by means of a competitive tender process. As part of the auction process GWR was required to agree a final form sale and purchase agreement to be submitted with GWR's final bid. The result of the form of the RNZ Acquisition Agreement having been agreed prior to the bid being submitted is that the selection of the successful bidder will be based entirely on the price offered. GWR submitted its final bid prior to the deadline of 5.00 pm New Zealand time on Friday 22nd March, 1996. GWR will not be permitted to revise its bid price after this time. The bid made by GWR, if accepted by the New Zealand Government, will be binding on GWR (subject to the conditionality of the RNZ Acquisition Agreement) and the terms of the sale will be those contained in that agreement. RNZ's radio frequency licences expire in 2011. They will be the subject of a competitive tender process before that date.

There follows a summary of the terms of the RNZ Acquisition Agreement as at 21st March, 1996 (being the latest practicable date prior to the posting of this document).

The RNZ Acquisition Agreement is between (1) GWR (the "Purchaser"); and (2) Her Majesty the Queen in right of New Zealand acting by and through her Minister of Finance and her Minister for State Owned Enterprises (the "Seller"). Under the RNZ Acquisition Agreement the Seller will sell all but one of the shares (being the Kiwi Share) comprised in the capital of RNZ (the "Shares") for a consideration equal to the amount bid by the Purchaser as part of the competitive tender process. A deposit (the "Deposit") equal to 10 per cent. of the estimated purchase price will be paid on the date of execution of the RNZ Acquisition Agreement (the "Execution Date"). Completion ("Settlement") of the sale (which is conditional on (i) the passing of the RNZ Resolution and (ii) the determination of relevant Maori legal proceedings within 40 business days of the earlier of 16th April, 1996 and the Execution Date), will take place at 1.00 p.m. on the later of the date falling 28 days after satisfaction of the conditions precedent, and 10th May, 1996. The Deposit will be repaid to the Purchaser if the conditions precedent are not fulfilled. Default interest is payable on any sum payable under the RNZ Acquisition Agreement not being paid when due. Under the RNZ Acquisition Agreement the Seller is required to use reasonable endeavours to determine the relevant Maori legal proceedings. Under the terms of the RNZ Acquisition Agreement the proceedings will be determined when (i) a court order dismissing the proceedings is made (with no stay pending appeal having been granted) and the parties confirm to each other that they are willing to perform the RNZ Acquisition Agreement; or (ii) a court order permitting the Seller to perform or not preventing the Seller from performing the RNZ Acquisition Agreement is made (with no stay pending appeal having been granted) and each party is satisfied with such order; or (iii) the proceedings are withdrawn, and both parties confirm to each other that they are willing to perform the RNZ Acquisition Agreement; or (iv) the proceedings are otherwise disposed of in a manner which does not prevent the Seller from performing its obligations under the RNZ Acquisition Agreement and each of the parties is satisfied with such disposal.

In the event that the Purchaser fails to pay the balance of the purchase price when due (or does not meet any other of its obligations under the RNZ Acquisition Agreement) the Seller may sue the Purchaser for specific performance of the RNZ Acquisition Agreement or cancel the same, retain the Deposit and/or sue for damages. The RNZ Acquisition Agreement states that included in any such damages will be any loss incurred by the Seller on any bona fide resale or attempted resale of RNZ.

In the event that the Seller fails to comply with its obligations on Settlement, and the Purchaser is in a position to pay the remainder of the purchase price the Purchaser may sue the Seller for specific performance of the RNZ Acquisition Agreement or cancel the same and/or sue for damages.

The Purchaser is receiving only limited warranties from the Seller under the Agreement and in particular is not receiving warranties in respect of the accounts of RNZ, RNZ's contracts and commitments, any licences required by RNZ to carry on its business, the solvency of RNZ, the ownership or condition of RNZ's assets, litigation in which RNZ may be involved, any land or property purported to be owned by RNZ or any intellectual property purported to be owned or used by RNZ. The Seller is giving warranties in respect of, *inter alia*, ownership of the shares in RNZ, the fact that the shares are fully paid and the power and authority of the Seller to enter into the RNZ Acquisition Agreement.

The Purchaser is warranting to the Seller under the RNZ Acquisition Agreement regarding, *inter alia*, the valid and binding nature of the RNZ Acquisition Agreement and that the Purchaser has all necessary clearances and authorisations as may be necessary for the Purchaser to enter into the RNZ Acquisition Agreement. The Purchaser is indemnifying the Seller in respect of the breach of such warranties.

Pending Settlement of the RNZ Acquisition Agreement the Seller is to use reasonable endeavours to procure that RNZ neither creates any encumbrances (as defined in the RNZ Acquisition Agreement) over, or disposes of any of, its assets. The Purchaser will be allowed reasonable access to the premises of RNZ pending Settlement of the RNZ Acquisition Agreement although the Purchaser's representatives will not have powers or duties of management during this period.

The single Kiwi Share to be retained by the Seller under the RNZ Acquisition Agreement will give the Seller various rights under the new Articles of Association to be adopted by RNZ under the RNZ Acquisition Agreement. These rights include, *inter alia*, the right of approval of any proposal by RNZ to discontinue the carrying on of any of its community radio businesses in respect of which there is no alternative broadcaster or to sell any of those businesses.

The RNZ Acquisition Agreement permits the Purchaser to nominate a subsidiary to acquire the title to the Shares in its place although this will not affect the primary obligations of the Purchaser under the Agreement.

The RNZ Acquisition Agreement is governed by New Zealand law and each of the parties has submitted to the jurisdiction of the Courts of New Zealand in respect of claims arising therefrom.

## PART V Financial information on the GWR Group

### 1. Financial information on GWR

The financial information set out in paragraphs 2 to 6 of this Part V does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended) ("the Act"), but has been extracted or derived from the published audited consolidated accounts of GWR for each of the three financial years which ended respectively on 30th September, 1993, 1994 and 1995.

### 2. Consolidated profit and loss accounts

The following is a summary of the consolidated profit and loss accounts of the GWR Group and dividends paid for the three years ended 30th September, 1995, extracted from the published audited consolidated profit and loss accounts of those years.

		Year ended 30th September, 1993 <i>Restated</i> £'000	Year ended 30th September, 1994 <i>Restated</i> £'000	Year ended 30th September, 1995 <i>Restated</i> £'000
	<i>Notes (see paragraph 6 of this Part V)</i>			
Turnover		9,215	12,000	30,806
Continuing operations		—	8,330	1,187
Acquisitions		9,215	20,330	31,993
		(8,197)	(17,456)	(26,672)
Operating expenses				
Operating profit		1,018	1,757	5,331
Continuing operations		—	1,117	(10)
Acquisitions		1,018	2,874	5,321
Total operating profit				
Income/(loss) from interests in associated undertakings		91	241	131
Investment income	c	6	146	80
Net interest payable and similar charges	d	(202)	(149)	(221)
Profit on ordinary activities before taxation	e	913	3,112	5,311
Taxation	f	(341)	(1,008)	(1,716)
Profit for the financial year		572	2,104	3,595
Dividends	g	(280)	(863)	(1,410)
Retained profit		292	1,241	2,185
Earnings per share (as originally stated)		18.4p	38.4p	6.5p
Fully diluted earnings per share (as originally stated)		17.1p	38.2p	—
Earnings per share (restated)	h	2.3p	4.8p	6.5p
Fully diluted earnings per share (restated)	h	2.1p	4.8p	—

Earnings per share and fully diluted earnings per share have been adjusted for the sub-division of shares and capitalisation issue which occurred in 1995.

The Group had no recognised gains or losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

### 3. Consolidated balance sheets

The following is a summary of the consolidated balance sheets of the GWR Group as at 30th September, 1993, 30th September, 1994 and 30th September, 1995 based on the published audited consolidated balance sheets at those dates.

	Notes (see paragraph 6 of this Part V)	30th September, 1993 £'000	30th September, 1994 £'000	30th September, 1995 £'000
Fixed Assets				
Intangible assets	i	406	752	830
Tangible assets	j	3,935	7,919	9,589
Investments	k	1,162	2,836	2,315
		<u>5,503</u>	<u>11,507</u>	<u>12,734</u>
Current Assets				
Stocks		20	75	—
Debtors	l	4,215	7,823	14,365
Cash at bank and in hand		—	548	170
		<u>4,235</u>	<u>8,446</u>	<u>14,535</u>
Creditors:				
amounts falling due within one year	m	(3,857)	(8,412)	(14,160)
Net current assets		<u>378</u>	<u>34</u>	<u>375</u>
Total assets less current liabilities		<u>5,881</u>	<u>11,541</u>	<u>13,109</u>
Creditors				
amounts falling due after more than one year	n	(895)	(2,228)	(1,757)
Provision for liabilities and charges	o	(242)	(241)	(170)
Net assets		<u>4,744</u>	<u>9,072</u>	<u>11,182</u>
Capital and reserves				
Called up share capital	q	622	1,328	3,365
Share premium account	s	212	2,684	1,138
Shares to be issued	s	—	—	111
Special capital reserve	s	369	369	369
Revaluation reserve	s	1,113	1,113	1,113
Merger reserve	s	491	491	—
Profit and loss account	s	1,937	3,087	5,086
		<u>4,744</u>	<u>9,072</u>	<u>11,182</u>

#### 4. Consolidated cash flow statements

		Year ended 30th September, 1993 £'000	Year ended 30th September, 1994 £'000	Year ended 30th September, 1995 £'000
	<i>Notes (see paragraph 6 of this Part V)</i>			
Net cash inflow from operating activities	u	630	4,587	5,342
Returns on investments and servicing of finance:				
Investment income received		6	128	80
Interest paid		(152)	(67)	(128)
Interest paid on finance leases		(30)	(83)	(81)
Dividend received from associated undertaking		—	20	16
Dividend paid		(248)	(521)	(997)
Net cash outflow from returns on investments and servicing of finance		(424)	(523)	(1,110)
Taxation				
UK corporation tax paid		(236)	(806)	(854)
Investing activities				
Licence reapplication costs capitalised		(72)	(325)	(216)
Purchase of tangible fixed assets		(261)	(834)	(1,932)
Proceeds of disposal of tangible fixed assets		9	55	60
Purchase of fixed asset investments		—	(855)	(28)
Purchase of subsidiary - Chiltern Radio	r	—	—	(2,132)
Purchase of subsidiary - Radio Trent, Mercia Sound, Leicester Sound,	r	—	(9,628)	(59)
Purchase of subsidiary - Mid Anglian Radio	r	—	(3,301)	(21)
Purchase of associate		—	(86)	(279)
Sale of investment		—	—	163
Net cash outflow from investing activities		(324)	(14,974)	(4,444)
Net cash outflow before financing		(354)	(11,716)	(1,066)
Financing activities				
Shares issued for cash		28	13,579	38
Repayment of loans		—	(119)	(121)
Expenses of share issue		—	(405)	(249)
Repayment of principal under finance leases		(147)	(251)	(365)
Net cash inflow/(outflow) from financing activities		(119)	12,804	(697)
Increase/(decrease) in cash and cash equivalents	v	(473)	1,088	(1,763)

#### 5. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

##### *Basis of accounting*

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain fixed assets.

##### *Basis of consolidation*

The consolidated financial statements include the Company and its subsidiary undertakings. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

##### *Associated undertakings*

An associated undertaking is one in which the group holds a substantial holding and is able to exercise a significant influence. The Group's share of profits of associated undertakings is included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet.

##### *Goodwill*

Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

##### *Intangible fixed assets*

Expenditure incurred on the successful reapplications for licences and relaunches of newly acquired stations is capitalised and amortised over the remaining period of the licences.

##### *Tangible fixed assets*

Tangible fixed assets are stated at their purchase price less accumulated depreciation adjusted for the revaluation of certain properties. The basis of valuation of those properties is explained in note 6(j).

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2 per cent.
Fixtures and technical support	10-20 per cent.
Motor vehicles	20 per cent.

Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

#### *Finance and operating leases*

Costs in respect of operating leases are charged on a straight line basis over the lease term. Assets held under finance lease are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

#### *Turnover*

In previous years turnover has been calculated as amounts invoiced in respect of all services and goods provided during the year, excluding value added tax and gross of advertising agency commission. In order to bring GWR's accounting policy into line with the majority of groups within the radio industry, this policy has been changed in the year to 30 September, 1995 and turnover is calculated net of such commission. Prior year figures have been restated accordingly. The effect of this change in accounting policy is to decrease turnover by £1,884,000 (1994: £1,407,000; 1993: £588,000) and to decrease operating expenses by £1,884,000 (1994: £1,407,000; 1993: £588,000). There has been no effect on operating profit in these years.

The group has only one material class of business. All of the group's turnover is generated in the United Kingdom.

#### *Deferred taxation*

Provision for deferred taxation is made using the liability method where there is a reasonable probability that the liability or asset will crystallise.

#### *Pension costs*

Some of the Group companies participate in defined contribution pension schemes where pension costs are calculated as the amount of contributions payable to the schemes in respect of the accounting period. Other Group companies participate in defined benefit pension scheme which is contracted out of the state scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service life of members of the scheme.

## **6. Extracts from the notes to the published accounts**

### **a. Directors' emoluments**

	Year ended 30th September, 1993 £'000	Year ended 30th September, 1994 £'000	Year ended 30th September, 1995 £'000
Fees	36	133	112
Salary payments (including benefits in kind)	188	369	379
Pension contribution	15	22	21
	<u>239</u>	<u>524</u>	<u>512</u>

*Fees and other emoluments (excluding pension contributions) include amounts paid to:*

The chairman	<u>8</u>	<u>55</u>	<u>65</u>
The highest paid director	<u>101</u>	<u>194</u>	<u>198</u>



The number of directors (including the Chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1993 Number	1994 Number	1995 Number
£0 to £5,000	4	3	3
£5,001 to £10,000	1	—	—
£10,001 to £15,000	1	1	—
£15,001 to £20,000	—	—	2
£20,001 to £25,000	—	—	—
£25,001 to £30,000	2	—	—
£35,001 to £40,000	1	—	—
£45,001 to £50,000	—	2	1
£50,001 to £55,000	—	2	—
£55,001 to £60,000	—	—	1
£60,001 to £65,000	—	—	1
£80,001 to £85,000	—	—	1
£85,001 to £90,000	—	1	—
£100,001 to £105,000	1	—	—
£190,001 to £195,000	—	1	—
£195,001 to £200,000	—	—	1

**b. Employee information**

The average weekly number of employees (including executive directors) during the year was:

	1993 Number	1994 Number	1995 Number
	157	393	489

Staff costs (for the above persons):

	£'000	£'000	£'000
Wages and salaries	2,277	6,188	8,159
Social security costs	239	535	792
Pension costs	35	160	238
	2,551	6,883	9,189

**c. Investment income**

	1993 £'000	1994 £'000	1995 £'000
Rents receivable	6	112	17
Interest receivable	—	18	36
Dividend receivable	—	16	27
	6	146	80

**d. Interest payable and similar charges**

	1993 £'000	1994 £'000	1995 £'000
On bank loans, overdrafts and other loans:			
Repayable within 5 years, not by instalments	122	17	106
Repayable within 5 years, by instalments	—	49	34
Repayable wholly or partly in more than 5 years	50	—	—
	172	66	140
On finance leases and hire purchase contracts	30	83	81
	202	149	221

**e. Profit on ordinary activities before taxation**

	1993 £'000	1994 £'000	1995 £'000
Profit on ordinary activities before taxation is stated after crediting:			
Profit on disposal of tangible fixed assets	4	28	14
Profit on disposal of investments	—	—	143
and after charging:			
Depreciation charge for the year:			
Intangible fixed assets	70	132	138
Tangible fixed assets	230	515	848
Tangible fixed assets held under finance leases	57	228	287
Auditor's remuneration for:			
Audit	30	44	48
Other services	40	32	70
Hire of plant and machinery - operating leases	15	222	77
Hire of other assets - operating leases	237	444	326
Exceptional items	70	—	—

**f. Taxation**

	1993 £'000	1994 £'000	1995 £'000
United Kingdom corporation tax at 33% (1994: 33%; 1993: 33%)			
Current	449	865	1,701
Deferred	(81)	9	(11)
Under provision in respect of prior years:			
Current	—	18	—
Deferred	—	36	—
	368	928	1,690
Associated undertakings	(27)	80	26
	341	1,008	1,716

**g. Dividends**

	1993 £'000	1994 £'000	1995 £'000
Interim paid of 0.94p per share (1994: 0.6875p; 1993: 0.5p)	124	365	499
Final proposed of 1.31p per share (1994: 0.9375p; 1993: 0.625p)	156	498	911
	280	863	1,410

The dividends per share for 1994 and 1993 have been adjusted to reflect the subdivision of shares and capitalisation issue which occurred in 1995.

**h. Earnings per share**

The calculations of earnings per share have been adjusted for the sub-division of shares and capitalisation issue which occurred in 1995.

The calculation of the earnings per share figure has used 55,445,262 (1994: 43,851,608; 1993: 24,809,472) shares, being the weighted average number of ordinary shares in issue during the year, and is based on the profit on ordinary activities after taxation for the year.

The fully diluted earnings per share figure has not been calculated for 1995 as the earnings per share on a fully diluted basis would not be materially different. The comparative figures have been compiled on the basis of 1994: 44,628,328; 1993: 27,622,336 ordinary shares. This calculation allows for the full conversion of share options.

**i. Intangible fixed assets**

	£'000
Cost	
As at 1st October, 1994	1,721
Additions	216
At 30th September, 1995	<u>1,937</u>
Depreciation	
At 1st October, 1994	969
Charge for the year	138
At 30th September, 1995	<u>1,107</u>
Net book value	
At 30th September, 1995	<u>830</u>
Net book value	
At 30th September, 1994	<u>752</u>

**j. Tangible fixed assets**

	Land and buildings	Fixtures and technical equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1st October, 1994	5,591	7,534	609	13,734
Acquisitions	709	1,860	581	3,150
Additions	16	1,911	42	1,969
Disposals	—	(73)	(181)	(254)
At 30th September, 1995	<u>6,316</u>	<u>11,232</u>	<u>1,051</u>	<u>18,599</u>
Depreciation				
At 1st October, 1994	591	4,833	391	5,815
In respect of new subsidiaries	551	1,448	270	2,269
Charge for year	71	941	123	1,135
Disposals	—	(67)	(142)	(209)
At 30th September, 1995	<u>1,213</u>	<u>7,155</u>	<u>642</u>	<u>9,010</u>
Net book value				
At 30th September, 1995	<u>5,103</u>	<u>4,077</u>	<u>409</u>	<u>9,589</u>
Net book value				
At 30th September, 1994	<u>5,000</u>	<u>2,701</u>	<u>218</u>	<u>7,919</u>
Cost or valuation at 30th September, 1995 is represented by:				
Valuation in 1988	1,750	—	—	1,750
Cost	4,566	11,232	1,051	16,849
	<u>6,316</u>	<u>11,232</u>	<u>1,051</u>	<u>18,599</u>

The net book value of tangible fixed assets includes an amount of £821,000 (1994: £790,400) in respect of assets held under finance leases.

The freehold land and buildings that have been revalued were the subject of a valuation in June 1988 by a firm of independent consultant surveyors and valuers on an open market valuation for existing use basis.

If freehold land and buildings had not been revalued they would have been included in the financial statements at an original cost of £3,204,000 (1994: £3,033,000).

	1994 £'000	1995 £'000
Land and buildings at net book value comprise:		
Freeholds	4,146	4,317
Long leaseholds	74	71
Short leaseholds	780	715
	<u>5,000</u>	<u>5,103</u>

# **k. Investments**

	Associated undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1st October, 1994	505	2,331	2,836
Additions	279	28	307
Disposals	—	(20)	(20)
Transfer to associated undertakings	163	(163)	—
Transfer to subsidiary undertakings	—	(441)	(441)
Share of results for year	86	—	86
Goodwill write off	(453)	—	(453)
At 30th September, 1995	580	1,735	2,315

	Other investments	
	1994 £'000	1995 £'000
Investments included above listed on the London Stock Exchange	441	—
Stock Exchange value of listed investments	340	—

The associated undertakings are as follows:

Name	Country of incorporation/registration	Class of capital held	Proportion of nominal value of issued shares held by the Group %
West Country Broadcasting Ltd	England and Wales	Ordinary £1 shares	50
Spire FM Limited	England and Wales	Ordinary £1 shares	40
Minister Sound Radio plc	England and Wales	Ordinary £1 shares	23.3
Radio FM Plus	Bulgaria	Ordinary 100 Leva shares	48
InfoRadio SP ZO O	Poland	Ordinary 10,000 (old) Zloty shares	33
Network News (Radio) Limited	England and Wales	Ordinary shares	25.1

All of the above companies operated in the country of incorporation or registration, and all of them are local radio contractors, except for InfoRadio SP ZO O which has applied for a licence to broadcast a news and information service in Warsaw, Poland and Network News (Radio) Limited which provides radio news services. They are stated in the company balance sheet at the cost of investment.

The group's holding in Minister Sound Radio plc increased during the year from 15.8 per cent. to 23.3 per cent., accordingly the investment is now accounted for as an associated undertaking.

The investment in InfoRadio SP ZO O in Poland was acquired during the year ended 30th September, 1994.

## **Interests in group undertakings**

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the Group:

Name of undertaking	Principal activity	Proportion of nominal value of issued shares held by the Group %
Wiltshire Radio plc	Independent local radio contractor	100
GWR (West) Limited	Independent local radio contractor	100
Thames Valley Broadcasting plc	Independent local radio contractor	100
Two Countries Radio Limited	Independent local radio contractor	100
Chiltern Radio PLC	Independent local radio contractor	91.7
Radio Trent Limited	Independent local radio contractor	100

All of the above companies have only one class of share capital, ordinary shares, except for Wiltshire Radio plc which also has non-voting ordinary shares. All of the above companies are registered and operated in England and Wales.

On 14th January, 1994, the Company acquired the whole of the issued share capital of Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited and Beacon Broadcasting Limited.

On 3rd June, 1994, the Company's offer for the issued share capital of Mid Anglian Radio plc was declared unconditional. At 30th September, 1994, the Company had acquired 99.97 per cent. of the issued share capital of Mid Anglian Radio plc.

## **Other investments**

The company owns 17.2 per cent. of the Ordinary 1p shares of Classic FM plc.

The company's holding in Stray FM plc increased during the year from 22.4 per cent. to 29.9 per cent. of the issued Ordinary 50p shares of Stray FM plc. The group has no influence over Stray FM plc, with no involvement

in their financial and operating policy decisions. The investment in that company is therefore not treated as an associated undertaking, but is accounted for at cost.

Both companies are registered in England and Wales.

**l. Debtors**

	1994 £'000	1995 £'000
Amounts falling due after more than one year		
Other debtors	71	—
Amounts falling due within one year		
Trade debtors	5,672	8,182
Amounts owed by associated undertakings	283	157
Assets held for resale	—	3,721
Other debtors	931	499
Prepayments and accrued income	866	1,762
Corporate tax	—	31
Advance corporation tax	—	13
	<u>7,752</u>	<u>14,365</u>
Total debtors	<u>7,823</u>	<u>14,365</u>

**m. Creditors: amounts falling due within one year**

	1994 £'000	1995 £'000
Bank loans and overdrafts	983	2,366
Obligations under finance leases	346	323
Trade creditors	1,108	2,455
Amounts owned to associated undertakings	41	64
Corporation tax	823	1,691
Advance corporation tax	125	349
Other taxation and social security	821	1,326
Other creditors	1,001	350
Accruals	2,666	4,325
Dividends payable	498	911
	<u>8,412</u>	<u>14,160</u>

**n. Creditors: amounts falling due after more than one year**

	1994 £'000	1995 £'000
Bank loans and overdrafts	383	263
Obligations under finance leases	347	383
Other creditors	1,498	1,111
	<u>2,228</u>	<u>1,757</u>
	1994 £'000	1995 £'000
Bank loans and overdrafts		
Repayable as follows:		
In one year or less	983	2,366
Between one and two years	120	120
Between two and five years	225	107
In five years or more	38	36
	<u>1,366</u>	<u>2,629</u>
Repayable by instalments wholly or partly in more than five years:	49	46

#### Finance leases

The net finance lease obligations to which the Group is committed are as follows:

	1994 £'000	1995 £'000
In one year or less	346	323
Between one and two years	183	313
Between two and five years	144	70
Over five years	20	—
	<u>693</u>	<u>706</u>

#### ***o. Provisions for liabilities and charges***

	1994 £'000	1995 £'000
Deferred taxation	241	127
Relocation provision	—	43
	<u>241</u>	<u>170</u>

Deferred taxation provided in the financial statements, which represents the total potential liability for deferred taxation is as follows:

	1994 £'000	1995 £'000
Accelerated capital allowances	136	135
Other timing differences	230	220
	<u>366</u>	<u>355</u>
Less: advance corporation tax	<u>(125)</u>	<u>(228)</u>
	<u>241</u>	<u>127</u>

The potential capital gains tax that might arise if the Group's freehold property was realised at the net amount included in the financial statements is estimated at £81,000 (1994: £107,000).

#### ***p. Pension obligations***

Some of the subsidiaries in the GWR Group participate in defined contribution pension schemes available to their permanent employees.

The schemes' funds are administered by trustees and are independent of the Group's finances.

Eligible employees at Radio Trent Limited, Leicester Sound Limited and Mercia Sound Limited are members of the Midlands Radio Group Pension Scheme. Pension costs relating to this scheme are assessed with the advice of independent qualified actuaries.

The pension scheme is a defined benefit scheme and is established under trusts with the assets held separately from those of the Group.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the members' working lives with the Group. The pension cost charged to the profit and loss account is calculated by a qualified actuary and is determined as a substantially level percentage of the current and expected future pensionable payroll.

The last actuarial valuation was carried out as at 1st October, 1993. At that date, the market value of the scheme's assets was £2,334,356. The actuarial value of the scheme's assets represented 93.3 per cent. of the benefits that had accrued to the members after allowing for the expected future increases in earnings.

The assumptions having the greatest effect on the pension cost are those relating to the rate of return on scheme investments and the rate of increase in pensionable earnings. In calculating the pension cost it was assumed that over the long-term the yield earned on investments would exceed the effective rate of increase in pensionable earnings by 2.25 per cent. per annum. Allowance was made for increases in pension payments in accordance with scheme rules.

The total pension cost to the Group for the year ended 30th September, 1995, was £238,000 (1994: £160,000; 1993: £35,000).

**q. Called up share capital**

	Authorised Number	£'000	Allotted, called-up and fully paid Number	£'000
Ordinary shares of 20p each: At 1st October, 1994	8,450,000	1,690	6,640,154	1,328
Share sub-division	25,350,000	—	19,920,462	—
Ordinary shares of 5p each At 1st October, 1994	33,800,000	1,690	26,560,616	1,328
Increase 30th March, 1995	36,200,000	1,810	1	—
Capitalisation issue	—	—	26,560,617	1,328
Share options exercised	—	—	135,600	7
Increase 11th July, 1995 issued on acquisition	23,300,000	1,165	—	—
	—	—	14,036,139	702
	93,300,000	4,665	67,292,973	3,365

The authorised share capital was increased on 30th March, 1995 to enable the share capitalisation issue to take place, and on 11th July, 1995 in order to allow for the increase in issued share capital required for the cost of the acquisition of Chiltern Radio PLC.

At 30th September, 1995, the Company had granted options under the Executive Share Option Scheme in respect of 5p ordinary shares which are outstanding as follows:

Period of exercise	Number of shares	Exercise price
To 26th October, 1997	24,000	15.625p
To 4th March, 1998	4,400	15.625p
To 15th November, 1998	320	30.125p
To 31st January 2001	116,000	24.75p
To 11th February 2002	40,000	32.375p
To 2nd March 2002	32,000	32.25p
1st February, 1996 to 31st January, 2003	528,000	47.5p
10th March, 1997 to 9th March, 2004	3,192	47p
28th July, 1998 to 27th July, 2005	520,000	122p

All options are exercisable between three and ten years from the date granted. The option numbers above have been adjusted for the sub-division of shares and capitalisation issue.

**r. Acquisitions**

(i) The GWR Group offer for the issued share capital of Chiltern Radio was declared unconditional on 28th July, 1995. At 30th September, 1995, 6,257,727 ordinary shares of 10p each in Chiltern Radio had been acquired under the offer, which together with the 146,000 shares previously acquired in Chiltern Radio, gives a total of 6,403,727 shares representing 91.7 per cent. of the total issued share capital of that company. The balance of the shares have been compulsorily purchased.

The consideration for the purchase of the shares under the offer was the issue of 14,036,139 Ordinary shares of 5p each in the shares of GWR Group. It is anticipated that a further 2,232,857 shares will be issued after the year end to acquire the remaining shares of Chiltern Radio. These shares have been included within the fair value of the acquisition at a cost based on the share price at 30th September, 1995.

In accordance with the merger relief provisions of Section 131 of the Companies Act 1985, the Company's investment in Chiltern Radio has been stated as the aggregate of the nominal value of the shares issued, together with associated acquisition costs. The fair value of the consideration including associated acquisition costs is £23,274,000. The premium on shares issued has increased the Group's merger reserve, with the goodwill relating to the acquisition being written off against the merger reserve (see note 6S).

The Group has used acquisition accounting to account for the purchase. The subsidiary made a loss on ordinary activities before taxation of £1,466,000 from 1st October, 1994, the beginning of the subsidiary's financial year, to the date of acquisition and made a profit of £514,000 for the previous financial year.

# Chiltern Radio acquisition

The assets and liabilities acquired are set out below:

	<i>Book value</i>	<i>Adjustments</i>	<i>Fair value to the Group £'000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets			
Tangible	1,132	(251)	881
Current assets			
Debtors	1,691	3,395	5,086
Total assets	<u>2,823</u>	<u>3,144</u>	<u>5,967</u>
Liabilities			
Creditors	1,786	244	2,030
Bank overdraft	823	—	823
	<u>2,609</u>	<u>244</u>	<u>2,853</u>
Net assets	<u>214</u>	<u>2,900</u>	<u>3,114</u>
Consideration			
14,036,139 Ordinary Shares			18,033
2,232,857 shares to be issued at par			111
Premium on shares to be issued			2,925
Cash payment for expenses			1,764
Cash payment for 2.25% stake previously acquired			441
			<u>23,274</u>
Fair value of net assets acquired			<u>3,114</u>
Goodwill			<u>20,160</u>

The principal adjustment to book value relates to the sale of Galaxy Radio. On 25th October, 1995 the company announced the sale of the Galaxy Radio business for £4.1 million. Galaxy Radio was acquired as part of the Chiltern Radio PLC acquisition and was held exclusively for resale in order to comply with current broadcasting legislation. The assets sold have been restated in the above table to reflect their fair value to the group based on the net proceeds of sale.

The other adjustments to book value relate to contractual payments made to certain Chiltern employees resulting directly from the acquisition and the alignment of the accounting policy in respect of the treatment of associate balances.

Chiltern Radio PLC contributed an outflow of £110,000 to the group's net operating cash flows, paid £8,000 in respect of net returns on investments and servicing of finance and utilised £173,000 for investing activities.

## **Analysis of the net outflow of cash and cash equivalents in respect of the purchase of Chiltern Radio PLC**

	<i>£'000</i>
Expenses of acquisition	1,309
Bank overdrafts acquired	823
Net outflow of cash and cash equivalents	<u>2,132</u>



- (ii) On 14th January, 1994, the Company acquired the whole of the issued share capital of Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited and Beacon Broadcasting Limited. The Group has used acquisition accounting to account for these purchases.

The consolidated net assets acquired were as follows:

	<i>Book value</i>	<i>Adjustments</i>	<i>Fair value to the Group</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets			
Intangible	82	—	82
Tangible	2,866	274	3,140
Investments	20	—	20
	<u>2,968</u>	<u>274</u>	<u>3,242</u>
Current assets			
Stock	61	—	61
Debtors	1,900	—	1,900
Cash at bank and in hand	179	—	179
	<u>2,140</u>	<u>—</u>	<u>2,140</u>
Total assets	<u>5,108</u>	<u>274</u>	<u>5,382</u>
Liabilities			
Creditors	2,111	820	2,931
Bank overdraft	1,137	—	1,137
Deferred tax	79	—	79
	<u>3,327</u>	<u>820</u>	<u>4,147</u>
Net assets	<u>1,781</u>	<u>(546)</u>	<u>1,235</u>
Consideration			
1,014,882 ordinary shares (of 20p each) at £6.90 each			7,003
Cash			<u>8,670</u>
Total consideration paid			15,673
Fair value of net assets acquired			<u>1,235</u>
Goodwill			<u>14,438</u>

£800,000 of the total consideration above is deferred and contingent on future results.

The adjustments to book value relate to the alignment of the companies' depreciation policies on freehold properties with that of GWR Group and reorganisation provisions.

The subsidiaries made a profit/(loss) on ordinary activities before taxation before the acquisition date as follows:

	<i>1st October 1993 to acquisition date</i>	<i>Year ended 30th September, 1993</i>
	<i>£'000</i>	<i>£'000</i>
Radio Trent Limited	249	707
Mercia Sound Limited	11	16
Leicester Sound Limited	(3)	55
Beacon Broadcasting Limited	117	(19)
	<u>374</u>	<u>759</u>

The above companies contributed £2,712,000 to the Group's net operating cash flows, paid £6,000 in respect of net returns on investments and servicing of finance, paid £203,000 in respect of taxation and utilised £476,000 for investing activities for the year ended 30th September, 1994.

**Analysis of the net outflow of cash and cash equivalents in respect of the purchase of Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited and Beacon Broadcasting Limited.**

	<i>£'000</i>
Cash consideration	8,670
Cash at bank and in hand	(179)
Bank overdrafts acquired	<u>1,137</u>
Net outflow of cash and cash equivalents	<u>9,628</u>

- (iii) On 3rd June, 1994, the Company's offer for the issued share capital of Mid Anglian Radio plc was declared unconditional. At 30th September, 1994, GWR Group had acquired 99.97 per cent. of Mid Anglia Radio plc. The Group has used acquisition accounting to account for the purchase.

The subsidiary made a loss on ordinary activities before taxation of £85,000 from 1st October, 1993, the beginning of the subsidiary's financial year, to the date of acquisition and made a loss of £100,000 for the previous financial year.

Mid Anglian Radio plc contributed an outflow of £184,000 to the Group's net operating cash flows, paid £2,000 in respect of net returns on investments and servicing of finance and utilised £80,000 for investing activities.

**Analysis of the net outflow of cash and cash equivalents in respect of the purchase of Mid Anglian Radio plc**

	£'000
Cash consideration	3,202
Bank overdrafts acquired	99
Net outflow of cash and cash equivalents	<u>3,301</u>

The assets and liabilities acquired are set out below:

	Book value £'000	Adjustments £'000	Fair value to the Group £'000
Fixed assets			
Intangible	72	—	72
Tangible	<u>778</u>	<u>2</u>	<u>780</u>
	<u>850</u>	<u>2</u>	<u>852</u>
Current assets			
Stock	25	—	25
Debtors	<u>676</u>	<u>—</u>	<u>676</u>
	<u>701</u>	<u>—</u>	<u>701</u>
Total assets	<u>1,551</u>	<u>2</u>	<u>1,553</u>
Liabilities			
Creditors	556	257	813
Bank overdraft	<u>99</u>	<u>—</u>	<u>99</u>
	<u>655</u>	<u>257</u>	<u>912</u>
Net assets	<u>896</u>	<u>(255)</u>	<u>641</u>

Consideration	782
£782,000 satisfied by the issue of 81,239 ordinary shares of 20p each	
Cash	<u>3,202</u>
Total consideration paid	3,984
Fair value of net assets acquired	<u>641</u>
Goodwill	<u>3,343</u>

The adjustments to book value relate to the alignment of the company's depreciation policy on freehold property with that of GWR Group and reorganisation provisions.

**Goodwill**

The cumulative amount of goodwill resulting from acquisitions which has been written off to reserves is set out below:

	£'000
At 1st October, 1994	17,904
Written off to merger reserve — Chiltern Radio PLC	20,160
Written off to merger reserve — Associate	453
Written off to merger reserve — Midlands/Mid Anglian adjustments	134
Written off to profit and loss account — Midlands/Mid Anglian adjustments	<u>186</u>
At 30th September, 1995	<u>38,837</u>

**s. Reserves**

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1st October, 1994	2,684	491	3,087
Capitalisation issue	(1,328)	—	—
Issue of shares	—	20,256	—
Expenses of share issue	(249)	—	—
Share options exercised	31	—	—
Goodwill written off	—	(20,747)	(186)
Retained profit for the year	—	—	2,185
At 30th September, 1995	1,138	—	5,086

	Special capital reserve £'000	Revaluation reserve £'000
At 1st October, 1994 and 30th September, 1995	369	1,113

Group's share of post acquisition reserves of associated undertakings

	Profit and loss account £'000
At 1st October, 1994	119
Retained profit for the year	86
At 30th September, 1995	205

**t. Reconciliation of movements in shareholders' funds**

	1994 £'000	1995 £'000
Profit for the financial year	2,104	3,595
Dividends	(863)	(1,410)
	1,241	2,185
New share capital issued	21,364	740
Shares to be issued	—	111
Expenses of shares issued	(405)	(249)
Premium on shares issued	—	17,331
Premium on shares to be issued	—	2,925
Goodwill written off	(17,872)	(20,933)
Net addition to shareholders' funds	4,328	2,110
Opening shareholders' funds	4,744	9,072
Closing shareholders' funds	9,072	11,182

**u. Reconciliation of operating profit to net cash inflow from operating activities**

	1993 £'000	1994 £'000	1995 £'000
Operating profit	1,018	2,874	5,321
Depreciation of tangible fixed assets	287	743	1,135
Amortisation of intangible fixed assets	70	132	138
Profit on disposal of tangible fixed assets	(4)	(28)	(14)
Profit on sale of investments	—	—	(143)
Decrease/(increase) in stocks	(6)	31	75
Increase in debtors	(1,355)	(1,026)	(1,099)
Increase/(decrease) in creditors	620	1,861	(71)
	630	4,587	5,342

**v. Cash and cash equivalents**

	1993 £'000	1994 £'000	1995 £'000
Changes during the year			
At 1st October	(930)	(1,403)	(315)
Net cash inflow	(473)	1,088	(1,763)
At 30th September	(1,403)	(315)	(2,078)

	1993 £'000	1994 Change in year £'000	1994 £'000	1995 Change in year £'000	1995 £'000
Analysis of balances					
Cash at bank and in hand	—	548	548	(378)	170
Bank overdrafts	(1,403)	540	(863)	(1,385)	(2,248)
At 30th September	(1,403)	1,088	(315)	(1,763)	(2,078)

**w. Analysis of changes in financing during the year**

	Share capital (including premium) £'000	Loans and finance lease obligations £'000
At 1st October, 1994	4,012	1,196
Net cash flows from financing	(211)	(486)
Inception of finance lease contracts	—	36
Shares issued for non-cash consideration	18,033	—
Creation of merger reserve	(17,331)	—
On acquisition	—	341
At 30th September, 1995	4,503	1,087

**x. Contingent liabilities**

Contingent liabilities are as follows:

- On 14th June, 1995 the company announced that it had entered into a conditional agreement to purchase 21 per cent. of the issued share capital of the German company Antenne Sachsen Horfunk-Versorgung GmbH ("Antenne Sachsen"). The total consideration is £1.54 million. Antenne Sachsen operates a commercial radio station serving six million people in the German State of Saxony and surrounding areas, including the cities of Leipzig and Dresden.
- Various inter-group cross guarantees are held by the National Westminster Bank PLC and Barclays Bank PLC.
- National Westminster Bank PLC holds a charge over £169,000 of credit balances.
- Barclays Bank PLC holds a charge over freehold property which is stated at £106,000 in the financial information.
- The Company is a member of a group for value added tax purposes, resulting in a joint and several liability for amounts owing by other group companies for unpaid value added tax.

**y. Financial commitments**

As 30th September, 1995, the Group had annual commitments under non-cancellable operating leases as follows:

	1994		1995	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Expiring within one year	—	201	13	169
Expiring between two and five years inclusive	—	468	7	221
Expiring in over five years	105	10	249	—
	105	679	269	390

## PART VI Accountants' Report on RNZ

The following is the full text of a report on RNZ from KPMG, Chartered Accountants and Registered Auditors, the reporting accountants.

1 Cricklade Court  
Cricklade Street  
Old Town  
Swindon  
Wiltshire  
SN1 3EY

Telephone 01793 512522  
Telefax 01793 488908  
DX 6237 Swindon 1

The Directors  
GWR Group plc  
PO Box 2345  
3B2 Westlea  
SWINDON  
Wilts SN5 7HF

The Directors  
Hambros Bank Limited  
41 Tower Hill  
London  
EC3N 4HA

Dear Sirs

### Radio New Zealand Limited and subsidiaries

We have examined the audited accounts of Radio New Zealand Limited (the "Company") and subsidiaries (collectively referred to as the "Group") for the two and half years ended 31st December, 1995; our examination has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant.

Audit New Zealand, the New Zealand Government audit agency have been auditors of the Group throughout this period.

Prior to 30th June, 1993 Radio New Zealand Limited operated with a fundamentally different accounting and reporting structure from that in place subsequent to that date. As a result, it is not possible to obtain and present information on a comparable basis with that for periods subsequent to 30th June, 1993. Accordingly, financial information for prior periods has not been presented.

The financial information set out at paragraphs 1 to 4 prepared on the basis described in note 4a is based on the audited accounts of the Group after making such adjustments as we consider necessary.

In our opinion the financial information gives, for the purposes of the prospectus and listing particulars relating to the GWR Group plc dated 22nd March, 1996, a true and fair view of the profits and cash flows and of the state of affairs of the Group for the two and half years ended 31st December, 1995.

### 1. Profit and loss account

		Year ended 30th June, 1994	Year ended 30th June, 1995	Six months ended 31st December, 1995
	Notes	NZ\$'000	NZ\$'000	NZ\$'000
Turnover from continuing operations	b	72,643	74,463	38,280
Operating expenses		(99,867)	(98,937)	(48,594)
Other operating income	d	30,804	28,859	12,337
Operating profit				
From continuing operations		3,015	3,489	1,909
From discontinued operations		565	896	114
		3,580	4,385	2,023
Interest payable and similar charges	e	(2,001)	(1,572)	(687)
Profit on ordinary activities before taxation	f	1,579	2,813	1,336
Taxation	g	—	—	(127)
Profit for the financial year after taxation		1,579	2,813	1,209
Dividends	h	(684)	(796)	(436)
Retained profit		895	2,017	773

The Group has no recognised gains or losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

## 2. Consolidated balance sheet

The following is a summary of the consolidated balance sheets of Radio New Zealand Limited and subsidiaries.

	Notes	30th June, 1994 NZ\$'000	30th June, 1995 NZ\$'000	31st December, 1995 NZ\$'000
Fixed assets				
Intangible assets	i	1,504	1,580	1,531
Tangible assets	j	29,638	27,068	19,571
Investments	k	43	—	—
		<u>31,185</u>	<u>28,648</u>	<u>21,102</u>
Current assets				
Debtors	l	11,877	10,834	14,571
Cash at bank and in hand		—	135	2,048
		<u>11,877</u>	<u>10,969</u>	<u>16,619</u>
Creditors: amounts falling due within one year	m	(20,780)	(14,423)	(14,018)
Net current (liabilities)/assets		<u>(8,903)</u>	<u>(3,454)</u>	<u>2,601</u>
Total assets less current liabilities		<u>22,282</u>	<u>25,194</u>	<u>23,703</u>
Creditors: amounts falling due after more than one year	n	(15,009)	(15,904)	(13,640)
Net assets		<u>7,273</u>	<u>9,290</u>	<u>10,063</u>
Capital and reserves				
Called up share capital	o	33,008	33,008	33,008
Share premium account	p	7,666	7,666	7,666
Profit and loss account	q	(33,401)	(31,384)	(30,611)
		<u>7,273</u>	<u>9,290</u>	<u>10,063</u>
Shareholders funds are split between				
Equity		(5,401)	(3,384)	(2,611)
Non-equity		<u>12,674</u>	<u>12,674</u>	<u>12,674</u>
		<u>7,273</u>	<u>9,290</u>	<u>10,063</u>

## 3. Statement of cash flows

	Notes	Year ended 30th June, 1994 NZ\$'000	Year ended 30th June, 1995 NZ\$'000	Six months ended 31st December, 1995 NZ\$'000
Net cash inflow from operating activities	s	7,692	8,608	1,835
Returns on investments and servicing of finance		<u>(2,001)</u>	<u>(1,572)</u>	<u>(687)</u>
Investing activities:				
Proceeds from sale of fixed assets		1,277	1,521	12
Net inflow from bank deposits		—	5,100	—
Proceeds from sale of NZPR	k	—	—	10,500
Proceeds from sale of shares in associate	k	—	—	40
Purchase of fixed assets		(730)	(2,739)	(1,211)
Net outflow of bank deposit		<u>(9,400)</u>	<u>—</u>	<u>—</u>
Net cash (outflow)/inflow from investing activities		<u>(8,853)</u>	<u>3,882</u>	<u>9,341</u>
Cash flows from financing activities:				
Proceeds from term debt issued		23,000	—	—
Repayment of mortgage		—	(4,500)	—
Repayment of term debt		(1,000)	(5,000)	(2,700)
Repayment of loan from NZPR		—	—	(4,700)
Net cash inflow/(outflow) from financing activities		<u>22,000</u>	<u>(9,500)</u>	<u>(7,400)</u>
Increase in cash and cash equivalents	t	<u>18,838</u>	<u>1,418</u>	<u>3,089</u>

#### 4. Notes of the summarised financial statements

The foregoing summaries have been prepared in accordance with applicable UK accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the foregoing summaries throughout the period under review.

##### a. Accounting policies

###### *Basis of accounting*

The financial information set out in this report is based on the audited accounts of the Group for the two and half years ended 31st December, 1995. During the period, the Company operated a commercial radio station and, via a subsidiary, New Zealand Public Radio Limited ("NZPR"), a public service broadcasting station. NZPR was disposed of by the Company on 1st December, 1995. NZPR has been treated as a discontinued operation in the financial information presented in this report.

###### *Basis of consolidation*

The consolidated financial statements include the Company and its subsidiary undertakings. The results of the subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

###### *Investments*

Investments in subsidiaries are stated at the lower of cost or estimated net realisable value.

###### *Intangible fixed assets*

Expenditure incurred on the successful reapplication for licences and relaunches of newly acquired stations is capitalised and amortised over 20 years or the remaining period of the licences.

###### *Tangible fixed assets*

Tangible fixed assets are stated at their purchase price less accumulated depreciation adjusted for the revaluation of certain properties. The basis of valuation of those properties is explained in note j.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	— 20-40 years
Leasehold improvements	— term of lease
Plant and equipment	— 10-20 years
Motor vehicles	— 5 years
Computer equipment and software	— 3-5 years

###### *Inventories*

Purchases of inventories in the nature of tapes, records and cassette disks are expensed in the year of purchase.

###### *Operating leases*

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged to the profit and loss in equal instalments over the lease term.

###### *Sub-leases*

Radio New Zealand has a number of leases that have been sub-leased for their remaining life. Where it is certain Radio New Zealand Limited will incur future losses on the ongoing sub-lease arrangements, the total amount of future losses has been recorded in the year the sub-lease is negotiated.

##### b. Segmental analysis

All turnover relates to gross radio advertising and all activity took place in New Zealand.

##### c. Directors' fees

Directors of Radio New Zealand Limited and subsidiaries:

	Year ended 30th June, 1994	Year ended 30th June, 1995	Six months ended 31st December, 1995
	NZ\$'000	NZ\$'000	NZ\$'000
Bryan Kensington	65	72	25
Paul Hargreaves	25	25	13
Raymond West	35	25	13
Jocelyn Afford	6	25	13
Celia Caughey	4	—	—
	<u>135</u>	<u>147</u>	<u>64</u>

**d. Other operating income**

	Year ended 30th June, 1994	Year ended 30th June, 1995	Six months ended 31st December, 1995
	NZ\$'000	NZ\$'000	NZ\$'000
Income from discontinued activities (NZPR)	22,035	17,278	9,040
Other income	8,204	11,581	3,337
	<u>30,239</u>	<u>28,859</u>	<u>12,337</u>

**e. Net Interest payable and similar charges**

	Year ended 30th June, 1994	Year ended 30th June, 1995	Six months ended 31st December, 1995
	NZ\$'000	NZ\$'000	NZ\$'000
On bank loans and overdrafts	<u>2,001</u>	<u>1,572</u>	<u>687</u>

**f. Profit on ordinary activities before taxation**

	Year ended 30th June, 1994	Year ended 30th June, 1995	Six months ended 31st December, 1995
	NZ\$'000	NZ\$'000	NZ\$'000
Profit on ordinary activities before taxation is stated after charging			
Depreciation charge			
Intangible fixed assets	97	101	55
Tangible fixed assets	4,019	3,744	1,672
Auditors' remuneration for audit	165	172	182
Operating lease costs	4,499	5,571	2,336
Bad debts written off	649	932	164
Exceptional items — redundant leases	2,918	194	—

The exceptional items in the year to 30th June, 1994 and 30th June, 1995 relates to the provision for future losses where properties have been sub-leased in the year and the sub-lease income is less than the head lease cost. The future losses, calculated to the end of the sub-lease, have been provided in the year the sub-lease is negotiated.

**g. Taxation**

	Year ended 30th June, 1994	Period to Year ended 30th June, 1995	Six months ended 31st December, 1995
	NZ\$'000	NZ\$'000	NZ\$'000
Taxation at 33% of profit	<u>—</u>	<u>—</u>	<u>(127)</u>

The tax charged for the six months to 31st December, 1995 relates to NZPR which was disposed of on 1st December, 1995.

Income tax losses carried forward and available to be set off against future assessable income amount to NZ\$1.48 million (30th June, 1995 \$3.3 million; 30th June, 1994 \$10.9 million). The potential benefit from these losses amount to NZ\$0.488 million, (30th June, 1995, \$1.1 million; 30th June, 1994 \$3.6 million) at the rate of tax applicable for the following income year (33 per cent.) subject to the continuity of ownership requirements of the Income Tax Act 1994 being met. The sale by the Crown, resulting in a change of ownership, will mean the benefit of the tax losses will be forfeited. The company has a deferred tax benefit of \$4.4 million which has not been recognised in the accounts.



#### **h. Preference share dividends**

	<i>Year ended 30th June, 1994</i>	<i>Period to Year ended 30th June, 1995</i>	<i>Six months ended 31st December, 1995</i>
	<i>NZ\$'000</i>	<i>NZ\$'000</i>	<i>NZ\$'000</i>
Redeemable cumulative preference shares:			
Dividend provided at 6% per annum	300	300	150
Dividend provided at floating rate of interest	384	496	286
	<u>684</u>	<u>796</u>	<u>436</u>

The floating dividend rate is payable calculated on the 90 day average bank bill rate plus a margin based on an agreed formula.

#### **i. Intangible assets**

	<i>30th June, 1995</i>	<i>31st December, 1995</i>
	<i>NZ\$'000</i>	<i>NZ\$'000</i>
Radio frequency licences: cost	1,979	1,989
Less accumulated amortisation	(399)	(458)
Total intangible assets	<u>1,580</u>	<u>1,531</u>

#### **j. Fixed assets**

	<i>Year ended 30th June, 1995</i>	<i>31st December, 1995</i>
	<i>NZ\$'000</i>	<i>NZ\$'000</i>
Land-valuation	5,783	3,170
Buildings-valuation	11,022	9,785
Buildings-cost	265	265
Accumulated depreciation	(1,522)	(1,620)
Book value	<u>15,548</u>	<u>11,600</u>
Leasehold improvements-cost	1,885	1,538
Accumulated depreciation	(1,343)	(1,146)
Book value	<u>542</u>	<u>392</u>
Plant and equipment-cost	19,196	12,014
Accumulated depreciation	(11,450)	(7,706)
	<u>7,746</u>	<u>4,308</u>
Furniture, fittings and other-cost	6,127	4,515
Accumulated depreciation	(3,902)	(2,761)
Book value	<u>2,225</u>	<u>1,754</u>
Motor vehicles-cost	472	430
Accumulated depreciation	(412)	(415)
Book value	<u>60</u>	<u>15</u>
Capital work in progress-cost	947	1,502
Total fixed assets	<u>27,068</u>	<u>19,571</u>

Freehold land and buildings were revalued during the 1993 financial year and were stated at net current value as determined by an independent registered valuer, CW Nyberg of Darrach & Co Limited using an existing use basis.

**k. Investments**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
Shares in associate company—Radio Horowhenua Limited (17.8%)		
Balance at beginning of period	43	—
Write down during period	(43)	—
Balance at period end	—	—

**Associate company**

Radio New Zealand Limited sold its 17.8 per cent. interest in Radio Horowhenua Limited on 29th November, 1995 for £40,000.

	Interest %
The Radio Bureau Limited (formerly New Zealand Radio Limited)	100.0

As at 31st December, 1995 all non trading subsidiaries had been amalgamated with Radio New Zealand Limited. The timing of these amalgamations is noted below:

The subsidiaries, Brechin Holding Limited and Triple M Limited amalgamated with Radio New Zealand Limited on 30th June, 1995.

On 31st December, 1995 the assets of Beaulay Holdings Limited were amalgamated with those of Radio New Zealand Limited.

On 1st December, 1995 Radio New Zealand sold its entire interests in New Zealand Public Radio Limited to the New Zealand Government. A summary of the transactions is shown below:

	31st December, 1995 NZ\$'000
Net assets disposed of:	
Fixed assets	7,563
Current assets	6,665
Current liabilities	(3,624)
	10,604
Sales proceeds receivable	(104)
Total cash received	10,500

**l. Debtors**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
Amounts falling due within one year		
Trade debtors	10,468	14,178
Other debtors and prepayments	366	393
Total debtors	10,834	14,571

**m. Creditors: amounts falling due within one year**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
Trade creditors and trade accruals	6,718	8,101
Other creditors and accruals	7,705	5,917
	14,423	14,018

**n. Creditors: amounts falling due after more than one year**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
Bank loans	12,700	10,000
Provision for dividends	3,204	3,640
	<u>15,904</u>	<u>13,640</u>

In November 1995 Radio New Zealand Limited negotiated a new term loan agreement of NZ\$13 million with Westpac Banking Corporation. This agreement expires on 30th June, 1998. This agreement replaces that negotiated with a consortium of bankers in December 1993. An amount of NZ\$10 million was drawn down under this facility during December 1995. Interest is charged at 1.10 per cent. above bank bill rate. Under the terms of the loan is provision for repayments to be made, from the sale of non-core assets, or from surplus cash.

The loan is secured over the assets of the Group through a corporate debenture.

**o. Paid up capital**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
Ordinary shares of NZ\$1 each, issued and fully paid	28,000	28,000
Redeemable preference shares of NZ\$1 each, issued and fully paid	5,008	5,008
	<u>33,008</u>	<u>33,008</u>

Preference dividends are cumulative and are calculated at 6 per cent. on the numerical value and at a floating rate calculated on the 90 day bank bill rate plus a margin on the agreed formula.

Preference shares rank in priority to ordinary shares on winding up.

**p. Share premium reserve**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
In respect of redeemable preference shares	<u>7,666</u>	<u>7,666</u>

**q. Profit and loss**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
Balance at the beginning of the period	(33,401)	(31,384)
Retained profit for the year	2,017	773
Balance at the end of the period	<u>(31,384)</u>	<u>(30,611)</u>

**r. Reconciliation of movements in shareholders funds**

	Year ended 30th June, 1995	Six months ended 31st December, 1995
	NZ\$'000	NZ\$'000
Shareholders funds at the beginning of the period	7,273	9,290
Profit for the year	2,017	773
Shareholders funds at the end of the period	<u>9,290</u>	<u>10,063</u>

**s. Reconciliation of operating profit to net cash inflow from operating activities**

	Year ended 30th June, 1995	Six months ended 31st December, 1995
	NZ\$'000	NZ\$'000
Operating profit	4,385	2,023
Depreciation of tangible fixed assets	3,744	1,672
Amortisation of intangible fixed assets	101	55
Asset write offs	157	102
Profit on disposal of tangible fixed assets	(145)	(6)
(Increase)/decrease in debtors	1,043	(4,572)
Increase/(decrease) in creditors	(677)	2,561
	<u>8,608</u>	<u>1,835</u>

**t. Cash and cash equivalents**

	Year ended 30th June, 1995	Six months ended 31st December, 1995
	NZ\$'000	NZ\$'000
Balance at the beginning of the period	(1,283)	135
Movement in period	<u>1,418</u>	<u>1,913</u>
Balance at the end of the period	<u>135</u>	<u>2,048</u>

**u. Operating lease commitments**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
Future lease commitments for non-cancellable operating leases net of sub-leases, as at balance date were:		
payable within 1 year	5,248	2,828
payable between 1-2 years	4,301	2,403
payable between 2-5 years	11,373	6,526
payable after 5 years	<u>10,934</u>	<u>5,077</u>
	<u>31,856</u>	<u>16,834</u>

**v. Capital expenditure commitments**

	30th June, 1995	31st December, 1995
	NZ\$'000	NZ\$'000
Capital expenditure commitments—contracted but not provided for	<u>952</u>	<u>1,000</u>

Yours faithfully

KPMG

## PART VII Pro forma unaudited statement of combined net assets of the Enlarged Group

The following pro forma unaudited statement of net assets, which is given for illustrative purposes only and because of its nature cannot give a complete picture of the financial position of the Enlarged Group, illustrates the effects on the net assets of the acquisition of RNZ, the Prospect group and the East Anglian Radio Group, and the issue of the Rights Shares (assuming full payment of the Second Instalment) and the GWR Consideration Shares (assuming all East Anglian Radio Shareholders receive such shares for their East Anglian Radio Shares).

	GWR Group 30th September, 1995 (Note 1) £'000	Prospect Group 30th June, 1995 (Note 2) £'000	RNZ 31st December, 1995 (Note 3) £'000	East Anglian Radio Group 30th September, 1995 (Note 4) £'000	Adjust- ments £'000	Notes	Pro- forma Enlarged Group £'000
Fixed assets							
Intangible assets	830	3,842	645	—	(420)	5(f)	4,897
Tangible assets	9,589	1,437	8,240	1,215	—		20,481
Investments	2,315	3	—	—	496	5(e)	2,814
	<u>12,734</u>	<u>5,282</u>	<u>8,885</u>	<u>1,215</u>	<u>76</u>		<u>28,192</u>
Current assets							
Debtors	14,365	1,296	6,135	743	—		22,539
Cash at bank and in hand	170	—	862	2,428	(496)	5(e)	2,964
	<u>14,535</u>	<u>1,296</u>	<u>6,997</u>	<u>3,171</u>	<u>(496)</u>		<u>25,503</u>
Creditors: amounts falling due within one year	(14,160)	(889)	(5,902)	(1,857)	(12,000)	5(d)	(34,808)
Net current assets	<u>375</u>	<u>407</u>	<u>1,095</u>	<u>1,314</u>	<u>(12,496)</u>		<u>(9,305)</u>
Total assets less current liabilities	13,109	5,689	9,980	2,529	(12,420)		18,887
Creditors: amounts falling due after more than one year	(1,757)	—	(5,743)	—	(3,468)	5(d)(g)	(10,968)
Provisions for liabilities and charges	(170)	—	—	—	—		(170)
Net assets	<u>11,182</u>	<u>5,689</u>	<u>4,237</u>	<u>2,529</u>	<u>(15,888)</u>		<u>7,749</u>

### Notes:

1. Extracted from the audited consolidated financial statements of GWR at 30th September, 1995.
2. Extracted from the audited consolidated financial statements of the Prospect Group at 30th June, 1995 translated at the exchange rate of NZ\$2.381 to £1.
3. Extracted from the Accountants' report on RNZ in Part VI translated at the rate of exchange at 31st December, 1995 of NZ\$2.375 to £1.
4. Extracted from the audited consolidated financial statements of East Anglian Radio at 30th September, 1995.
5. Adjustments have been made to reflect the following:
  - (a) £23.6 million proceeds of the Rights Issue net of the estimated costs of £4.7 million on the assumption that GWR acquires 75% of RNZ;
  - (b) costs of the acquisitions being £10.98 million for the Prospect Group and £28.5 million for RNZ on the assumption that GWR acquires 75% of RNZ;
  - (c) the consideration for the East Anglian Radio Acquisition is GWR Consideration Shares with a cash alternative. The total consideration is £24.3 million;
  - (d) debt of £17 million (£12 million short-term and £5 million long-term) is being raised to partly fund the acquisition;
  - (e) an initial payment of £0.496 million to acquire a 31% stake in London News Radio;
  - (f) write off against reserves of unamortised goodwill of £0.420 million carried in the Prospect balance sheet at 30th June, 1995;
  - (g) accrued dividend at 31st December, 1995 of £1,532 million which, under the RNZ Acquisition Agreement, will become payable to the purchaser.
6. No account has been taken of trading results since the date of each balance sheet, or of the acquisition by Prospect of the Primesite business for A\$2.75 million on 31st August, 1995.

## PART VIII Particulars of the Stock

The Stock has been created by a resolution of a duly authorised committee of the Board and constituted by the Deed Poll as a subordinated unsecured obligation of the Company. The Stock is being issued at 205p per Stock Unit in an aggregate nominal amount of £891,356.80. Stockholders are entitled to the benefit of, are bound by and are deemed to have notice of all of the provisions of the Deed Poll. The Deed Poll contains provisions, *inter alia*, to the effect set out below.

### 1. Payment of the Second Instalment

(a) The Company shall:

- (i) not earlier than the date on which the RNZ Acquisition Agreement becomes unconditional in all respects; and
- (ii) not later than seven days after such date and, in any event, not later than 1st September, 1996

post the Second Instalment Notice to those Stockholders whose names appear on the register of the Stock at the close of business on the date falling two business days before the date of such Notice, provided that the Second Instalment Notice may not be posted after the expiry of the 14 day period referred to in paragraph 4(e) below or the posting of the notice required to be given by the Company as also referred to in paragraph 4(e) below, if earlier.

(b) The Second Instalment Notice will specify a time and date (the Second Instalment Payment Date) falling not less than 21 days and not more than 60 days after the date of the Second Instalment Notice (and, in any event, not later than 22nd September, 1996) by which the Second Instalment will be required to be paid. The Second Instalment Notice will also specify the amount of the Second Instalment and the procedure for payment of the Second Instalment. The amount of the Second Instalment shall be determined by the Directors but shall not exceed the amount calculated by reference to the following formula:

$$\frac{A}{S}$$

where

A = the consideration payable for the RNZ Acquisition less (i) the sum funded from bank facilities provided to the Company and (ii) the aggregate of the amounts provided by the New Zealand Institutions towards the RNZ Acquisition;

S = the number of Stock Units in issue at the close of business on the date falling two business days before the date of the Second Instalment Notice;

provided that:

- (i) the maximum amount of the Second Instalment shall not exceed 131p per Stock Unit; and
  - (ii) the Directors shall be entitled to round up the amount calculated by reference to the above formula to the extent required to ensure that the Second Instalment is a whole number of pence per Stock Unit.
- (c) Payment of the Second Instalment must be duly made (without prejudice to the absolute and sole discretion of the Company to accept late payment) on or before the Second Instalment Payment Date. No interest will be payable on any amounts paid before their due date and such amounts will only be applied in payment of the Second Instalment on such date. The Company reserves the right to have cheques presented on receipt and to instruct the Receiving Bank to seek special clearance of cheques to allow the Company to obtain value for the remittance at the earliest opportunity.
- (d) The obligation of Stockholders to pay the Second Instalment is conditional upon the passing of the RNZ Resolution and the RNZ Acquisition Agreement becoming otherwise unconditional in all respects. If the Second Instalment Notice is not issued on or before 1st September, 1996 or if, before the Second Instalment is issued, the Company announces that the RNZ Acquisition will not be proceeding or if the RNZ Resolution is not passed, the Second Instalment will automatically and immediately be cancelled. In such event the Company shall give notice of the cancellation within three business days thereafter and any payment made in respect of the Second Instalment will be refunded without interest and at the risk of the persons entitled to receive it. Such notice shall be given to Stockholders if cancellation occurs more than three business days after the latest time for acceptance and payment under the Rights Issue, or to whomsoever it may concern (by notice in a national newspaper published in the United Kingdom) if cancellation occurs before, or three or less business days after, such time.
- (e) The Second Instalment is to be paid by lodging the partly paid Stock certificate and the Second Instalment Notice, together with a remittance for the full amount of the Second Instalment in pounds sterling made payable in accordance with the instructions to be included in the Second Instalment Notice, with the Receiving Bank at PO Box 859 Consort House, East Street, Bedminster, Bristol BS99 1XZ, so as to arrive not later than 3.00 p.m. on the Second Instalment Payment Date. The partly paid Stock certificates will, upon clearance of the remittance, be stamped to indicate payment of the Second Instalment and will be retained by the Receiving Bank on behalf of the relevant Stockholders pending the despatch of the certificates representing the Rights Shares.
- (f) Until such time as the Second Instalment in respect of any Stock Unit is duly paid or cancelled, the person(s) who is/are for the time being registered as the holder(s) of such Stock Unit shall be liable to the Company to pay the amount of the Second Instalment in respect of that Stock Unit.

(g) A person making payment of the Second Instalment by way of cheque will be deemed to represent and warrant that his cheque will be cleared on first presentation and will also be deemed to represent and warrant to the effect set out in paragraph 9(b) below.

(h) Each person who makes or tenders any payment in respect of the Second Instalment will be obliged to provide the Receiving Bank and/or the Company with such information and other evidence (if any) as the Receiving Bank and/or the Company may require for the purpose of satisfying the requirements (referred to below as the "verification of identity requirements") of the Money Laundering Regulations 1993 for establishing the identity of the person by whom, or on whose behalf, such payment is made or tendered. If the Receiving Bank determines that the verification of identity requirements apply to any such payment and the verification of identity requirements have not been satisfied on or before the Second Instalment Payment Date or within such further period as the Company may, in its absolute discretion, allow, the Company may, in its absolute discretion and without prejudice to the provisions relating to forfeiture described in paragraph 6 below and to any other rights of the Company, treat the payment in respect of the relevant Second Instalment as not having been validly made and return the amount of the said payment, without interest, to the account of the drawee bank or building society from which such payment was originally debited. The Receiving Bank will be entitled in its absolute discretion to determine whether the verification of identity requirements apply to any person who makes or tenders any payment in respect of the Second Instalment or to any person on whose behalf the Receiving Bank considers that such person may be acting, and whether such requirements have been satisfied. Neither the Receiving Bank nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

**If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in the payment in respect of the relevant Second Instalment being treated as not having been validly made and to the provisions relating to forfeiture of Stock Units described in paragraph 6 below applying or in delays in the conversion of Stock Units or in the despatch of certificates for Rights Shares.**

Further information regarding the applicability of the verification of identity requirements and the manner in which the satisfaction of these requirements may be facilitated is set out in paragraph 3 of Part III of this document.

## **2. Consolidation**

(a) If the Second Instalment is cancelled prior to the latest time for acceptance and payment of the First Instalment under the Rights Issue, then:

- (i) each Provisional Allotment Letter in respect of which payment of the First Instalment has not been validly made at the time of cancellation shall be deemed with effect from 7.00 a.m. (London time) on the day following the date of cancellation (or, if the Second Instalment is cancelled on the latest date for acceptance and payment of the First Instalment under the Rights Issue but prior to the latest time, with immediate effect) to constitute an offer of  $\frac{74}{205}$  of the number of Stock Units previously offered thereby (rounded down to the nearest whole number of Stock Units) on terms that the whole of the subscription price in respect thereof is payable on acceptance;
- (ii) each contract constituted prior to the time of cancellation for the allotment of Stock shall be deemed with effect from 7.00 a.m. (London time) on the day following the date of cancellation (or, if the Second Instalment is cancelled on the latest date for acceptance and payment of the First Instalment under the Rights Issue but prior to the latest time, with immediate effect) to constitute a contract for the allotment of  $\frac{74}{205}$  in number of the Stock Units to which that contract previously related (rounded down as aforesaid) at the whole of the subscription price in respect thereof;
- (iii) if any person accepting an offer of Stock shall have paid or pays the Company an amount which is more than the subscription price of the Stock deemed to be offered by any Provisional Allotment Letter pursuant to sub-paragraph (i) above or to which any such contract as is mentioned in sub-paragraph (ii) above relates, the Company shall not be obliged to refund the difference between (A) that amount and (B) the amount specified on the face of the relevant Provisional Allotment Letter as the amount payable on acceptance, unless such difference exceeds £3.00; and
- (iv) the Conversion Date shall mean 7.00 a.m. (London time) on the fifth business day after the latest time for acceptance and payment of the First Instalment under the Rights Issue.

(b) If the Second Instalment is cancelled after the latest time for acceptance and payment of the First Instalment under the Rights Issue but before the issue of the Stock, sub-paragraphs (a)(ii) and (iii) above shall apply and the Conversion Date shall mean 7.00 a.m. (London time) on the fifth business day after the date of cancellation.

(c) If the Second Instalment is cancelled following the issue of the Stock, the partly paid Stock Units registered in the name of a Stockholder at 7.00 a.m. (London time) on the day following the date of cancellation will at that time automatically be consolidated on the basis that every 2.77027 partly paid Stock Units shall be consolidated into one fully paid Stock Unit and the Conversion Date shall mean 7.00 a.m. (London time) on the fifth business day after the date of cancellation.

(d) Fractions of Stock Units (if any) arising on consolidation will be aggregated and either they or the new GWR Shares arising on conversion, as the Company may in its absolute discretion determine, will be sold in the market, if a premium over the expenses of sale, including value added tax, can be obtained and the net proceeds of sale distributed *pro rata* among the persons entitled thereto as soon as reasonably practicable except that entitlements of less than £3.00 in respect of any holding will not be distributed but will be retained for the benefit of the Company.

### 3. Status

The Stock will constitute a subordinated unsecured obligation of the Company in accordance with the provisions of the Deed Poll. The Stock Units are being issued under the authority granted to the Directors at the extraordinary general meeting on 11th July, 1995.

### 4. Conversion

(a) Subject as set out in paragraphs 4(g) and 5 below, each fully paid Stock Unit (including each fully paid Stock Unit arising on consolidation as described in paragraph 2 above) shall automatically be converted on the Conversion Date into new GWR Shares at the Conversion Rate.

(b) The new GWR Shares shall be issued by the Company on the Conversion Date and the certificates for such shares shall be despatched to the persons entitled thereto at their risk within 21 days thereafter. Fractions of new GWR Shares will not be issued to Stockholders but will be aggregated and sold in the market, if a premium over the expenses of sale, including value added tax, can be obtained, and the net proceeds of sale distributed *pro rata* among the persons entitled thereto as soon as reasonably practicable, except that entitlements of less than £3.00 in respect of any one holding will not be distributed but will be retained for the benefit of the Company.

If the Second Instalment is less than 131p, the partly paid Stock Units registered in the name of a Stockholder shall automatically be consolidated on the business day after the Second Instalment Payment Date on the basis that every 205p of partly-paid Stock shall be consolidated into one fully paid Stock Unit.

(c) The new GWR Shares shall be issued credited as fully paid and will rank *pari passu* in all respects with the GWR Shares in issue on the Conversion Date carrying the right to receive in full all dividends and distributions declared, made or paid after that date, save that they will not rank for the final dividend in respect of the financial period ended 30th September, 1995. In the event that the Conversion Date occurs after the record date for any such dividend or distribution, an equivalent dividend will be paid, without interest, on the later of the payment date for such dividend or distribution and 21 days after the Conversion Date to the holders of Rights Shares whose names appear on the register of members of the Company at the close of business on the Conversion Date.

(d) The Company shall use its reasonable endeavours to obtain a listing for the new GWR Shares on the London Stock Exchange.

(e) If prior to the Conversion Date but after the Second Instalment notice has been issued, any offer is made to all the holders of GWR Shares (or to all such holders other than the offeror and/or any company controlled by the offeror and/or persons associated or acting in concert with the offeror) to acquire the whole or any part of the GWR Share capital, or if any person proposes a scheme with regard to such acquisition, and the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or any such companies or persons aforesaid, the Company shall give, by post, notice of that fact in writing to the Stockholders within 14 days of its becoming so aware if at the time of posting of such notice the Second Instalment shall not have been cancelled. Each such Stockholder shall be entitled, subject to paragraph 9(b) below, within the period of 7 days after the date of such notice to tender and make payment of the Second Instalment on all or any of the Stock held by him and/or to require the Company to consolidate partly paid Stock held by him on the basis set out in paragraph 4 above and, in either case, to require the fully paid Stock arising from such payment of the Second Instalment and/or from such consolidation (as the case may be) to be converted into new GWR Shares at the Conversion Rate applicable on the last business day in such 7 day period as if such last business day were the Conversion Date. At 7.00 a.m. (London time) on the last business day of such 7 day period all fully paid Stock in respect of which payment of the Second Instalment shall then have been validly made shall be automatically converted into new GWR Shares at such Conversion Rate and all partly paid Stock in respect of which payment of the Second Instalment shall not then have been validly made shall be consolidated on the basis set out in paragraph 4 above and the fully paid Stock arising from such consolidation shall be automatically converted into new GWR Shares at such Conversion Rate. In these circumstances a Stockholder who does not tender the Second Instalment pursuant to this provision shall not be required to pay the Second Instalment and a Stockholder who tenders and pays the Second Instalment pursuant to this provision shall not be entitled to reimbursement thereof.

(f) The Conversion Rate shall from time to time be adjusted in accordance with the provisions of the Deed Poll upon the happening of the following events:

- (i) the issue of GWR Shares credited as fully paid by way of capitalisation of profits or reserves (otherwise than by way of scrip dividend where GWR Shares are issued in lieu of cash dividends);
- (ii) the issue of GWR Shares credited as fully paid by way of scrip dividend (otherwise than where the market value (as defined in the Deed Poll) of the number of GWR Shares falling to be so issued does not exceed the amount per existing GWR Share of the cash dividend in respect of which an election has instead been made to receive GWR Shares);
- (iii) the consolidation or sub-division of GWR Shares;
- (iv) the making of any capital distribution (as defined in the Deed Poll) to the holders of GWR Shares or the grant to such holders of the right to acquire assets of the Company or any of its subsidiaries wholly for cash;
- (v) the issue of GWR Shares for subscription by way of rights or otherwise wholly for cash (otherwise than upon the exercise of any rights of conversion into or exchange or subscription for GWR Shares attached to any convertible securities (as defined in the Deed Poll as securities, excluding the Stock but including warrants, options and other rights, which have attached thereto rights of conversion into or exchange or



subscription for GWR Shares) or upon conversion of the Stock) at a price per GWR Share which is less than 95 per cent. of the Current Market Price per GWR Share (as defined in the Deed Poll) on the date on which the terms of such issue are publicly announced; and

- (vi) the issue or grant of any convertible securities (defined as above) either wholly for cash or for no consideration where, in either case, the consideration per GWR Share receivable upon exercise of the rights of conversion, exchange or subscription attached to such convertible securities is less than 95 per cent. of the current market price per GWR Share on the date on which the terms of such issue or grant are publicly announced, or the modification of such rights so that the consideration receivable per GWR Share upon exercise of such rights becomes or continues to be less than 95 per cent. of the Current Market Price per GWR Share (as defined in the Deed Poll) on the date on which the proposals to modify such rights is publicly announced.

No adjustment will be made where such adjustment would result in a change in the number of new GWR Shares into which a fully paid Stock Unit would otherwise convert of less than 1 per cent. of the number of such new GWR Shares expressed in the Conversion Rate then in force. Any adjustment not so made will be carried forward and taken into account in any subsequent adjustment. Stockholders will be notified of any adjustment in accordance with the provisions of the Deed Poll.

No adjustment shall be made if it would result in any GWR Shares falling to be issued at a discount to their nominal value and whilst any Stock remains outstanding and capable of being converted the Company may not take any action the effect of which would be that on conversion of any Stock the Company would be required to issue GWR Shares at a discount to their nominal value.

No adjustment shall be made where GWR Shares or convertible securities (defined as above) are issued or granted pursuant to any employee share scheme or on the exercise of any rights of conversion, exchange or subscription attached to any such convertible securities so issued or granted or where the rights attached to any such convertible securities so issued or granted are modified.

(g) If at any time before the Conversion Date the Company commences liquidation, whether voluntary or compulsory (except in the case of a voluntary liquidation for the purposes of reconstruction or amalgamation approved by an extraordinary resolution of Stockholders), it shall immediately give notice to all Stockholders. During the period of six weeks after the date of such notice each Stockholder shall be entitled to elect either to treat his Stock Units as repayable at the nominal amount paid up thereon or to treat his Stock Units as if all his conversion rights had been exercisable and exercised as at the date immediately preceding the date of such commencement at the Conversion Rate then applicable. In this latter event, any Stockholder shall, subject to as set out below in this paragraph, in lieu of payments which would otherwise have become due in respect of his Stock Units, be deemed to have converted his Stock Units and to have become entitled to participate in the assets available in the liquidation *pari passu* with the holders of the GWR Share capital as if he were the holder of the GWR Shares (including any fractional entitlement) to which he would have become entitled by virtue of such conversion and had ceased to be entitled to any payments in respect of his Stock Units. Notwithstanding the foregoing, a Stockholder making such latter election shall be entitled to receive and retain any payments in respect of the Stock Units in relation to which he shall have made such election which shall have become due before the date immediately preceding the date of such commencement as though he had not made such election. Subject as set out in this paragraph 4(g), the Stock Units shall cease to be convertible in the event of commencement of liquidation of the Company. If such event occurs before the Second Instalment Payment Date, the Second Instalment shall be cancelled.

(h) Any Stockholder who holds such amount of Stock which, upon the issue to him of new GWR Shares following conversion of such Stock, would, when such new GWR Shares are taken together with other interests which he and persons acting in concert with him may have in the Company, oblige him to make an offer for the GWR Shares under the provisions of Rule 9 of the City Code on Takeovers and Mergers, may, by notice in writing given to the Company on or before the date (the "Original Conversion Date") which would, but for an election being made by him pursuant to this provision, have been the applicable Conversion Date in respect of such Stock, elect to defer conversion of his Stock, provided that he undertakes, in terms reasonably satisfactory to the Company, to dispose, as soon as reasonably practicable, of sufficient Stock or other interests as would reduce his holding on conversion below such an amount. If such disposal is made after 7.00 a.m. (London time) on the Original Conversion Date, such Stock shall be converted at 7.00 a.m. (London time) on the first business day immediately following the date of such disposal at the Conversion Rate then applicable, but adjusted in such manner as the auditors of the Company deem appropriate and fair.

## **5. Repayment if no conversion**

(a) The provisions described in this paragraph 5 shall apply if any Stock, through operation of law or otherwise, is not converted into GWR Shares pursuant to the provisions described in paragraph 4 above, other than any Stock which is liable to forfeiture pursuant to the provisions described in paragraph 6 below.

(b) Any Stock Unit which is not converted before 1st January, 2001 will be repaid on that date at that part of its nominal amount as shall be paid up and without repayment of any amount representing the premium paid therefor.

(c) Any Stock which is not converted on the Conversion Date will bear interest at such a rate (certified by the auditors of the Company whose certificate shall, in the absence of manifest error, be binding on the Company and the Stockholders) as will result in the Stockholder receiving (after allowing for taxation, but without having regard to any specific taxation circumstances of any Stockholder):

- (i) in respect of the period commencing on the Conversion Date and ending on 31st December, 1996 such amount as the Stockholder would have received by way of dividend had his Stock Units been converted into new GWR Shares on the Conversion Date; and

- (ii) in respect of each of the four calendar years ending 31st December, 1997 to 31st December, 2000, a yield to maturity on the amount duly paid for his Stock (including any premium paid thereon) reasonably equivalent to the yield to maturity payable on stock considered by the auditors of the Company to be reasonably equivalent to the Stock, such yield to include an amount equivalent to that which would result from the payment, calculated on a *pro rata* basis over the anticipated maturity of the Stock, of the amount of the premium (but not of the nominal amount) duly paid for his Stock.

Any amount of interest so payable shall accrue from day to day, but shall be payable only on the last business day of each calendar year during which the Stock remains outstanding, commencing on 31st December, 1996.

(d) Notwithstanding paragraphs 5(a), (b) and (c) above, the Company is obliged to use all reasonable endeavours to procure the conversion of the Stock and if, after the Conversion Date but before its maturity date, the Stock should be converted, the Conversion Rate applicable on conversion shall be adjusted in such a manner as the auditors of the Company shall deem appropriate and fair, including taking account of any payment made in respect of the Stock pursuant to the preceding provisions described in this paragraph 5 and the entitlement, if any, of the new GWR Shares to dividends in respect of the calendar year in which the Stock is converted.

## **6. Forfeiture**

(a) Any Stock Units in respect of which payment of the Second Instalment or any part thereof (the "outstanding amount") is not validly made when due shall be liable to be forfeited, together with the First Instalment paid thereon, without prejudice to any other rights of the Company, by a resolution of the Directors to that effect. Time shall be of the essence for payment of any amount due under the Deed Poll. Any Stock Units so forfeited shall become the property of the Company and either:

- (i) may thereupon be converted into a number of new GWR Shares equal to the number of new GWR Shares into which Stock Units of which the nominal amount would be paid up in full by an amount equal to the amount received by the Company for such forfeited Stock Units would be convertible, at the Conversion Rate then applicable, which new GWR Shares may thereafter be sold, reallocated or otherwise disposed of; or
- (ii) may be sold, reallocated or otherwise disposed of; or
- (iii) may be cancelled

in each case, if and on such terms, as the Directors, in their absolute discretion, think fit. The Directors may, if necessary, authorise any person to transfer forfeited Stock or new GWR Shares into which it has converted for the above purposes.

(b) The Directors may require any Stockholder who, being liable to pay the Second Instalment, fails to make payment when due, to pay the outstanding amount together with interest thereon at such rate as the Directors may determine not exceeding 15 per cent. per annum from the Second Instalment Payment Date to the date of payment by him (both dates inclusive).

(c) Following the payment of the outstanding amount (together with interest, if applicable) being validly made, the Directors may, in their absolute discretion, determine that the Stockholder paying the outstanding amount shall be permitted to convert the Stock in respect of which such payment was made, in which case conversion of such Stock shall take place automatically at 7.00 a.m. (London time) on such date as the Directors may, in their absolute discretion, determine. Save as aforesaid, such Stock shall not be converted.

(d) If any Stock Unit in respect of which payment of the outstanding amount has not been validly made, or any new GWR Shares into which each Stock Unit may be converted as provided in paragraph 6(a) above, shall be sold, reallocated or otherwise disposed of pursuant to that paragraph following the forfeiture of that Stock Unit and the net proceeds received by the Company (after deduction of the expenses of such reallocation, sale or other disposal) shall fall short of the aggregate of the First Instalment and the Second Instalment payable for such Stock Unit, the Company shall be entitled to recover the amount of such shortfall from the person whose name appeared on the register as the holder of such Stock Unit at the time of such forfeiture.

## **7. Transfers**

(a) The Stock will initially be represented by nil paid Provisional Allotment Letters. Pending despatch of partly paid Stock certificates, transfer of Stock Units will be certified against the register. Save as provided in the circumstances described in paragraphs 6 and 9, every Stockholder will, after payment of the First Instalment, be entitled to transfer all or any of his Stock in, but only in, whole Stock Units. The instrument of transfer shall be in writing in the usual or common form for securities or in such other form as the Directors may from time to time approve and shall be signed by the transferee. By subscribing or purchasing or being a transferee of, or by applying, or causing application to be made, for registration as the holder of any partly paid Stock, a person agrees to be bound by the provisions of the Deed Poll. The persons tendering any documents for registration will be deemed to warrant their authority to do so as, or on behalf of, the persons in whose names registration is requested.

(b) Stock Units in respect of which payment of any amount shall not have been validly made when due shall not, so long as any such amount (together with interest, if applicable) remains so unpaid, be transferable without the consent of the Directors, which may be given on such terms and subject to such conditions as they may in their absolute discretion determine.

(c) Where a Stockholder has transferred a part only of his holding of Stock Units, he shall be entitled without charge to a Stock certificate for the balance of such holding.

## 8. Undertakings

So long as the Stock or any part of it remains outstanding:

- (a) except in the event that arrangements are or have been offered to the Stockholders which would ensure that the rights of the Stockholders would not be prejudiced, the Company will procure that no compromise or arrangement within the meaning of section 425 of the Act affecting the GWR Shares shall become effective unless the Stockholders shall be parties to the compromise or arrangement and unless the compromise or arrangement shall be approved by the Stockholders in the manner prescribed by that section;
  - (b) without prejudice to its rights to consolidate or subdivide shares or convert shares into stock or vice versa, the Company will not (except with the previous sanction of an extraordinary resolution of Stockholders) at any time convert any issued capital into equity share capital except in accordance with the terms of issue thereof or alter the rights attached to all or any part of the GWR Share capital in issue from time to time or attach any special rights, privileges or restrictions thereto or create or issue any new class of equity share capital other than:
    - (i) GWR Shares ranking *pari passu* in all respects with the GWR Share capital at that time except GWR Shares subject to restrictions on their rights to receive dividends or other distributions or on their rights on a return of capital or on their rights to participate in any issue by way of capitalisation of profits or reserves or on their voting rights which, in the case of any such restriction, make such rights less favourable than those attached to the GWR Shares; or
    - (ii) equity share capital which confers the right to a fixed amount on return of capital and to a fixed dividend in priority to the rights attached to the GWR Shares at that time and which constitutes equity share capital by virtue only of:
      - (A) an entitlement to share *pari passu* with the holders of GWR Shares and any other class of shares conferring a similar entitlement in any surplus assets existing after the payment in respect of each GWR Share of the aggregate of the capital paid up or credited as paid up on such share and an amount equal to either 10,000 times the net tangible assets of the Company per GWR Share (calculated by reference to the latest audited consolidated accounts of the Company at the time of creation of such shares) or a sum not less than £5,000 per GWR Share (as adjusted to reflect any subdivision, consolidation or reclassification) whichever is the higher, and/or
      - (B) an entitlement to share *pari passu* with the holders of GWR Shares and any other class of shares conferring a similar entitlement in the profits available for distribution which the Company may determine to distribute in respect of any financial year after the payment in respect of each GWR Share of a dividend equal to not less than 10,000 times the aggregate of the interim dividend(s) (if any) and the final dividend for the preceding financial year as shown in the audited consolidated accounts of the Company in respect of such period or, if such accounts have not been published, the aggregate of such dividends for the second preceding financial year as so shown or of a dividend of not less than £1,000 per GWR Share (as adjusted to reflect any subdivision, consolidation or reclassification) whichever is the higher;
    - (iii) equity share capital issued pursuant to an employees' share scheme (within the meaning of section 743 of the Act);
- unless, in the opinion of Hambros or any other reputable merchant bank in the City of London selected by the Company (acting as an expert and not as an arbitrator), any such conversion, alteration, creation or issue is not materially prejudicial to the interests of Stockholders;
- (c) the Company shall not (except where for the time being permitted by law without the necessity for any consent of the Court or with the previous sanction of an extraordinary resolution of Stockholders) reduce its share capital, any uncalled liability in respect thereof, or any capital redemption reserve (but the Company shall not by the foregoing be precluded from reducing or cancelling all or any part of its share premium account or from making any reduction of capital not involving a payment to, or a release of a liability of, shareholders) and shall not (except with the previous sanction of an extraordinary resolution of Stockholders) make any purchase of its own shares;
  - (d) the Company shall keep available sufficient authorised and unissued share capital to satisfy in full all rights for the time being outstanding of conversion of the Stock into new GWR Shares; and
  - (e) the Company shall send to Stockholders a copy of every document sent to the holders of the GWR Shares at the time the same is sent to such holders.

## 9. Restrictions on Ownership and Transfer

- (a) Neither the Stock Units nor the new GWR Shares will be distributed in or into the United States or Canada or Australia or any other jurisdiction in which such distribution would be unlawful.
- (b) Each person tendering payment in respect of any Stock Units shall, in so doing, unless otherwise determined by the Directors in their absolute discretion, be deemed to represent and warrant to the Company that such person is not in the United States or Canada or Australia and is not acting for the account or benefit of a person within the United States or Canada or Australia unless the person is so acting as an authorised employee of such other person or has investment discretion over an account for such other person.

(c) The inability of a Stockholder to give the representation and warranty referred to in paragraph 9(b) above in respect of any Stock Units will not relieve such Stockholder of the obligation to pay the Second Instalment on such Stock Units. Upon payment by such Stockholder of the Second Instalment on such Stock Units, the Company will make arrangements for the sale of such Stock Units (or, if after the Conversion Date, the new GWR Shares) and any net proceeds of sale to be distributed to the former registered holder of the relevant stock (or, in the case of joint holders, the first-named joint holder) in the form of a cheque, after deduction of the expenses of sale, by post at the risk of the person(s) entitled thereto.

## **10. Modification of Rights**

The Stockholders may by extraordinary resolution, *inter alia*, sanction any modification, abrogation or compromise of or any arrangements in respect of their rights against the Company and assent to any amendment of the provisions of the Deed Poll proposed or approved by the Company. Notwithstanding the foregoing, the Company may, with the consent of Hambros or any other reputable merchant bank in the City of London selected by the Company acting in good faith, amend the provisions of the Deed Poll, without such sanction or assent if, in the opinion of Hambros or such other merchant bank (as the case may be), such amendment would not be materially prejudicial to the interests of the Stockholders or is of a formal, minor or technical nature or to correct a manifest error. Any opinion of Hambros or such other merchant bank (as the case may be) in this regard shall be arrived at in its absolute discretion and acting in good faith and no liability whatsoever shall attach to Hambros or such other merchant bank (as the case may be) in respect thereof.

## **11. Notices**

(a) Any notice or other document may be served on or delivered to any Stockholder by the Company or by the Directors, either personally or by sending it through the post in a prepaid cover addressed to such Stockholder at his registered address or at such other address as such Stockholder may have specified in writing to the Company or the Company's agent for the delivery of Stock certificates and/or other documentation relating to the Stock (provided that, in the case of the Second Instalment Notice, any Stockholder giving an address other than his registered address is notified at his registered address that such Notice has been sent to such other address) or (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the Company as his address for the service of notices, or by delivering it to such address. Any notice or document served or delivered to the joint holder of any Stock whose name stands first in the register in respect of such Stock shall be sufficient notice to or service on all the joint holders. For such purpose, a joint holder having no registered address in the United Kingdom and not having supplied an address within the United Kingdom for the service of notices shall be disregarded.

(b) Notice may be given to the person(s) entitled to any Stock in consequence of the death or bankruptcy of any Stockholder by sending the same by post in a prepaid cover addressed to such person(s) by name or by the title of the representatives or trustees of such Stockholder at the address (if any) in the United Kingdom supplied for the purpose by or on behalf of such person(s) or (until such name and address are supplied) by giving notice in the manner in which it would have been given if the death or bankruptcy had not occurred.

(c) Where a notice or other document is served or sent by first class post, service or delivery shall be deemed to be effected 24 hours after the time when the cover containing the same is posted in the case of service by first class post, or 48 hours after the time of posting in the case of service by second class post. In proving such service or delivery, it shall be sufficient to prove that such cover was properly addressed, stamped and posted.

(d) A Stockholder who, having no registered address within the United Kingdom, has not supplied to the Company an address within the United Kingdom for the service of notices shall not be entitled to receive notices or other documents from the Company, provided that the Company may, at its discretion, give notices to such Stockholders by advertisement (to Stockholders generally) in a national newspaper published in the United Kingdom, and any such notices shall be deemed to be effective on the date of such publication.

(e) If at any time the Company is unable effectively to give notice by post in the United Kingdom as a result of the suspension or curtailment of postal services, or if, at the time that such notice is to be posted, a register of the Stock has not yet been established, notice may be given to Stockholders by advertisement in a national newspaper published in the United Kingdom, such notice to be deemed to be effective on the date of publication. In any such case, the Company shall send confirmatory copies of the notice by post as soon as practicable after normal postal services throughout the United Kingdom are restored or, as the case may require, after the establishment of the register.

## **12. Governing Law**

The Deed Poll and the Stock are governed by and construed in accordance with English law and any disputes arising in respect thereof shall be subject to the jurisdiction of the English courts.

**The Deed Poll does not contain any restriction on the disposal of assets by, or on changes in the nature of the business of, the Company and its subsidiaries, or on borrowings which are secured or otherwise rank in priority to the Stock, and does not provide for any subsidiaries of the Company to guarantee the Stock.**

## PART IX Additional information

### 1. Responsibility

The Directors of GWR, whose names appear in paragraph 2 below, accept responsibility 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.

### 2. Directors

The Directors and their principal functions are as follows:

Henry Paul John Meakin	Non-executive chairman
Roger Neill Gilbert, FCA	Non-executive deputy chairman
Richard John Palmer	Non-executive vice chairman
Ralph Mitchell Bernard	Chief executive
Clarence Edwin Blackwell	Operations director
Stella Jane Pirie, FCA	Finance director
Nicholas Stewart Tresilian	Development director
John Patrick Enfield Taylor, FCA	Non-executive
Jonathon Hugh Trafford	Non-executive

The business address of the Directors is the registered office of the Company.

### 3. The Company and its activities

- (a) GWR is incorporated in England (Registered No. 715143). The principal activities of the GWR Group are the operation of independent radio licences in the South, Midlands and East of England.
- (b) The registered office of the Company is at The Watershed, Canons Road, Bristol BS99 7SN.
- (c) The head office of the Company is PO Box 2345, 3B2, Westlea, Swindon, Wiltshire SN5 7HF.
- (d) GWR was incorporated on 12th February, 1962 and registered as a public company on 29th March, 1982. GWR operates under the Act.
- (e) GWR is the holding company of the Group. The principal objects of the Company are to produce and provide programmes for independent radio broadcasting and generally to carry on business as producers, editors, sellers, distributors, agents and dealers in programmes and material of all kinds and all forms of broadcasting and entertainment on radio whether transmitted, recorded, reproduced or howsoever received and to enter into and carry into effect such contracts and agreements and to do all such other things as shall in the opinion of the Company, be conducive to the above purposes. Such objects are described in Clause IV(A)(iii) of the Company's Memorandum of Association.
- (f) The Group has one material class of business. All of the Group's turnover for the three years ended 30th September, 1995 was generated in the United Kingdom.
- (g) The Group is dependent on licences awarded by the Radio Authority. Further details regarding the regime in respect of licences awarded by the Radio Authority are given in Part I of this document.
- (h) The average numbers of full-time employees over the last three years, analysed by main category of activity, has been as follows:

	<i>Year ended 30th September,</i>		
	<i>1993</i>	<i>1994</i>	<i>1995</i>
Selling programming, engineering and news	126*	315	394
Administration	31*	78	95
	<u>157</u>	<u>393</u>	<u>489</u>

\*The analysis of full-time employees for the year ended 30th September, 1993 has been estimated using the ratio of employees in the year ended 30th September, 1994.

#### 4. GWR's share capital

- (a) The authorised and issued and fully paid share capital of GWR (i) at present, (ii) as it will be after implementation of the East Anglian Radio Offer (assuming full acceptance of the East Anglian Radio Offer and the exercise of all outstanding options under the East Anglian Radio Share Option Scheme) and after the implementation of the Rights Issue (assuming the Second Instalment Notice is not issued) and (iii) as it will be after implementation of the East Anglian Radio Offer (assuming full acceptance of the East Anglian Radio Offer and the exercise of all outstanding options under the East Anglian Radio Share Option Scheme) and after implementation of the Rights Issue (assuming the Second Instalment Notice is issued and the maximum amount of the Second Instalment is called) is as follows:

GWR Shares	Present		Second Instalment Notice not issued		Second Instalment Notice issued	
	Nominal value (£'000)	Number of shares	Nominal value (£'000)	Number of shares	Nominal value (£'000)	Number of shares
Authorised	4,665.0	93,300,000	6,500	130,000,000	6,500	130,000,000
Issued and fully paid	3,476.3	69,525,830	4,301.4	86,027,369	4,871.0	97,419,344

- (b) The following issues of shares, all of which are credited as fully paid, have been made by GWR during the three years preceeding the date of this document:

Date of issue	Price per share	Note	Number of shares
28th June, 1993	30.125p		59,840
12th November, 1993	15.625p		2,800
14th January, 1994	—	1	8,119,056
14th January, 1994	78.75p		2,434,160
20th January, 1994	70.625p		13,096,360
1st February, 1994	15.625p		907,944
1st February, 1994	24.75p		1,161,696
9th June, 1994	109.375p		1,797,008
20th June, 1994	24.75p		8,000
21st June, 1994	—	2	645,472
19th July, 1994	—	2	184
12th August, 1994	—	2	4,256
22nd August, 1994	24.75p		64,000
12th April, 1995	—	3	19,920,462
26th April, 1995	—	4	26,560,616
17th August, 1995	32.25p		32,000
17th August, 1995	15.625p		3,600
17th August, 1995	32.375p		40,000
17th August, 1995	16.00p		8,000
17th August, 1995	24.75p		52,000
From 17th August, 1995 to 15th January, 1996	—	5	16,268,996

1. Issued as consideration for the acquisition of shares in Radio Trent Limited, Mercia Sound Limited and Leicester Sound Limited.
  2. Issued on the basis of 0.53257 shares in GWR for each fully paid up £1 share in Mid Anglia Radio plc to shareholders in Mid Anglia Radio plc accepting GWR's offer for the whole of the issued share capital of Mid Anglia Radio plc (and not electing for the cash alternative under that offer.)
  3. Issued in respect of a 1 for 4 subdivision of the existing share capital.
  4. Issued in respect of a 1 for 1 capitalisation.
  5. Issued on the basis of 2.379906 shares of GWR for each fully paid up ordinary share in Chiltern Radio to shareholders in Chiltern Radio accepting GWR's offer for the whole of the issued share capital of Chiltern Radio PLC (and not accepting the cash alternative under that offer.)
- (c) Under the terms of the Share Option Schemes, options to subscribe for an aggregate of 1,267,912 GWR Shares have been granted as set out below. The sum of £1 was paid in consideration for the grant of options under each option agreement, irrespective of the number of GWR Shares comprised in the option agreement. Save as disclosed no share or loan capital of the Company or of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

Exercise period	Number of GWR Shares under option	Exercise price
To 26th October, 1997	24,000	15.625p
To 4th March, 1998	4,400	15.625p
To 15th November, 1998	320	30.126p
To 31st January, 2001	116,000	24.75p
To 11th February, 2002	40,000	32.375p
To 2nd March, 2002	32,000	32.25p
1st February, 1996 to 31st January, 2003	528,000	47.5p
10th March, 1997 to 9th March, 2004	3,192	47.0p
28th July, 1998 to 27th July, 2005	520,000	122.0p

Other than as disclosed in this paragraph and save for the Stock Units, Rights Shares and GWR Consideration Shares, no share or loan capital of the Company or any of its subsidiaries has been issued in the two years immediately preceding the date of this document, or is proposed to be issued, for cash or otherwise.

The 1995 Executive Share Option Scheme (the "1995 Executive Scheme") was adopted on 30th March, 1995. Eligible Employees (as defined) or any director or other employee of the Company and any subsidiary which a duly authorised committee of the board (the "Committee") determines can participate. The 1995 Executive Scheme is administered by the Committee. Options may not be transferred, assigned or charged. The share capital limit on options is 10 per cent. of the number of GWR Shares in issue on the date of grant. Options will not be granted to an Eligible Employee less than two years before his retirement date. The individual limit on options (when aggregated with subsisting options and any others granted under other schemes established by the Company or associates) is the greater of £100,000 and four times the amount of the Eligible Employee's relevant emoluments for the current or preceding year of assessment. Generally, options are not exercisable before the third anniversary of the date of grant, nor until the Committee is satisfied that applicable objective conditions are met, nor after the tenth anniversary of the date of grant. Where an option has been partially exercised the balance remains exercisable. Save for any rights determined by reference to a date preceding the date of allotment and issue of scheme shares, scheme shares rank *pari passu* with GWR Shares. The Company is required to apply to the London Stock Exchange for any scheme shares issued upon the exercise of an option to be admitted to the Official List. The Company is not responsible for any tax or other liability of holders of options under the 1995 Executive Scheme to which that holder is or becomes subject as a result of his or her participation.

The 1995 Savings-Related Share Option Scheme (the "1995 Savings-Related Scheme") was adopted on 30th March, 1995. Eligible Employees (as defined) or any other director or employee nominated by a duly authorised committee of the Board (the "Committee") as eligible can participate. The Committee may issue invitations to apply for options as it thinks fit. The Committee shall have the power to determine with which savings institutions Eligible Employees may enter into savings contracts. Should valid applications be received over an aggregate number of scheme shares exceeding the limit determined by the Committee, the Committee shall scale down applications. Should the number of scheme shares available following the steps remain insufficient to satisfy the applications received, no option shall be granted. No options may be transferred assigned or charged. Limits are placed on the number of options which may be granted by reference, *inter alia*, to the rules of the savings contracts and such that the number of scheme shares will not exceed 10 per cent. of the number of GWR Shares in issue. An option may only be exercised over the number of scheme shares which may be acquired with the amount repaid under the related savings contract. If an option is exercised in respect of part only of the scheme shares, the option in respect of the balance shall lapse. Save for any rights determined by reference to a date preceding the date of allotment and issue of scheme shares, the scheme shares issued on the exercise of an option shall rank *pari passu* with GWR Shares. The Company shall keep available sufficient authorised and unissued scheme shares to satisfy the exercise to the full extent still possible of any options taking account of any other obligations of the Company to issue unissued scheme shares. The Company is not responsible for any tax or other liability of holders of option under the 1995 Savings-Related Scheme to which that holder is or becomes subject as a result of his or her participation.

- (d) All the existing issued GWR Shares are listed on the London Stock Exchange, which is the only stock exchange on which listing of the Stock Units, Rights Shares and the GWR Consideration Shares is being sought.
- (e) The existing issued GWR Shares are, and the Stock Units, Rights Shares and GWR Consideration Shares will be, in registered form.
- (f) The following table shows the market values for GWR Shares on the first business day of each month from October 1995 to March 1996 inclusive and on 20th March, 1996 (the latest practicable date prior to the posting of this document):

2nd October, 1995	138p
1st November, 1995	156p
1st December, 1995	172p
2nd January, 1996	178p
1st February, 1996	188p
1st March, 1996	232p
20th March, 1996	251p

## 5. Summary of the rights of GWR Shares

The Articles of Association of GWR contain provisions, *inter alia*, relating to the following rights attaching to the GWR Shares:

### (i) Share capital

The nominal value of each of the GWR Shares is 5p. The authorised share capital may be increased by ordinary resolution and reduced by special resolution.

### (ii) Voting

On a show of hands, every member who is present, in person, and who is a registered holder of GWR Shares is entitled to one vote for each GWR Share and, on a poll, every member who is a registered holder of GWR Shares who is present in person or by proxy is entitled to one vote for each GWR Share.



Any member who, pursuant to the Articles, has been served with a notice by the Board requiring him to furnish the Board with information and evidence or further information and further evidence and who does not do so within the prescribed periods, shall not, with effect from the expiration of such period and until information or evidence is furnished to the satisfaction of the Board, be entitled to receive notice of, or to attend or vote at (either in person, by proxy or by representative) any general meeting of the Company or any separate meeting of the holders of any class of shares or on a poll to exercise any other rights conferred by membership in relation to any such meeting or poll other than in respect of such of the shares held by such member as it shall have been established to the satisfaction of the Board are not shares in respect of which the Board may serve a Transfer Notice (as defined below).

Any member who has been served with a Transfer Notice shall not in respect of the number of shares specified in the Transfer Notice be entitled with effect from the date of service of the Transfer Notice to receive a notice of, or attend or vote at, any general meeting of the Company or any separate meeting of the holders of any class of shares or on a poll to exercise any other right conferred by membership in relation to any such meeting or poll.

If a member, or any other person appearing to be interested in shares held by that member has been issued with a section 212 notice and has failed in relation to any shares ("the default shares" which expression shall include any further shares which are issued in respect of such shares) unless a separate notice is issued in respect of such further shares to give the Company the information thereby required within the prescribed period from the date of service of the section 212 notice, or, in purported compliance with such notice, has made a statement which is false or inadequate in a material particular, then the Board may serve on the holder of such default shares a notice (a "disenfranchisement notice") whereupon the member shall not with effect from the expiration of twenty-eight days after the date of service of the disenfranchisement notice be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll.

(iii) *Dividends*

Subject to the provisions of the Act, the Company may by ordinary resolution declare that dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board. Where a disenfranchisement notice has been served and the default shares represent at least 0.25 per cent in nominal value of their class any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend.

Except as otherwise provided by the rights attaching to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid and shall be apportioned and paid pro rata according to the amounts paid up or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date it shall rank for or be entitled to dividends accordingly.

All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names shall be on the register at the date at which such dividend shall be declared or at the date at which such interest shall be payable respectively, or at such date as the Company by ordinary resolution or the Board may determine, notwithstanding any subsequent transfer or transmission of shares. The Board may pay the dividends or interest payable on shares in respect of which any person is by transmission entitled to be registered as holder to such person upon production of such certificate and evidence as would be required if such person desired to be registered as a member in respect of such shares.

The Board may with the authority of an ordinary resolution of the Company direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of specific assets, and in particular, of fully paid up shares or debentures of any other company or in any one or more of such ways. Where any difficulty arises in regard to such distribution the Board may settle it as it thinks fit. In particular, the Board may issue fractional certificates or authorise any person to sell and transfer any fractions or disregard fractions altogether, fix the value for distribution of such assets or any part thereof and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members and vest any such assets in trustees on trust for the persons entitled to the dividend.

Unless otherwise provided by rights attached to the share, no dividend or other moneys payable by the Company or in respect of a share shall bear interest as against the Company.

The Company may pay any dividend interest or other sum payable in respect of a share in cash or by direct debit, bank transfer, cheque, dividend warrant or money order and may send the same by post or other delivery service to the registered address (or in the case of a Depositary subject to the approval of the Board, such persons and addresses) of the member or person entitled to it (or if two or more persons are holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the member or otherwise by operation of law to the registered address of such of those persons as is first named in the Register) or to such person and such address as such member or person or persons may direct in writing.

Every cheque, warrant or order is sent at the risk of the person entitled to the money represented by it and shall be made payable to the order of the person or persons entitled or, where an authority in that behalf shall



have been received by the Company in such form as the Company shall consider sufficient, to such other person as the person or persons entitled may direct in writing. Payment of the cheque, warrant or order to the person entitled or the person specified in such authority shall be a good discharge to the Company. If any such cheque, warrant or order has or shall be alleged to have been lost, stolen or destroyed the Board may at the request of the person entitled thereto issue a replacement cheque, warrant or order, subject to compliance with such conditions as to evidence and indemnity and the payment of out of pocket expenses of the Company in connection with the request as the Board may think fit.

Any joint holder or other person jointly entitled to a share may give an effective receipt for any dividend or other moneys payable in respect of such share. Any such dividend, interest or other sum may also be paid by any other method as the Board considers appropriate.

The Board may, at its discretion, make provisions to enable such Depositary and/or member as the Board shall from time to time determine to receive dividends duly declared in a currency or currencies other than sterling. For the purposes of the calculation of the amount receivable in respect of any dividend the rate of exchange to be used to determine the foreign currency equivalent of any sum payable as a dividend shall be such market rate selected by the Board as it shall consider appropriate ruling at the close of business in London on the date which is the business day last preceding in the case of a dividend to be declared by the Company in general meeting, the date on which the Board publicly announces its intention to recommend that specific dividend; and in the case of any other dividend, the date on which the Board publicly announces its intention to recommend that specific dividend; provided that where the Board considers the circumstances to be appropriate it shall determine such foreign currency equivalent by reference to such market rate or rates or the means of such market rates prevailing at such time or times or on such other date or dates, in each case falling before the time of the relevant announcements, as the Board may select.

If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled thereto by post are returned to the Company undelivered or left uncashed on two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish any new address of that person, the Company shall not be obliged to send any further dividends or other moneys payable in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

The Board may with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, provided that the Company has sufficient unissued shares and undistributed profits or reserves to give effect thereto, offer to any holders of GWR Shares the right to elect to receive GWR Shares credited as fully paid, in whole or in part instead of cash in respect of the whole or some part (to be determined by the Board) of any dividend specified by the ordinary resolution.

(iv) *Distribution on liquidation*

Subject to the rights attaching to any shares which may be issued on special terms or conditions, if the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided amongst the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by the respectively.

If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 110 of the Insolvency Act 1986. The liquidator may with the like sanction vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he shall determine but no member shall be compelled to accept any assets on which there is a liability.

(v) *Variation of rights of members*

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into shares of different classes any of the rights attached to any share or class of shares in the Company (and not withstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights, or in the absence of any such provision either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution at a separate meeting of the holders of the shares of the class duly convened and held (but not otherwise). All the provisions of the Articles as to general meetings shall *mutatis mutandis* apply to every meeting of the holders of any class of shares save that the quorum at every such meeting shall be not less than two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the class; every holder of shares of the class present, in person or by proxy may

demand a poll; each such holder shall on a poll be entitled to one vote for every share of the class held by him; and if at any adjourned meeting of such holders, such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum.

(vi) *Transfer of Shares*

Each member may transfer all or any of his GWR Shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of the transfer of a share which is not fully paid up) by or on behalf of the transferee.

The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered into the register of members of the Company in respect of it.

The Directors may, in their absolute discretion and without giving any reason, refuse to register any share transfer unless it is:

- in respect of a share which is fully paid up;
- in respect of a share on which the Company has no lien;
- in respect of only one class of share;
- in favour of not more than four transferees;
- duly stamped (if so required); and
- delivered for registration to the registered office for the time being of the Company or such other place as the Directors may from time to time determine accompanied (except in the case of a transfer by a recognised person) by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so.

Where a disenfranchisement notice has been served and the default shares represent at least 0.25 per cent in nominal value of their class no transfer, other than an approved transfer of any shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required; and the member, proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

The Board may at any time serve a notice upon any member requiring him to furnish it with such information and evidence, supported if the Board so requires by a statutory declaration, as the Board may consider necessary for the purposes of determining whether any member and/or any other person who has an interest in any shares held by such member has an interest in shares of the Company which might cause the Radio Authority ("the Authority") to revoke, suspend or determine any licence granted by the Authority ("the Licence") or decline to renew or extend the Licence.

If such information and evidence is not provided within a reasonable period (not being less than 14 days from the date of service of the notice) or the information and evidence provided is, in the opinion of the Board, insufficient or unsatisfactory for the purposes of so determining, the Board may serve upon the member a further notice, requesting the provision within a reasonable period (not being less than 14 days from the date of service of the notice) of such information and evidence or further information and evidence as shall, in its opinion, enable it to so determine.

If the Board considers (after due consultation with the Authority), whether pursuant to information or evidence provided in response to a notice under the Articles or on any other basis, that the Authority may revoke, suspend or determine the Licence or decline to renew or extend the Licence by reason of the interest of a person in shares of the Company, the Board may serve a written notice ("a Transfer Notice") on such person, or if different, the holder or holders of the shares, requiring him to sell all or part of the shares held by him ("a Compulsory Transfer").

A Transfer Notice shall specify in general terms the reason for the Board's determination; refer to the cessation of voting rights as set out in the Articles; specify the number of shares to be disposed of, and where more than one holder (treating joint holders as a single holder) is required to dispose of shares, specifying the number of shares to be disposed of by each holder. The number of shares to be disposed of and the identity of the holders to so dispose of shares shall be in the absolute discretion of the Board and need not be made pro-rata.

A Compulsory Transfer shall be completed within 30 days of the service of the Transfer Notice, and the holder shall lodge the transfer with the Company for registration within such period. If the holder shall fail to do so, the holder shall be deemed to have appointed the Board his agent for the sale of the shares specified in the Transfer Notice. The Board shall, so far as it is reasonably able, complete the Compulsory Transfer at a price which it, in its absolute discretion, determines to be the best price reasonably obtainable in the circumstances and shall give written notice of the disposal to the holder concerned.

To give effect to a Compulsory Transfer, the Board may authorise some person to transfer the shares, enter the name of the transferee in the Register of Members, notwithstanding the absence of a share certificate and issue a new certificate to the transferee. An instrument of transfer lodged by that person shall be effective as if it had been executed by the holder of the shares. The transferee shall not be bound to see to the application of the purchase moneys nor shall his title to the shares be affected by an irregularity or invalidity in the

proceedings relating to the Compulsory Transfer. The net proceeds of sale shall be received by the Company, whose receipt shall be a good discharge for the purchase moneys, and shall be paid (without any interest being payable on it) to the former holder upon surrender by him of the share certificate in respect of those shares.

The Board shall not be obliged to serve a Transfer Notice on any person if the Board does not know his identity or his address. The absence of service of a Transfer Notice in such circumstances shall not present or invalidate any Compulsory Transfer, nor shall any accidental omission or failure to give any notice to any person on whom notice is required to be served under the Articles.

Any determination of the Board under the Articles in connection with Compulsory Transfer shall be final and conclusive but without prejudice to the power of the Board to subsequently vary or revoke such determination prior to the completion of a Compulsory Transfer.

## 6. Directors' and other interests

- (a) The interests of the Directors in the share capital of the Company which have been notified under section 324 or section 328 of the Act or as are required to be shown in the register of Directors' interests required to be kept under the provisions of section 325 of the Act and the interests of all persons connected with the Directors (within the meaning of Section 346 of the Act) which would, if the connected person were a Director be required to be disclosed in accordance with the foregoing sections and the existence of which is known, or could with reasonable diligence become known by the Director concerned, as at 20th March, 1996 (being the latest practicable date prior to the posting of this document) are as follows:

	No of GWR Shares	Percentage of existing issued share capital	Percentage of issued share capital after the Acquisitions	No. of Shares Under Option	Exercise price	Exercise period
H P J Meakin	10,000	0.01	0.01	—	—	—
R M Bernard	250,480	0.36	0.32	320,000	47.5p	1.2.96 - 31.1.2003
R N Gilbert FCA	9,128	0.01	0.01	—	—	—
R J Palmer	90,104	0.13	0.12	—	—	—
C E Blackwell	80,744	0.12	0.10	—	—	—
S J Pirie FCA	14,040	0.02	0.02	48,000	47.5p	1.2.96 - 31.1.2003
J P E Taylor FCA	—	—	—	—	—	—
J H Trafford	10,448	0.02	0.01	—	—	—
N S Tresilian	27,048	0.04	0.03	32,000	32.25p	3.3.95 - 2.3.2002

All the above shares are held beneficially except for 25,805 held non-beneficially by RM Bernard and 90,104 held by a nominee company on behalf of RJ Palmer.

R N Gilbert is a director of Harmsworth Media and of Radio Trust which have notified to the Company the interests set out in sub-paragraph (b) below.

J P E Taylor is a director of Capital Radio which has notified to the Company the interests set out in sub-paragraph (b) below.

S J Pirie is chairman of Endeavour International Ltd.

Ralph Bernard is chairman of London Radio News Ltd, an associated company of GWR.

Henry Meakin and Ralph Bernard are both directors of Classic FM.

Save as disclosed in this paragraph, no Director of the Company is beneficially interested in the share capital of any member of the Group.

No loans are outstanding by any member of the Group to any of the Directors nor has any been provided by any member of the Group for the benefit of any of the Directors.

- (b) In so far as it is known to the Company, as at 20th March, 1996 (being the latest practicable date prior to the posting of this document), there was no person directly or indirectly interested in 3 per cent. or more of the Company's issued share capital except as shown below:

	Number of GWR Shares	Percentage of issued share capital before the Acquisitions	Percentage of issued share capital after the Acquisitions
Harmsworth Media	13,176,058	18.95%	18.83%
Capital Radio plc	12,792,160	18.40%	16.74%
Fidelity International Limited	4,079,472	5.87%	5.26%
Abtrust Management Limited	2,802,513	4.03%	3.61%
Henderson Administration Limited	2,630,347	3.78%	3.39%
Gartmore Investment Management Limited	2,363,200	3.40%	3.05%

The issued share capital after the Acquisitions represents the share capital of GWR assuming that the East Anglian Radio Offer is implemented in full, all East Anglian Radio Shareholders receive GWR Consideration Shares for their East Anglian Radio Shares, all the GWR Shareholders take up their rights in full under the

Rights Issue, both instalments in respect of each Stock Unit are paid on the basis that the maximum amount of the Second Instalment is called, and that no Stock is issued to Harmsworth Media pursuant to its sub-underwriting of the Rights Issue. Harmsworth Media has indicated that it is willing to sub-underwrite up to 7,317,073 Stock Units.

- (c) No director of GWR has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the GWR Group and which was effected by any member of the GWR Group during the current financial year or the year ended 30th September, 1995, or which was effected during an earlier financial year and which remains in any respect outstanding or unperformed.
- (d) The total emoluments (including pension contributions) received by the Directors for the year ended 30th September, 1995 amounted to approximately £512,000. The total emoluments receivable by the executive directors of GWR will not be automatically varied as a result of the acquisitions of East Anglian Radio and/or RNZ. When the total emoluments receivable by the executive directors of GWR are reviewed by the remuneration committee of the Board, the impact of the acquisitions of East Anglian Radio and/or RNZ on the Group may be taken into account.
- (e) There have been no variations in the terms of the Directors service contracts since 21st March, 1996 (the date on which they were last available for inspection).

## **7. Material contracts**

### **(a) GWR**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by GWR and its subsidiaries in the two years immediately preceding the date of this document and are or may be material:

- (i) A subscription agreement dated 8th April, 1994 between (1) the Company and (2) Harmsworth Media pursuant to which Harmsworth Media was allotted 47,965 ordinary shares of 20p each in GWR at a price of 875p per share.
- (ii) A subscription agreement dated 8th April, 1994 between (1) the Company and (2) Fidelity Investment Services Limited pursuant to which Fidelity Investment Services Limited was allotted 106,661 ordinary shares of 20p each in GWR at a price of 875p per share.
- (iii) A subscription agreement dated 8th April, 1994 between (1) the Company and (2) Fidelity Pensions Management pursuant to which Fidelity Pensions Management was allotted 70,000 ordinary shares of 20p each in GWR at a price of 875p per share.
- (iv) An offer dated 6th May, 1994 made on behalf of the Company by Morgan Grenfell & Co. Limited pursuant to which (and to the exercise of its rights under Sections 428 to 430F of the Companies Act 1985) the Company acquired the whole of the issued share capital of Mid Anglian Radio plc on the basis of 0.53257 ordinary shares of 20p each in GWR for each ordinary share in Mid Anglian Radio plc, with a cash alternative of 450p for each such share. The said offer was declared unconditional in all respects on 3rd June, 1994. The total consideration for the acquisition was 81,239 shares of 20p each in GWR and £3.216 million.
- (v) An offer dated 16th June, 1995 made on behalf of the Company by Morgan Grenfell & Co Limited pursuant to which (and to the exercise of its rights under Sections 428 to 430F of the Companies Act 1985) the Company acquired the whole of the issued share capital of Chiltern Radio PLC not already owned by the Company on the basis of 2.379906 ordinary shares of 5p each in GWR for each ordinary share in Chiltern Radio PLC with a convertible note election. The said offer was declared unconditional in all respects on 28 July, 1995. The total consideration for the acquisition was 16,268,996 shares of 5p each in GWR.
- (vi) An agreement dated 28th August, 1995 between GWR and various other parties (the "Purchase Agreement"), pursuant to which GWR agreed with the Vendors for the sale by the Vendors to GWR of the shares in Antenne Sachsen Hörfunk Versorgung GmbH ("Antenne"). The total consideration to be paid by GWR for the shares was DM 3,485,000, (£1.54 million) GWR deposited the purchase price with a German notary pending the sale of the shares which was subject to waivers by shareholders in Antenne of their pre-emption rights in relation to the shares to be sold. One of the other shareholders in Antenne AVE exercised pre-emption rights and the Vendors were unable to transfer their shares to GWR. The monies deposited with the notary were refunded to GWR. GWR has subsequently entered into a new agreement with the Vendors which provides for GWR to have the option to purchase the shares from the Vendors if for any reason the purchase of these shares by AVE does not proceed. GWR has the option to purchase the shares at the same price as under the Purchase Agreement. The conditions precedent of the Purchase Agreement will apply to such purchase.
- (vii) An agreement dated 25th October, 1995 between (1) Chiltern Radio PLC ("Seller"); (2) the Company; (3) Chrysalis Radio Limited (the "Purchaser") and (4) Chrysalis Group plc pursuant to which the Seller sold the business and certain assets of Galaxy Radio (the "Business") and the entire issued share capital of Bristol Channel Broadcasting Company Limited (the "Shares") to the Purchaser for a total cash payment of £4,100,000, apportioned as to £3,611,579 as consideration for the Business, £25,000 as consideration for the Shares and £463,421 in satisfaction of an outstanding loan due from Bristol Channel Broadcasting Limited to the Seller. The agreement contains warranties given by the Seller relating to both the Business and the Shares subject to a maximum aggregate liability of £4,100,000. The

Company has given to the Purchaser a guarantee in respect of the performance by the Seller of its obligations and the discharge of its liabilities under the agreement and the accompanying deed of tax indemnity given in respect of Bristol Channel Broadcasting Company Limited.

- (viii) (a) An agreement dated 9th February, 1996 between (1) the Company, (2) Independent Television News Limited, (3) DMG Radio London Limited (4), Reuters Limited and (5) London News Radio Limited ("LNR") pursuant to which each of the parties to the said agreement (other than LNR) agreed to subscribe for shares in LNR, and the Company subscribed for 49,600 unclassified £1 shares in the capital of LNR and £446,400 floating rate loan notes 2002 of LNR. The Company has also agreed to provide further working capital to LNR of up to £1,705,000.
- (b) An agreement dated 9 February, 1996 between LNR (1) (a company in which the Company has a 31 per cent. interest) and London Radio Services Limited ("LRS") (2) pursuant to which LNR agreed to purchase the business and certain assets of LRS for a consideration of £750,000. The agreement is scheduled to complete on 1st April, 1996.
- (ix) An agreement (the "Sale Agreement") dated 1st March, 1996 made between GWR (1), IBC (2), and BIL (NZ Holdings) Limited (3) pursuant to which GWR agreed to purchase certain assets and the entire issued share capital of each of Primedia Auckland Limited, Primedia Hamilton Limited, Look Outdoor Limited, Median Limited, Arrow Limited, Ran Limited, IRN Limited, Studio Time Limited, Graphics Outdoor Limited, Primedia Limited and Prospect Limited (the "Subsidiaries") from Independent Broadcasting Company (1990) Limited ("IBC") (the "Shares").

The consideration paid under the Sale Agreement is NZ\$25 million. This consideration is liable to adjustment (up or down) following the preparation of Settlement Accounts and the finalisation of a figure for shareholders funds therein. The maximum additional amount payable by GWR following adjustment is NZ\$1.5 million. The purchase price has been allocated between the Shares, the radio frequency licences, and station identity and goodwill.

Under the Sale Agreement GWR was entitled to nominate any of its wholly owned subsidiaries as purchaser of the assets and/or the Shares and nominated GWR (West) Limited to purchase the station identity and goodwill, GWR (New Zealand) to purchase the Shares, and GWR (New Zealand) Licences Limited to purchase the radio frequency licences.

IBC made warranties to GWR under the Sale Agreement in respect of, *inter alia*, the business carried on, accounts, the absence of encumbrances, the radio frequency licences, material adverse changes, insolvency, litigation, and taxation. The warranties given are qualified by those matters disclosed to GWR in its pre-acquisition investigation of IBC's group. The maximum liability of IBC under all warranty claims under the Sale Agreement is the consideration paid (as adjusted) and the period in which warranty claims must be made is four years from settlement (in respect of tax warranties) and two years from settlement (in respect of all other warranties).

Under the Sale Agreement IBC indemnified GWR in respect of any taxation or taxation claim in respect of each Subsidiaries which is attributable to certain events occurring prior to settlement.

GWR agreed to use best endeavours to re-employ, with effect from settlement, staff and independent contractors employed by IBC prior to settlement with effect from settlement and IBC is to use reasonable endeavours to procure that such staff and contractors accept GWR's offers of re-employment.

IBC made various undertakings to GWR in respect of the operation of the business of the Subsidiaries pending settlement of the Sale Agreement.

BIL (NZ Holdings) Limited has agreed to unconditionally guarantee the payment of IBC of all monies due under the Sale Agreement and of all obligations of IBC under the Sale Agreement.

The Sale Agreement is governed by New Zealand law and each of the parties have submitted to the jurisdiction of the Courts of New Zealand in respect of claims therefrom.

- (x) An Underwriting Agreement dated 22nd March, 1996 between the Company (1) and Hambros (2). Hambros has agreed, subject to the conditions specified therein, to underwrite 14,035,531 Stock Units being issued in connection with the Rights Issue (the "underwritten Stock Units"). The underwriting obligations of Hambros cease with payment of the First Instalment. The Second Instalment has not been underwritten. Hambros will receive:
  - (a) a commitment commission of  $1\frac{1}{4}$  per cent. of the aggregate value at the issue price (205p per Stock Unit) of all the underwritten Stock Units in respect of the first 30 days of Hambros' commitment;
  - (b) a further commitment commission of  $\frac{1}{8}$  per cent. of the aggregate value at the issue price of all the underwritten Stock Units for each period of seven days or part thereof after the first 30 days of Hambros' commitment;
  - (c) if the Underwriting Agreement becomes unconditional and is not terminated, a further commission of  $\frac{3}{4}$  per cent. of the aggregate value at the issue price of the First Instalment payable on the underwritten Stock Units; and
  - (d) a further commission, if the RNZ Acquisition Agreement becomes unconditional and the Second Instalment becomes payable, of  $1\frac{1}{8}$  per cent. of the aggregate value at the maximum issue price of the Second Instalment in respect of the underwritten Stock Units, irrespective of the amount called.

All commissions are payable together with any applicable value added tax and out of such commissions Hambros will pay commissions to sub-underwriters to the extent (if any) to which it procures sub-underwriting and a commission to James Capel for their services as brokers to the Rights Issue. The Underwriting Agreement contains provisions entitling Hambros to terminate its obligations, *inter alia*, for material breach of warranty, prior to the admission of the Stock Units (nil paid) to the Official List becoming effective. The Underwriting Agreement is conditional, *inter alia*, upon the admission of the Stock Units (nil paid) to the Official List becoming effective by not later than 8.30 a.m. on 25th March, 1996 (or such later time and/or date as may be agreed between the Company and Hambros being not later than 8.30 a.m. on 1st April, 1996).

Pursuant to the Underwriting Agreement Hambros has also agreed, subject, *inter alia*, to the conditions referred to below, to pay or to procure the payment to East Anglian Radio Shareholders who validly accept the East Anglian Radio Offer and the cash alternative the sum of £23.46 instead of each GWR Consideration Share to which such shareholders would otherwise have become entitled under the East Anglian Radio Offer. In consideration for their services the Company will pay Hambros:

- (a) a commitment commission of  $\frac{1}{2}$  per cent. on the total value (at £21.63 per GWR Share) of the maximum number of GWR Shares which may fall to be allotted to persons nominated by Hambros assuming full acceptance of the East Anglian Radio Offer and the cash alternative, namely 8,107,544 GWR Shares, (save in respect of those East Anglian Radio Shares whose holders have undertaken not to accept the cash alternative) (the "Underwritten Offer Shares") in respect of the first 30 days of the commitment commencing on the date of the Underwriting Agreement;
- (b) an additional commitment commission of  $\frac{1}{8}$  per cent for each period or seven days of any part thereof thereafter on the total value (at £21.63 per GWR Share) of the Underwritten Offer Shares until and including the earlier of:
  - (aa) the latest of: (a) the first day on which the cash alternative has closed and the East Anglian Radio Offer has become or has been declared unconditional in all respects (other than in respect of the admission of the Underwritten Offer Shares to the Official List); (b) the business day immediately preceding the first day of dealings on the London Stock Exchange in the Underwritten Offer Shares; and (c) the day on which Hambros is notified (by 3.00 p.m. on that day) of the total number of Underwritten Offer Shares in respect of which Hambros is required to accept an allotment and issue (or procure other persons to accept allotment and issue) pursuant to valid acceptances of the cash alternative; and
  - (bb) the day on which the East Anglian Radio Offer lapses or is withdrawn or is revised or it is agreed that the East Anglian Radio Offer should not be made or the cash alternative lapses, or is withdrawn;
- (c) a fee amounting to  $\frac{3}{4}$  per cent. on the total value (at £21.63 per GWR Share) of the maximum number of Underwritten Offer Shares for their services in arranging the underwriting; and
- (d) a further commission, payable only if the East Anglian Radio Offer becomes or is declared unconditional in all respects, of  $\frac{3}{4}$  per cent. on the value at £21.63 per GWR Shares of the maximum number of Underwritten Offer Shares to be issued to the persons who have validly accepted the East Anglian Radio Offer on or before the day on which the cash alternative closes whether or not they have also accepted the cash alternative.

All commissions will be paid together with (if applicable) an amount equal to any value added tax arising on such payments.

Out of the above commissions, Hambros has agreed to pay commissions required to be paid to those persons whom Hambros procures to accept the allotment and issue of Underwritten Offer Shares and a fee to James Capel.

The commissions referred to in sub-paragraphs (a) and (b) and the fee referred to in sub-paragraph (c) above will be payable whether or not the conditions referred to below are satisfied and whether or not the East Anglian Radio Offer is despatched and/or becomes or is declared unconditional in all respects.

The obligations of Hambros are conditional, *inter alia*, upon (i) the East Anglian Radio Offer becoming or being declared unconditional in all respects not later than 81 days after the date of the Underwriting Agreement or such later date as Hambros may agree and (ii) the admission of the Underwritten Offer Shares to the Official List becoming effective not later than such date.

The Company has given (a) certain representations, warranties and undertakings to Hambros and (b) an indemnity to Hambros in connection with certain liabilities arising out of or in connection with the carrying out by Hambros of any of its obligations under the Underwriting Agreement and/or out of or in connection with or by reason of the Rights Issue, the Acquisition, the distribution of the announcement of the East Anglian Radio Offer, the Offer Document or any related document or the allotment and issue of the Stock, the Rights Shares or the Underwritten Offer Shares.

- (xi) The Company has submitted the Tender Offer to the New Zealand Government. If the Tender Offer is accepted the Company, or its nominee, has conditionally agreed to acquire the whole of the issued share capital of RNZ (other than the Kiwi Share) on the terms contained in RNZ Acquisition Agreement. Further details of the RNZ Acquisition Agreement are set out in Part IV of this document.
- (xii) An undertaking pursuant to Section 69A of the Commerce Act 1986 dated 21st March, 1996 pursuant to which GWR undertakes to the Commerce Commission of New Zealand that in the event of the RNZ

Acquisition proceeding it will dispose of certain radio transmission licences, such undertaking following part of any clearance given by the Commerce Commission of New Zealand in relation to the RNZ Acquisition and creating binding legal obligations of GWR.

**(b) RNZ**

The following contract (not being a contract entered into in the ordinary course of business) has been entered into by RNZ and its subsidiaries in the two years immediately preceding the date of this document and is or may be material:

A transfer agreement dated 29th June, 1995 between (1) The Radio Bureau Limited and (2) RNZ whereby RNZ sold and transferred the business of RNZ which it carried on through its radio bureau division as on 1st July, 1995. The purchase price under the agreement was the book value of the assets sold after deducting assumed liabilities as shown in the settlement accounts. The purchase price was satisfied by the issue of RNZ of the number of ordinary NZ\$1 shares in the capital of The Radio Bureau Limited which have a nominal value equal to the purchase price. Under the agreement RNZ agreed to subscribe for further shares in the capital of The Radio Bureau Limited to provide further working capital to the Radio Bureau Limited.

**8. Litigation**

**(a) GWR**

Neither GWR nor any other member of the Group is involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the GWR Group's financial position and, so far as the Directors are aware, no such proceedings are pending or threatened.

Due to the conditionality of the RNZ Acquisition Agreement, GWR has a material interest in the outcome of the Maori Legal Proceedings referred to above.

**(b) RNZ**

Other than the proceedings disclosed in paragraph 6 of Part I, neither RNZ nor any of its subsidiaries is involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of RNZ and, so far as the Directors are aware, so such proceedings are pending or threatened.

**9. Indebtedness**

As at 29th February, 1996 the Enlarged Group had outstanding the following borrowings:

	<i>£m</i>
Bank overdrafts	0.15
Secured bank term loans	5.28
Obligations under finance leases and hire purchase contracts	0.57

Of the above borrowings £5.85 million was secured.

At at 29th February, 1996, the Enlarged Group had guarantees and contingent liabilities of £0.02 million.

Save as disclosed above, and apart from intra-group liabilities, the Enlarged Group had at 29th February, 1996 no loan capital outstanding or created but unissued, term loans whether guaranteed or unguaranteed, secured or unsecured, or other borrowings or indebtedness in the nature of borrowing, including bank overdraft, liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments, obligations under finance leases, mortgages, charges, guarantees or other contingent liabilities.

Balances recorded in currencies other than sterling have been translated into sterling at the closing spot rate on 29th February, 1996.

At the same date the Enlarged Group had cash balances of £6.81 million.

**10. Working capital**

The Directors are of the opinion that, having regard to the available bank facilities and the Rights Issue proceeds, the Enlarged Group has sufficient working capital for its present requirements.

**11. Principal investments**

The following are the main investments made by the Group in other undertakings since 30th September, 1992:

Radio Trent Limited, Mercia Sound Limited, Leicester Sound Limited and Beacon Broadcasting Limited were acquired by GWR in January 1994 for a consideration consisting of 1,014,882 GWR Shares of 20p each.

Mid Anglian Radio plc was acquired by GWR in June 1994 for a consideration consisting of 81,239 GWR Shares of 20p each and £3,216 million in cash.

Chiltern Radio PLC was acquired by GWR in July 1995 for a consideration consisting of 16,268,996 GWR Shares.



Prospect acquired by GWR on 15th March, 1996 for a consideration consisting of NZ\$ 25 million (£10.98 million) in cash.

## 12. Principal subsidiaries of GWR

GWR is a holding company and its principal subsidiaries are listed below. The main activity of these companies is independent local radio contracting in the United Kingdom, except for Prospect which is a radio operator in New Zealand:

<i>Name</i>	<i>Proportion of capital the GWR Group by:</i>
Wiltshire Radio plc	100 per cent.
GWR (West) Limited	100 per cent.
Thames Valley Broadcasting plc	100 per cent.
Two Counties Radio Limited	100 per cent.
Chiltern Radio PLC	100 per cent.
Radio Trent Limited	100 per cent.
Prospect Limited	100 per cent.

All of the above companies are registered and operated in England and Wales, with the exception of Prospect which is registered and operated in New Zealand.

## 13. General

- (a) The total expenses payable by GWR in connection with the East Anglian Radio Offer, the RNZ Acquisition and the Rights Issue are estimated to amount to approximately £4.7 million (exclusive of any applicable value added tax) of which £1.3 million will be paid to financial intermediaries.
- (b)
  - (i) Other than the Prospect Acquisition (details of which are contained in Part IX of this document) there has been no significant change in the financial or trading position of the Group since 30th September, 1995, the date to which the latest audited financial statements of the GWR Group were published.
  - (ii) There has been no significant change in the financial or trading position of RNZ or its subsidiaries since 31st December, 1995, the date to which the latest audited financial statements of RNZ were prepared as set out in Part VI.
- (c) The issue price of 241.6p for each GWR Consideration Share under the East Anglian Radio Offer represents a premium of 236.6p over the nominal value of each GWR Share. The Subscription Price of 205p represents a premium of 200p to the 5p nominal value of a Stock Unit.
- (d) Hambros is a merchant bank regulated by The Securities and Futures Authority Limited with its registered office at 41 Tower Hill, London EC3N 4HA.
- (e) Full accounts of GWR in respect of the financial periods ended 30th September, 1993, 30th September, 1994 and 30th September, 1995 (each of which received an unqualified audit opinion and did not contain a statement under either Section 237(2) or (3) of the Act) have been delivered to the Registrar of Companies in England and Wales. Coopers & Lybrand, Chartered Accountants, 66 Queen Street, Bristol were auditors to GWR for the periods ended 30th September, 1993 and 31st September 1994. KPMG, Chartered Accountants, No 1 Cricklade Court, Cricklade Street, Old Town, Swindon SN1 3EY were auditors to GWR for the period ended 30th September, 1995 and are currently auditors to GWR.
- (f) KPMG has given and not withdrawn its written consent to the inclusion of its report in the form and context in which they are included and has authorised the same for the purposes of section 152(1) (e) of the Financial Services Act 1986.
- (g) The Company's registrars are The Royal Bank of Scotland plc, Securities Services—Registrars, PO Box No 82, Caxton House, Redcliffe Way, Bristol, BS99 7NH. The Company's receiving bankers are The Royal Bank of Scotland plc, Registrar's Department, New Issues Section, PO Box 859, Consort House, East Street, Bedminster, Bristol BS99 1XZ.
- (h) Neither the Stock Units nor the Rights Shares have been sold or are available in whole or in part, to the public in conjunction with the application for listing, save under the terms of the Rights Issue. The GWR Consideration Share have not been sold nor are available in whole or in part, to the public in conjunction with the application for listing save under the terms of the East Anglian Radio Offer.

## 14. Documents for inspection

Copies of the following documents may be inspected at the offices of Nicholson Graham & Jones, 25-31 Moorgate, London EC2R 6AR, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document while the East Anglian Radio Offer remains open for acceptance:

- (i) the memorandum and articles of association of GWR;
- (ii) the Deed Poll;
- (iii) the material contracts referred to in paragraph 7 of this Part IX;
- (iv) the East Anglian Radio Offer Document, the Form of Acceptance and this document;
- (v) the Circular;



- (vi) the Provisional Allotment Letter;
- (vii) the Accountants' Report set out in Part VI and the statement of adjustments made by KPMG in arriving at the figures in the Accountants' Report and giving their reasons therefor;
- (viii) the audited consolidated accounts of the GWR Group for the financial years ended 30th September, 1994 and 30th September, 1995;
- (ix) the irrevocable undertakings to accept the East Anglian Radio Offer referred to in Part II;
- (x) the letter of consent from KPMG referred to in paragraph 13(f) of this Part IX.

22nd March, 1996



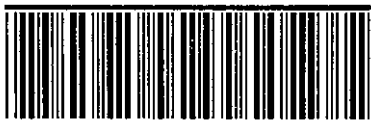
# SEPARATOR SHEET

2720770



\*ZZZZZ\*

UNIVERSAL CERAMIC  
MATERIALS PLC



KLO \*KU3LOK2C\* 1845  
COMPANIES HOUSE 22/03/96

R. Hughes  
Mervyn Fookes  
2720770  
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. WHEN CONSIDERING WHAT ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN FINANCIAL ADVICE FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORISED PURSUANT TO THE FINANCIAL SERVICES ACT 1986 IMMEDIATELY. T. FISHER  
C.B. PHIPPS  
T.G. DUGGAN  
G.B. DAVISON

If you have sold or otherwise transferred all or part of your Ordinary Shares in UCM you should complete Box H on the back of the Application Form and immediately forward this document, together with the accompanying form of proxy and Application Form, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

A copy of this document, which comprises a prospectus relating to UCM prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration, as required by section 149 of that Act. ✓

Beeson Gregory is acting exclusively for UCM in relation to the Placing and Open Offer. Beeson Gregory is not acting for any other person and will not be responsible to any other person for providing protections afforded to customers of Beeson Gregory or advising any such person on the contents of this document or any matter referred to herein.

Application has been made to the London Stock Exchange for the New Shares to be admitted to the Official List. Subject to Admission becoming effective, it is expected that dealings in the New Shares, will commence on 18 April 1996.

# UNIVERSAL CERAMIC MATERIALS PLC ✓

**Placing and Open Offer of 3,992,400 New Shares  
at 95p per New Share**

**and**

**Preliminary Results for the year ended 31 December 1995**

The New Shares have not been, and are currently not intended to be, registered under the United States Securities Act of 1933, as amended, nor under the securities legislation of any province or territory of Canada and, accordingly, subject to certain exceptions, may not be offered or sold in the United States, Canada or to any national, citizen or resident thereof.

Notice of an Extraordinary General Meeting of UCM to be held at the offices of Edge & Ellison, Rutland House, 148 Edmund Street, Birmingham B3 2JR at 10.00am on 15 April 1996 is set out at the end of this document. The enclosed form of proxy for use in connection with the meeting should be completed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Harford Registrars, Harford House, 101-103 Great Portland Street, London W1N 3QZ not later than 10.00 am on 13 April 1996.

If you are a Qualifying Shareholder and wish to apply for New Shares under the Open Offer, you should complete the enclosed Application Form and return it, together with the appropriate payment, to Harford Registrars at the above address, to arrive no later than 3.00 pm on 16 April 1996. The procedure for application and payment is set out on page 12 of this document and also in the Application Form.

## CONTENTS

	Page
<b>Part I</b> Letter from the Chairman	5
<b>Part II</b> Letter from Beeson Gregory	10
<b>Part III</b> Preliminary results of UCM for the year ended 31 December 1995	16
<b>Part IV</b> Financial information relating to the Group	22
<b>Part V</b> General information	41
Notice of Extraordinary General Meeting	56

## EXPECTED TIMETABLE OF EVENTS

	1996
Record date for the Open Offer	Thursday 14 March
<b>Latest time and date for receipt of forms of proxy</b>	<b>10.00 am, Saturday 13 April</b>
<b>Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)</b>	<b>3.00 pm, Friday 12 April</b>
Extraordinary General Meeting	10.00 am, Monday 15 April
<b>Latest time and date for receipt of completed Application Forms and payment in full in respect of the Open Offer</b>	<b>3.00 pm, Tuesday 16 April</b>
Commencement of dealings in New Shares	Thursday 18 April
Definitive share certificates for New Shares to be despatched by	Thursday 25 April

## DEFINITIONS

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

"the Act"	the Companies Act 1985, as amended by the Companies Act 1989
"Admission"	the admission of the New Shares to the Official List becoming effective in accordance with the listing rules of the London Stock Exchange
"Application Form"	the application form relating to the Open Offer being sent to Qualifying Shareholders with this document
"Beeson Gregory"	Beeson Gregory Limited
"Board" or "Directors"	the directors of UCM
"UCM" or "the Company"	Universal Ceramic Materials PLC
"Electro Furnace Products"	Electro Furnace Products Limited, a wholly owned subsidiary of the Company
"EGM"	the Extraordinary General Meeting of the Company to be held at the offices of Edge & Ellison, Rutland House, 148 Edmund Street, Birmingham B3 2JR on 15 April 1996 at 10.00 am.
"Executive Scheme"	the UCM PLC Executive Share Option Scheme
"Group"	UCM and its subsidiary undertakings.
"Issue Price"	95 pence per New Share
"London Stock Exchange"	the London Stock Exchange Limited
"Muscle Shoals"	Muscle Shoals Minerals Inc., a wholly owned subsidiary of the Company
"New Shares"	the 3,992,400 new Ordinary Shares proposed to be issued fully paid pursuant to the Open Offer
"Official List"	the Official List of the London Stock Exchange
"Open Offer"	the invitation by Beeson Gregory to Qualifying Shareholders to acquire New Shares at the Issue Price on the terms and subject to the conditions set out in the letter from Beeson Gregory in Part II of this document and in the enclosed Application Form
"Ordinary Shares"	ordinary shares of 5 pence each in the capital of the Company
"Placing"	the conditional placing by Beeson Gregory of 3,861,022 of the New Shares on the terms and conditions of the Placing Agreement, subject to the rights of Qualifying Shareholders under the Open Offer

"Placing Agreement"	the conditional agreement dated 22 March 1996 between the Company, Beeson Gregory and others relating to the Placing and Open Offer, a summary of the terms of which is set out in Part V of this document
"Qualifying Shareholders"	holders of Ordinary Shares on the Register of Members of the Company on the Record Date other than certain overseas holders of Ordinary Shares to whom, as described in the letter from Beeson Gregory in Part II of this document, the Open Offer is not being extended.
"Record Date"	the close of business on 14 March 1996
"Savings Scheme"	the UCM PLC Savings Related Share Option Scheme
"Share Option Schemes"	the Executive Scheme and the Savings Scheme
"Unitec"	Unitec Ceramics Limited, a wholly owned subsidiary of the Company
"Universal Abrasives"	Universal Abrasives Limited, a wholly owned subsidiary of the Company
"Universal America"	Universal America Inc., a wholly owned subsidiary of the Company.
"Universal Electrominerales"	Universal Electrominerales SARL, a wholly owned subsidiary of the Company

An exchange rate of FF7.77 to £1, being the closing rate (rounded to one decimal place) on 20 March 1996, the latest practicable date prior to publication of this document, as published in the Financial Times, has been used throughout this document unless otherwise stated.

## PART I

# UNIVERSAL CERAMIC MATERIALS PLC

(Registered in England and Wales No. 2720770) ✓

### Directors:

Colin Barry Phipps BSc, PhD, FGS, FInst Pet, C Geol  
(Non-Executive Chairman)  
Robert Hughes BSc, Dip Ed (Chief Executive)  
Melvyn Fookes ACA (Group Finance Director)  
Terence Graham Dughan BSc (Executive Director)  
Walter Ray Johnson BS (Executive Director)  
Guy Bryce Davison MA, ACA (Non-Executive Director)  
Ian Fisher BSc, BA (Non-Executive Director)

### Registered and Head Office:

Doxey Road  
Stafford  
ST16 1DZ

22 March 1996 ✓

*To holders of Ordinary Shares and, for information only, to holders of options under the Share Option Schemes.*

Dear Shareholder

## **Placing and Open Offer and Preliminary Results for the year ended 31 December 1995**

### **Introduction**

Your Board announced today that it proposes to raise approximately £3.57 million (net of expenses) by way of a Placing and Open Offer of 3,992,400 New Shares at a price of 95p per share. Part of the proceeds, together with additional debt of approximately £2.0 million, will be used to fund the expansion of the Group's magnesia plant on Humberside, UK. The balance of the net proceeds of the Placing and Open Offer is being raised to provide additional working capital.

The preliminary announcement of results of the Group for the year ended 31 December 1995 was also made today and the text is set out in full in Part III of this document.

The Placing and Open Offer is conditional on, *inter alia*, the approval of shareholders at the EGM and has been underwritten by Beeson Gregory except to the extent that the Directors, their spouses and Phipps & Company Limited (as beneficial holder) have irrevocably undertaken to take up an aggregate of 131,378 New Shares representing 3.29 per cent. of the Placing and Open Offer. In addition to the New Shares, Beeson Gregory has agreed to place a total of 6,393,920 Ordinary Shares for certain funds under the management of CINVen Limited. Further details of the placing of these shares are set out on page 11 of this document.

I am writing to explain the background to and reasons for the Placing and Open Offer and to recommend that you vote in favour of the resolution to be proposed at the EGM which has been convened for 10.00 am on 15 April 1996.

### **Market position**

The Directors believe that the Group is the world's leading supplier of electrical grade magnesia used in the manufacture of domestic and industrial heating elements. In the year ended 31 December 1995, this activity accounted for approximately 32 per cent. of the Group's turnover.

The Group currently has three plants manufacturing electrical grade magnesia: Electro Furnace Products based on Humberside, UK, Muscle Shoals based in Alabama, USA and Universal America based in Tennessee, USA. Electro Furnace Products sells principally to the UK, European and South African markets. Muscle Shoals and Universal America sell principally to the North American, South American, Asian and the Pacific Rim markets.

The market for electrical grade magnesia is principally determined by demand for heating elements which is primarily dependent world-wide on the level of consumer spending on domestic appliances ("white goods") and on industrial activity requiring industrial heating appliances. The Directors believe that this market is expanding in developing economies such as China, India and South Africa, particularly where electrification is being extended, and in the former USSR and Eastern Bloc countries, where consumer demand for white goods is increasing. The Directors believe that demand in the more mature economies of North America and Europe will remain steady.

Recent developments have led the Directors to expect a substantial reduction in manufacturing capacity for electrical grade magnesia in Europe. Hüls AG, based in Germany, announced in December 1995 its intention to withdraw from the production of fused magnesia as part of a strategic realignment of its business. Industrial Minerals (a monthly trade journal published by Metal Bulletin plc) reported in February 1996 that production is expected to cease by the end of the first quarter of 1996. Hüls AG produced approximately 13,000 tonnes of fused magnesia in 1995 the majority of which was used for electrical applications out of total world sales of approximately 43,000 tonnes in that year (source: Industrial Minerals, January 1996).

In May 1995, Groupe Pechiney approached the Company with the intention of selling to UCM the fused magnesia business of Pechiney Electrometallurgie ("PEM"), a division of Groupe Pechiney, based in France. Negotiations were terminated in December 1995 when commercial terms could not be agreed. In 1995, PEM produced approximately 7,000 tonnes of fused magnesia the majority of which was used for electrical applications (source: Industrial Minerals, January 1996).

On the basis set out above, the Directors believe that the number of UCM's competitors in electrical grade magnesia manufacturing is decreasing and that there is likely to be a shortfall in world production capacity. The Group has a reputation for quality and expertise in this area. Accordingly, by expanding its fused magnesia plant on Humberside, the Directors consider that the Group will be ideally placed to maximise its opportunities in the world market.

### **Expansion of the Electro Furnace Products magnesia plant and reasons for the Placing and Open Offer**

It is proposed that the Group expands its existing plant on Humberside with new furnacing, calcining, finishing and blending equipment utilising the Group's most efficient process technologies.

Construction work on the expansion is scheduled to commence during April 1996 and the expanded plant is expected to be operational during the fourth quarter of 1996. The expansion investment will increase UCM's capacity by an additional 12,000 tonnes per annum in the United Kingdom.

The cost of this expansion is expected to be approximately £3.7 million, of which £2.0 million will be funded from debt finance and the balance from part of the net proceeds of the Placing and Open Offer. The remainder of the net proceeds of the Placing and Open Offer is being raised to provide additional working capital.



## **Benefits of the Proposed Expansion**

The Directors are confident that the proposed expansion of the fused magnesia plant on Humberside will contribute to the growth of the Group and believe that it will enhance earnings per share. The Directors consider that the Placing and Open Offer together with the increase in bank borrowings provide the Company with the most appropriate means of implementing this expansion.

## **Preliminary results, current trading and prospects**

The preliminary results for the year ended 31 December 1995 are set out in Part III of the document. I am pleased to report that sales increased by 23 per cent. to £34.6 million and pre-tax profits rose by 29 per cent. to £2.65 million. Earnings per share were 7.7p (1994: 6.4p), an increase of 20 per cent. A final dividend of 3p net per share (1994: 2.75p) is recommended making a total for the year of 4.5p net per share.

Trading since 31 December 1995 has been encouraging. Following the weaker USA economy in 1995, there has been some increase in house starts which should be reflected in the demand for consumer appliances and heating element powders sourced from our USA plants.

UK demand has remained strong, although demand in Continental Europe is patchy, particularly in France and Germany. However, in the wake of further competitors exiting the fused minerals business, this will provide increased opportunity for UCM to expand export market share, particularly in the heating elements sector.

1996 presents the Group with important opportunities for expansion and potential for continued growth.

## **Litigation**

Following the termination of negotiations with PEM referred to above and reported in the announcement made by the Company in January 1996, PEM have issued a writ in France against UCM claiming the sum of FF20 million (£2.57 million) alleging that the Company negotiated in bad faith. UCM has been advised that the action is without substance. Further details are set out in paragraph 13 of Part V.

## **Terms of the Placing and Open Offer**

Under the terms of the Placing and Open Offer, the Company is proposing to issue 3,992,400 New Shares, representing a 18.18 per cent. increase in the Company's issued share capital at a price of 95p per share. The Placing is subject to the entitlement of Qualifying Shareholders to apply under the terms of the Open Offer for New Shares at a price of 95p per share payable in full on application and free of all expenses on the following basis:

### **2 New Shares for every 11 existing Ordinary Shares**

held at the close of business on the Record Date and so in proportion for any greater number of shares held. Fractional entitlements will not be allocated to Qualifying Shareholders but will be aggregated and sold in the Placing and the proceeds retained for the benefit of the Company.

New Shares will be credited as fully paid and rank *pari passu* in all respects with the existing Ordinary Shares, save that they will not rank for the final dividend of 3.0p (net) per share recommended in respect of the year ended 31 December 1995.

Beeson Gregory, as stockbrokers to the Placing and as agent of the Company, have arranged for the New Shares (other than those for which commitments to subscribe have been received) to be placed with certain institutional and other

investors, subject to being recalled to satisfy applications from Qualifying Shareholders under the Open Offer.

The Placing and Open Offer are both conditional on, *inter alia*, the passing of the resolution to be proposed at the EGM, the Placing Agreement having become unconditional in all respects and Admission having become effective by 9.00 am on 18 April 1996 or such later date (being not later than 26 April 1996) as the Company and Beeson Gregory shall agree.

The Directors, their spouses and Phipps & Company Limited (as beneficial holder) have undertaken to take up 131,378 New Shares out of their entitlements to a total of 741,131 New Shares under the Open Offer. These shares have not been placed.

Further information on the Open Offer, including the procedure for application and payment, is set out in the letter from Beeson Gregory in Part II of this document and in the Application Form. The attention of overseas shareholders is specifically drawn to the section entitled "Overseas Shareholders" set out in Part II of this document.

### **Extraordinary General Meeting**

You will find set out at the end of this document a notice convening the Extraordinary General Meeting to be held at 10.00 am on 15 April 1996.

The resolution will be proposed for the purpose of increasing the authorised share capital of the Company, authorising the Directors to allot the New Shares for the purposes of Section 80 of the Companies Act 1985 and disapplying the statutory pre-emption rights set out in Section 89 of that Act to enable the Directors to allot the New Shares pursuant to the Placing and Open Offer.

After completion of the Placing and Open Offer the amount of authorised but unissued share capital will be £452,470, comprising 9,049,395 Ordinary Shares of which 322,853 will be subject to outstanding options under the Share Option Schemes, subject to adjustments as mentioned below.

### **Option holders**

In accordance with the rules of the Share Option Schemes, the Directors propose to make such adjustments to the number of Ordinary Shares available for the grant of options, the number of Ordinary Shares comprised in each option and the prices at which options may be exercised as the auditors of the Company may certify in writing to be in their opinion fair and reasonable in order to take account of the Placing and Open Offer. No such adjustments will have effect until approved by the Inland Revenue. Option holders will be informed of the adjustments in due course in accordance with the rules of the Share Option Schemes.

### **Action to be taken**

Shareholders will find enclosed a form of proxy for use at the EGM. Whether or not you intend to be present at the meeting, you are asked to return the enclosed form of proxy in accordance with the instructions printed on it so as to arrive not later than 10.00 am on 13 April 1996. Completion and return of a form of proxy will not preclude you from attending the meeting and voting in person, should you so wish.

Action to be taken in relation to the Open Offer is described in Part II of this document.

### **Additional information**

Your attention is drawn to the additional information set out in Part V of this document.

## **Recommendation**

In making their recommendation to you the Board has been advised by Beeson Gregory, who have relied on the Directors' commercial assessment of the proposed expansion. The Board considers that the Placing and Open Offer are in the best interests of the Company and its shareholders as a whole. Accordingly, they unanimously recommend shareholders to vote in favour of the resolution to be proposed at the EGM, as they intend to do in respect of their own beneficial shareholdings amounting in total to 3,776,596 Ordinary Shares, representing approximately 17.2 per cent. of the current issued share capital.

Irrevocable undertakings to vote in favour of the resolution to be proposed at the EGM have been received from shareholders, including the Directors, their spouses and Phipps & Company Limited (as beneficial holder), holding 13,749,096 Ordinary Shares in total, representing approximately 62.6 per cent. of the current issued share capital.

Yours faithfully

Dr Colin B Phipps  
*Chairman*

## PART II



# Beeson Gregory

THE REGISTRY ROYAL MINT COURT

LONDON EC3N 4EY

Registered No. 2316630

22 March 1996

*To holders of Ordinary Shares and, for information only, to holders of options under the Share Option Schemes.*

Dear Sir/Madam

### Introduction

The letter from the Chairman which appears at the beginning of this document explains that an Open Offer is being made to Qualifying Shareholders of the 3,992,400 New Shares at a price of 95 pence per share. Your attention is drawn to that letter and to the further information set out in Parts III to V of this document.

Beeson Gregory, as stockbrokers to the Placing and as agent of the Company, have arranged for 3,861,022 of the New Shares to be conditionally placed with certain institutional and other investors at a price of 95 pence per share, net of expenses, subject to their being recalled to satisfy valid applications from Qualifying Shareholders under the Open Offer. The Placing and Open Offer has been underwritten by Beeson Gregory except to the extent that the Directors, their spouses and Phipps & Company Limited (as beneficial holder) have irrevocably undertaken to take up an aggregate of 131,378 New Shares representing 17.73 per cent. of their entitlements under the Placing and Open Offer.

### The Open Offer

Beeson Gregory, as agent of the Company, hereby invites Qualifying Shareholders, on and subject to the terms and conditions set out herein and in the enclosed Application Form, to apply for the New Shares at a price of 95 pence per New Share, net of expenses, payable in full on application. This compares with a price of 104 pence per Ordinary Share being the mid-market quotation as derived from the London Stock Exchange Daily Official List on 21 March 1996, being the last practicable date before the publication of this document.

Qualifying Shareholders may apply for

### **2 New Shares for every 11 Ordinary Shares**

held at the close of business on the Record Date. Fractional entitlements to New Shares will not be allocated and will be aggregated and sold under the Placing and the proceeds retained for the benefit of the Company. Qualifying Shareholders may apply for any number of New Shares up to and including their maximum pro rata entitlement as shown in the Application Form. Applications will be disregarded to the extent that they exceed such maximum entitlement.

To the extent that New Shares are not taken up under the Open Offer, they will be allotted at the Issue Price to placees procured by Beeson Gregory pursuant to the Placing Agreement or to Beeson Gregory itself. **Qualifying Shareholders should be aware that the New Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer.**

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing issued Ordinary Shares save that the New Shares will not rank for the final dividend of 3.0 pence per share (net) recommended in respect of the year ended 31 December 1995. Further details of the rights attaching to the Ordinary Shares, including the New Shares, are set out in paragraph 5 of Part V of this document.

In addition to the New Shares, Beeson Gregory has agreed to place 6,393,920 Ordinary Shares on behalf of certain funds managed by CINVen Limited. These shares, which represent 29.1 per cent. of the Company's existing issued ordinary share capital, are to be placed at a price of 95p per share, being the price at which the New Shares have been conditionally placed subject to the Open Offer. In order for these shares to be placed on the same terms as the New Shares, the vendors will sell them ex-dividend entitlement in respect of the final dividend for the year ended 31 December 1995 announced today. Following the placing of these shares, CINVen Limited will no longer have an interest in the Company's issued share capital. CINVen Limited (in respect of certain funds managed by them) and 3i Group plc have irrevocably undertaken not to take up their entitlements under the Open Offer to 1,758,699 New Shares in aggregate and these shares have been placed firm.

### **Conditions and further terms of the Open Offer**

Qualifying Shareholders may apply for New Shares only on the enclosed Application Form which is, save as mentioned below, personal to the shareholder named therein. The Application Form may be transferred and/or split only to satisfy *bona fide* market claims in relation to transfers of Ordinary Shares through the market prior to the date on which the Ordinary Shares are marked ex-entitlement in respect of the Open Offer. Instructions with regard to transfers and to splitting in such circumstances are set out in the Application Form. Qualifying Shareholders who have sold all or part of their holding of Ordinary Shares through the market prior to the ex-entitlement date are advised to consult their stockbroker or other financial adviser authorised under the Financial Services Act 1986 immediately, as the invitation under the Open Offer may represent a benefit, which can be claimed from them by purchasers or other transferees under the rules of the London Stock Exchange.

The Placing and Open Offer are both conditional on, *inter alia*, the passing of the resolution to be proposed at the EGM, the Placing Agreement having become unconditional in all respects and Admission having become effective by 9.00 am on 18 April 1996 or such later date (being not later than 26 April 1996) as the Company and Beeson Gregory shall agree. The Placing Agreement is conditional, *inter alia*, upon:

- (a) the passing of the resolution contained in the notice of EGM set out at the end of this document; and
- (b) the London Stock Exchange admitting the New Shares to the Official List and such admission becoming effective.

Further terms of the Open Offer are set out in this letter and in the enclosed Application Form. The Application Form represents a right to apply for New Shares, but is not a document of title and cannot be traded. Qualifying Shareholders who have sold all or part of their registered holdings should complete Box H on the enclosed Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or other transferee.

### **Procedure for Application**

The Application Form enclosed with this document shows the number of Ordinary Shares held by you at the close of business on the Record Date and also shows the maximum number of New Shares attributable to your holding(s). You may apply for less than your maximum entitlement should you so wish.

If you wish to apply for all or some of your entitlement to New Shares you should complete the enclosed Application Form in accordance with the instructions thereon and send it or deliver it by hand, together with the appropriate remittance, to Harford Registrars, Harford House, 101-103 Great Portland Street, London W1N 3QZ so as to arrive no later than 3.00 pm on 16 April 1996.

A reply paid envelope is enclosed for your use. Cheques or banker's drafts should be made payable to "Harford Registrars - A/C UCM PLC" and crossed "Account Payee". All payments must be made by cheque or banker's draft in pounds sterling drawn on a bank or building society in the United Kingdom, Channel Islands or Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Company Limited or a member of the Committees of Scottish or Belfast Clearing Houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for the members of either of those companies or those committees and must bear the appropriate sort code in the right-hand corner. They must be for the full amount. No interest will be allowed on payments made before they are due. An application will not be considered unless these requirements are fulfilled. Once submitted, applications are irrevocable. Cheques and banker's drafts are liable to be presented for payment upon receipt. Qualifying Shareholders should note that the Application Form contains a warranty (which is a term of the Open Offer) that cheques will be honoured on first presentation. Any cheque that has not been honoured by 19 April 1996 will be deemed invalid and the relevant New Shares will be taken up under the Placing.

The Directors reserve the right to instruct Harford Registrars to seek special clearance of banker's drafts and cheques to allow the Company to obtain the value of any remittance at the earliest opportunity.

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

The verification of identity requirements of the Money Laundering Regulations 1993 will apply and verification of the identity of applicant(s) for New Shares may be required. Failure to provide the necessary evidence of identity by no later than 3.00 pm on 16 April 1996 may result in your application being treated as invalid.

In order to avoid this, payment should be made by means of a cheque drawn by the applicant named in the enclosed Application Form or (where an Application Form has been transferred and/or split to satisfy *bona fide* market claims in relation to transfers of Ordinary Shares through the market prior to 22 March 1996), by the person named in Box H of the Application Form. If this is not practicable and you use a cheque drawn by a third party, a building society cheque or a banker's draft, you should:

- (a) write the name and address of the applicant named in the Application Form or, as the case may be, the name of the person named in Box H of the Application Form on the back of the cheque, building society cheque or banker's draft and record the date of birth of that person;
- (b) if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited;
- (c) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact Harford Registrars, Harford House, 101-103 Great Portland Street, London W1N 3QZ and seek guidance.

If you deliver your Application Form by hand, you should ensure that you have with you evidence of identity bearing your photograph (e.g. your passport).

In any event, if it appears to Harford Registrars that an applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the applicant appears to be acting will be required. In relation to any application in respect of which the necessary verification of the identity of the applicant named in the Application Form, or as the case may be, the person named in Box H of the Application Form or the person on whose behalf any such applicant appears to be acting has not been received on or before 3.00 pm on 16 April 1996, the Company will treat the relevant application as invalid, application monies (without interest) will be returned and the relevant New Shares will be taken up under the Placing.

Application monies will be paid into a separate bank account pending the Open Offer becoming unconditional. In the event that it does not become unconditional by 9.00 am on 18 April 1996 or such later date being not later than 26 April 1996 as the Company and Beeson Gregory shall agree the Open Offer will lapse and application monies will be returned to applicants without interest at the address set out on the Application Form, within 14 days thereafter.

If you do not wish to apply for any of the New Shares, you should not complete and return the enclosed Application Form. Shareholders are nevertheless requested to complete and return the enclosed form of proxy for use at the EGM to be held on 15 April 1996.

By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, English law; and
- (ii) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you, accordingly, agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such information or representation.

If you are in any doubt whether or not you should apply for any of the New Shares, you should consult your independent professional adviser immediately.

### **Overseas shareholders**

No person receiving a copy of this document and/or an 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 without compliance with any registration or other legal requirements other than any which have been fulfilled.

It is the responsibility of any person outside the United Kingdom wishing to apply for New Shares under the Open Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any government or other consents which may be required and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territory.

In particular, holders of Ordinary Shares who are resident in the United States of America or Canada should note the following. The New Shares have not been and are currently not intended to be registered under the United States Securities Act of 1933, as amended, and accordingly may not be offered, sold, transferred, taken up or delivered in the United States of America except pursuant to an exemption from or in a transaction not subject to the registration requirements of the said Act, as amended. Furthermore, the New Shares have not been registered under relevant Canadian legislation, and (other than in certain circumstances) may not be offered, sold, transferred, taken up or delivered in Canada. Application Forms have not been sent to holders of Ordinary Shares with registered or mailing addresses in Canada or the United States of America, its territories or possessions.

This document is being sent to such shareholders for information purposes only and does not constitute an offer or an invitation to apply for any New Shares.

Application under an Application Form will constitute a representation and warranty that, *inter alia*, the applicant is not a holder of Ordinary Shares with a registered or mailing address in the United States of America, its territories or possessions or Canada, nor is the applicant applying for New Shares for the account of any person, or with a view to re-offer, sale, transfer or delivery of such shares in any of those territories or possessions. However, the Company and Beeson Gregory reserve the right to make the New Shares available to overseas shareholders notwithstanding any statement contained in this document if they are advised to their satisfaction that any such shareholder can properly accept the invitation comprised in the Open Offer without observance by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome. Equally, the Company and Beeson Gregory reserve, without limitation, the right to treat an application as invalid if they believe the application may violate applicable legal or regulatory requirements.

#### *UK Taxation*

For the purpose of United Kingdom tax on chargeable gains, the New Shares subscribed for under the Open Offer up to your maximum entitlement, will (under the capital gains tax reorganisation rules) be added to your existing holding of Ordinary Shares and treated as though they were acquired at the same time as the existing holding.

The cost of the New Shares will be added to the cost of the original holding and the total will be apportioned equally to form the base cost of each share.

Indexation allowance will only be available on the cost of the New Shares from the time you make or become liable to make payment for such New Shares pursuant to the Open Offer. On any subsequent sale of the New Shares your tax liability will depend upon your individual circumstances.

The Directors have been advised that no liability to stamp duty or stamp duty reserve tax will arise on the application for New Shares by or on the allotment and issue of New Shares to Qualifying Shareholders, unless the New Shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depository receipts.

If you are in any doubt as to your tax position or you are resident in any jurisdiction other than the United Kingdom you should consult your professional adviser.



### **Settlement and dealing**

Application has been made to the London Stock Exchange to admit the New Shares to the Official List and, subject to the Placing Agreement becoming unconditional in all respects and not being terminated by Beeson Gregory, it is expected that dealings will commence on 18 April 1996. It is expected that definitive share certificates in respect of the New Shares will be despatched by first class post, at the risk of the person entitled thereto and in the case of joint holders to the holder whose name stands first in the register in respect of the joint holding concerned by 25 April 1996 and, pending such despatch, transfers will be certified against the register. No temporary document of title will be issued.

Yours faithfully

for and on behalf of  
Beeson Gregory Limited

J. E. Gordon  
*Director*

### **PART III**

#### **PRELIMINARY RESULTS FOR UCM FOR THE YEAR ENDED 31 DECEMBER 1995**

The following is the full text of the preliminary statement of the Group for the year ended 31 December 1995 announced on 22 March 1996:

#### **"PRELIMINARY RESULTS FOR UCM FOR THE YEAR ENDED 31 DECEMBER 1995**

##### **Chairman's Statement**

I am pleased to report that sales increased by 23 per cent. to £34.6 million and pre-tax profits rose by 29 per cent. to £2.6 million, despite a charge against pre-tax profits of £191,000 relating to fees incurred for the potential acquisition of the fused magnesia plant of Pechiney Electrometallurgie ("PEM"). Earnings per share were 7.7p (1994: 6.4p), being an increase of 20 per cent. A final dividend of 3p (net) per share (1994: 2.75p) is recommended making a total for the year of 4.5p (net) per share. While there is no comparable figure for 1994, as the Company was not floated until June 1994, this represents an increase of approximately 10 per cent. on the dividend the Directors would have expected to have declared had the Company been listed for the full year.

Sales growth has been achieved throughout all market sectors. The net assets of Tateho America Inc. relating to the manufacture of fused magnesia, acquired in March 1995, have been successfully incorporated into the Group under the operation of Universal America Inc.

Trading since 31 December 1995 has been encouraging. Following the weaker USA economy in 1995, there has been some increase in house starts which should be reflected in the demand for consumer appliances and heating element powders sourced from our USA plants.

UK demand has remained strong, although demand in Continental Europe is patchy, particularly in France and Germany. However, in the wake of further competition exiting the fused minerals business, this will provide increased opportunity for UCM to expand export market share, particularly in the heating elements sector.

In addition to the proposed expansion of the Group's fused magnesia capacity, trials continue on the development of an alternative raw material for the Group's zirconia based products. The Board believes that this area presents the Group with important opportunities for expansion.

As previously announced in January 1996, PEM issued a writ against the Company in the sum of FF20 million (£2.57 million). Negotiations between the Company and PEM for the acquisition of its fused magnesia business terminated in December 1995, commercially acceptable terms having failed to be agreed. PEM alleges that the Company negotiated in bad faith.

The Company has been advised by leading counsel in the UK and by its legal advisers in both the UK and France respectively, that the action is without substance. Accordingly, the Company will resist the litigation vigorously.

1996 presents the Group with important opportunities for expansion and potential for continued growth.

Colin B Phipps  
*Chairman*

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1995

	1994 <i>Continuing operations</i>	1995 <i>Continuing operations Acquisition</i>	<i>Total</i>
	£'000	£'000	£'000
<b>Turnover</b>	28,166	31,757	34,630
Cost of sales	(21,405)	(24,210)	(26,703)
<b>Gross Profit</b>	6,761	7,547	7,927
Distribution costs	(879)	(941)	(980)
Administrative expenses	(3,497)	(3,684)	(3,801)
<b>Operating Profit</b>	2,385	2,922	3,146
Interest payable	(336)		(499)
<b>Profit on ordinary activities before taxation</b>	2,049		2,647
Tax on profit on ordinary activities	(697)		(967)
<b>Profit for the financial year</b>	1,352		1,680
Dividends paid and proposed (equity and non-equity)	(797)		(988)
<b>Retained profit for the financial year</b>	555		692
Earnings per ordinary share	6.4p		7.7p

**CONSOLIDATED BALANCE SHEET**  
*as at 31 December 1995*

	1994 £'000	1994 £'000	1995 £'000	1995 £'000
<b>Fixed assets</b>				
Intangible assets		—		43
Tangible assets		6,395		8,163
		<u>6,395</u>		<u>8,206</u>
<b>Current assets</b>				
Stocks	6,023		7,135	
Debtors	6,735		7,676	
Cash at bank and in hand	647		271	
	<u>13,405</u>		<u>15,082</u>	
<b>Creditors: Amounts falling due within one year</b>	<u>(6,090)</u>		<u>(8,346)</u>	
<b>Net current assets</b>		<u>7,315</u>		<u>6,736</u>
<b>Total assets less current liabilities</b>		13,710		14,942
<b>Creditors: Amounts falling due after more than one year</b>		(2,824)		(3,339)
<b>Provision for liabilities and charges</b>		<u>(157)</u>		<u>(365)</u>
<b>Net assets</b>		<u>10,729</u>		<u>11,238</u>
<b>Capital and reserves</b>				
Called up share capital		1,098		1,098
Share premium account		5,061		5,021
Capital redemption reserve		116		116
Capital reserve		1,745		1,705
Profit and loss account		2,709		3,298
<b>Shareholders' funds - equity</b>		<u>10,729</u>		<u>11,238</u>

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 1995

	1994 £'000	1994 £'000	1995 £'000	1995 £'000
<b>Net cash inflow from operating activities</b>		1,517		3,687
<b>Returns on investments and servicing of finance</b>				
Interest paid	(275)		(534)	
Dividends paid	(233)		(933)	
<b>Net cash outflow from returns on investments and servicing of finance</b>		(508)		(1,467)
<b>Taxation</b>				
UK corporation tax paid	(563)		(571)	
Overseas tax paid	(350)		(222)	
<b>Tax paid</b>		(913)		(793)
<b>Investing activities</b>				
Purchase of intangible and tangible fixed assets	(1,023)		(815)	
Purchase of certain trade, assets and liabilities of Tateho America Inc.	—		(634)	
Deal costs relating to purchase of certain trade, assets and liabilities of Tateho America Inc.	—		(283)	
Sale of tangible fixed assets	2		—	
<b>Net cash outflow from investing activities</b>		(1,021)		(1,732)
<b>Net cash outflow before financing</b>		(925)		(305)
<b>Financing</b>				
Issue of share capital	6,015		—	
Repayment of preference shares	(3,350)		—	
Flotation costs	(590)		(40)	
Repayment of amounts borrowed	(237)		(713)	
<b>Net cash inflow/(outflow) from financing</b>		1,838		(753)
<b>Increase/(decrease) in cash and cash equivalents</b>		913		(1,058)

**NOTES**  
*Segmental Information*

Turnover can be analysed as follows:

	1994 <i>Continuing operations</i>	1995 <i>Continuing operations Acquisition</i>	<i>Total</i>
	£'000	£'000	£'000
<b>Turnover by destination</b>			
United Kingdom	11,909	12,680	12,680
North America	5,299	5,306	7,765
Continental Europe	7,429	9,646	9,646
Central & South America	384	407	639
Asia	2,273	2,555	2,555
Rest of world	872	1,163	1,345
	<u>28,166</u>	<u>31,757</u>	<u>34,630</u>
<b>Turnover by origin</b>			
United Kingdom	21,171	24,693	24,693
North America	6,995	7,064	9,937
	<u>28,166</u>	<u>31,757</u>	<u>34,630</u>
<b>Turnover analysed by market</b>			
Abrasives	6,000	6,797	6,797
Refractories	11,591	14,323	14,512
Heating elements	9,762	9,448	11,233
Technical ceramics	813	1,189	1,189
Friction	—	899	899
	<u>28,166</u>	<u>31,757</u>	<u>34,630</u>

Net assets can be analysed as follows:

	1994 £'000	1995 £'000
<b>By origin</b>		
United Kingdom	11,372	11,286
North America	3,086	6,320
	<u>14,458</u>	<u>17,606</u>
Non-operating liabilities	(3,729)	(6,368)
	<u>10,729</u>	<u>11,238</u>
<b>By market</b>		
Abrasives	3,008	3,072
Refractories	5,794	6,230
Heating elements	5,286	7,559
Technical ceramics	370	557
Friction	—	188
	<u>14,458</u>	<u>17,606</u>
Non-operating liabilities	(3,729)	(6,368)
	<u>10,729</u>	<u>11,238</u>

Non-operating liabilities include net cash/(borrowings), taxation balances and dividends payable.

*Notes (continued):*

1. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 1995 and 1994 but is derived from those accounts. Statutory accounts for 1994 have been delivered to the Registrar of Companies whereas those for 1995 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.
2. Earnings per ordinary share is calculated with reference to earnings attributable to ordinary shareholders of £1,680,000 (1994: £1,193,000) and the weighted average number of ordinary shares in issue during the year of 21,958,205 (1994: 18,613,189). The fully diluted earnings per ordinary share is not significantly different from the above.
3. A final dividend of 3.0p (net) per ordinary share is recommended to be paid on 20 May 1996 to shareholders on the register at 11 April 1996.
4. The annual general meeting will be held on 13 May 1996."

## PART IV

### FINANCIAL INFORMATION RELATING TO THE GROUP

#### Introduction

The financial information given in this part does not constitute accounts for the purposes of section 240 of the Act. The financial information presented in respect of the years ended 31 December 1992 and 1993 has been extracted without material adjustment from the Accountants' Report dated 24 June 1994 prepared by KPMG. The financial information presented in respect of the year ended 31 December 1994 has been extracted without material adjustment from the audited financial statements of UCM for that year. An unqualified audit opinion within the meaning of section 235 of the Act was given in respect of the accounts for the year ended 31 December 1994.

### CONSOLIDATED SUMMARISED PROFIT AND LOSS ACCOUNTS *for the three years ended 31 December 1994*

		<i>Year ended 31 December</i>		
	<i>Note</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover – continuing operations</b>	3	23,774	26,698	28,166
Cost of sales		(19,029)	(20,802)	(21,405)
<b>Gross profit</b>		4,745	5,896	6,761
Distribution costs		(682)	(734)	(879)
Administrative expenses		(3,236)	(3,109)	(3,497)
<b>Operating profit – continuing operations</b>		827	2,053	2,385
Interest payable and similar charges	4	(144)	(350)	(336)
<b>Profit on ordinary activities before taxation</b>	5-7	683	1,703	2,049
Tax on profit on ordinary activities	8	57	(475)	(697)
<b>Profit for the financial year</b>		740	1,228	1,352
Dividends paid and proposed	9	—	(257)	(797)
<b>Retained profit for the financial year</b>		740	971	555
<b>Earnings per ordinary share</b>	10	4.9p	7.2p	6.4p

A statement of movements on reserves is given in note 23.

The activities of UCM have remained essentially unchanged throughout the three year period. There have, however, been differences in the manner in which management charges (which were not necessarily representative of certain corporate overheads borne by the then owners of UCM), pension costs, interest and taxation were allocated to UCM during the periods from 1 January 1992 to 20 March 1992 and from 20 March 1992 to 29 January 1993 when it was held by other owners, and the period since 29 January 1993, from which date it has been owned by the Company. Accordingly, the amounts charged as management expenses, pension costs, interest and taxation in the profit and loss accounts for the years ended 31 December 1992, 1993 and 1994, as set out above, are not comparable from year to year.

The profit and loss account for the year ended 31 December 1993 incorporates the activities of the UCM business for the 12 months ended 31 December 1993 including the period from 1 January 1993 to 28 January 1993 prior to its acquisition by the Company.



# **CONSOLIDATED SUMMARISED BALANCE SHEETS**

*at each of the three years ended 31 December 1994*

		<i>Year ended 31 December</i>		
	<i>Note</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Fixed assets</b>				
Tangible assets	12	3,144	5,946	6,395
<b>Current assets</b>				
Stocks	14	5,914	5,630	6,023
Debtors	15	8,651	5,322	6,735
Cash at bank and in hand		759	136	647
		15,324	11,088	13,405
<b>Creditors:</b> amounts falling due within one year	16	(5,834)	(5,336)	(6,090)
Net current assets		9,490	5,752	7,315
Total assets less current liabilities		12,634	11,698	13,710
<b>Creditors:</b> amounts falling due after more than one year	17	—	(3,447)	(2,824)
Provision for liabilities and charges	19	—	(59)	(157)
Net assets		12,634	8,192	10,729
<b>Share capital and reserves</b>				
Share capital	20	—	4,200	1,098
Share premium	23	—	—	5,061
Capital redemption reserve	23	—	—	116
Capital reserve	23	—	3,050	1,745
Profit and loss account	23	—	942	2,709
Equity prior to the management buy-out	21	12,634	—	—
		12,634	8,192	10,729
<b>Shareholders' funds</b>				
Equity		12,634	4,842	10,729
Non-equity		—	3,350	—
		12,634	8,192	10,729

**CONSOLIDATED SUMMARISED CASH FLOW STATEMENTS**  
*for the three years ended 31 December 1994*

		<i>Year ended 31 December</i>		
	<i>Note</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	27	2,496	2,489	1,517
<b>Returns on investments and servicing of finance</b>				
Interest received		7	—	—
Interest paid		—	(442)	(275)
Dividends paid		—	(217)	(233)
		<u>7</u>	<u>(659)</u>	<u>(508)</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		<u>7</u>	<u>(659)</u>	<u>(508)</u>
<b>Taxation</b>				
UK corporation tax paid		—	(29)	(563)
Overseas tax paid		(6)	(167)	(350)
		<u>(6)</u>	<u>(196)</u>	<u>(913)</u>
Net cash outflow from taxation		<u>(6)</u>	<u>(196)</u>	<u>(913)</u>
<b>Investing activities</b>				
Purchase of tangible fixed assets		(140)	(473)	(1,023)
Receipts from sales of tangible fixed assets		—	4	2
Loans to former group undertakings		(2,065)	—	—
Purchase of UCM business		—	(8,500)	—
Deal costs relating to the purchase of UCM business		(13)	(953)	—
		<u>(2,218)</u>	<u>(9,922)</u>	<u>(1,021)</u>
Net cash outflow from investing activities		<u>(2,218)</u>	<u>(9,922)</u>	<u>(1,021)</u>
Net cash inflow/(outflow) before financing		<u>279</u>	<u>(8,288)</u>	<u>(925)</u>
<b>Financing</b>				
Issue of ordinary share capital	29	—	850	6,015
Issue/(repayment) of preference share capital	29	—	3,350	(3,350)
Repayment of amounts borrowed	29	(48)	(190)	(237)
New short term loans	29	—	4,000	—
Loans from former group undertakings	29	272	—	—
Flotation costs	29	—	—	(590)
Cash received from/(paid to) head office		2,708	(756)	—
		<u>2,932</u>	<u>7,254</u>	<u>1,838</u>
Net cash inflow from financing		<u>2,932</u>	<u>7,254</u>	<u>1,838</u>
Increase/(decrease) in cash and cash equivalents	28	<u>3,211</u>	<u>(1,034)</u>	<u>913</u>

**CONSOLIDATED STATEMENTS OF TOTAL RECOGNISED  
GAINS AND LOSSES**

*for the three years ended 31 December 1994*

	<i>Year ended 31 December</i>		
	<i>1992</i>	<i>1993</i>	<i>1994</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Profit for the financial year</b>	740	1,228	1,352
Unrealised surplus on revaluation of properties on acquisition	—	3,151	—
Exchange differences taken directly to reserves	421	45	(93)
<b>Total recognised gains and losses</b>	<u>1,161</u>	<u>4,424</u>	<u>1,259</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
*for the two years ended 31 December 1994*

	<i>Note</i>	<i>Years ended 31 December</i>	
		<i>1993 £'000</i>	<i>1994 £'000</i>
<b>Profit for the financial year</b>		1,228	1,352
Profit prior to management buy-out	21	(77)	—
Dividends		(257)	(797)
		<u>894</u>	<u>555</u>
Reserve arising on the management buy-out		3,043	—
Exchange rate differences		55	(93)
New share capital subscribed		4,200	6,000
Repayment of preference shares		—	(3,350)
Exercise of share options		—	15
Flotation costs		—	(590)
Net addition to shareholders' funds		<u>8,192</u>	<u>2,537</u>
Opening shareholders' funds		—	8,192
Closing shareholders' funds		<u><u>8,192</u></u>	<u><u>10,729</u></u>

## NOTES

### 1. Basis of preparation

In December 1990, Foseco plc was acquired by Burmah Castrol plc. The Ceramic Materials Division of Foseco plc comprised certain United Kingdom subsidiaries trading as undisclosed agents of Foseco (GB) Limited and a United States of America subsidiary of Foseco Inc. ("the UCM businesses").

On 20 March 1992, the UCM businesses were sold to Unicorn Abrasives Limited ("Unicorn") which was wholly owned by Apax European Buy-in Fund International Partners L.P., a limited partnership registered in the USA as part of an acquisition which also included the net assets of the Abrasive and Diamonds divisions of Foseco plc.

UCM was incorporated on 5 June 1992 as Offshelf 171 Limited. On 29 January 1993 it acquired the UCM businesses from Unicorn by way of a management buy-out.

The results of the UCM businesses from 1 January to 20 March 1992 were consolidated within the financial statements of Burmah Castrol plc. The statutory accounts of Burmah Castrol plc and of its wholly owned subsidiary Foseco (GB) Limited received unqualified audit reports from their auditors Ernst & Young for the year ended 31 December 1992.

The results of the UCM businesses for the periods from 20 March to 31 December 1992 and from 1 January to 29 January 1993 (included within the results presented above for the years ended 31 December 1992 and 1993 respectively) were consolidated within the statutory accounts of Unicorn. The statutory accounts of Unicorn received an unqualified audit report from its auditors Coopers & Lybrand for the years ended 31 December 1992 and 1993.

For the year ended 31 December 1992, the financial information, which is based on the consolidation returns used in the preparation of the statutory accounts of Burmah Castrol plc and Unicorn, represents the profits, cash flows and state of affairs of the UCM businesses on a combined basis.

For the year ended 31 December 1993, the financial information is based on the audited accounts of UCM for the year ended 31 December 1993, which incorporated the results of the UCM businesses for the period from 29 January to 31 December 1993 and the consolidation returns used in the preparation of the statutory accounts of Unicorn for the year ended 31 December 1993.

For the year ended 31 December 1994, the financial information is extracted from the statutory accounts of UCM for that year. KPMG, auditors to UCM, have issued an unqualified audit report on the audited accounts of UCM for the years ended 31 December 1993 and 1994.

### 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

#### *Basis of consolidation*

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings and businesses acquired in the year are included in the consolidated profit and loss account from the date at which effective control passes. On the acquisition of a business, fair values are attributed to the net tangible assets acquired. Where the fair value of the consideration exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off direct to reserves in the year of acquisition.

The profit or loss on disposal of a previously acquired business reflects the attributable amount of purchased goodwill relating to that business.

### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their anticipated useful economic lives as follows:

Freehold and long leasehold buildings	—	5 per cent. per annum
Leasehold land	—	period of lease
Plant and machinery	—	10 per cent. per annum
Motor vehicles	—	20-25 per cent. per annum
Computer hardware	—	25 per cent. per annum
Computer software	—	50 per cent. per annum

No depreciation is provided on freehold land.

### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses arising are included in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on these translations are taken to reserves, net of exchange differences on related foreign currency borrowings.

### *Leases*

Assets purchased under finance leases are capitalised at amounts equal to their original cost and depreciation is provided on the basis of the Group's depreciation policies. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element is charged to the profit and loss account.

For operating leases, rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

### *Pension costs*

The Group operates a defined benefit pension scheme in the United Kingdom and defined benefit and contribution schemes in the United States of America. Contributions to the Group's schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group in accordance with the advice of the schemes' independent actuaries. Any difference between the charge to the profit and loss account and the actual contributions paid to the schemes is included as an asset or liability in the balance sheet.

### *Research and development expenditure*

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred except where development expenditure is incurred on separately identifiable projects and is recoverable against future additional revenues arising on these projects. In such cases, the development expenditure is capitalised and amortised against the future revenue of the projects.

### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the FIFO method is used. For work in progress and finished goods manufactured by the Group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability or asset will crystallise. A deferred tax asset is recognised only to the extent that it is expected to be recoverable without replacement by an equivalent asset.

### *Turnover*

Turnover represents the amounts (excluding sales tax) derived from the provision of goods and services.

### 3. Segmental information

Turnover can be analysed as follows:

	1992 £'000	1993 £'000	1994 £'000
<b>Turnover by destination</b>			
United Kingdom	12,104	10,992	11,909
North America	4,298	5,329	5,299
Continental Europe	4,732	6,855	7,429
Central and South America	443	401	384
Asia	1,356	2,343	2,273
Rest of world	841	778	872
	<u>23,774</u>	<u>26,698</u>	<u>28,166</u>
<b>Turnover by origin</b>			
United Kingdom	18,172	20,016	21,171
North America	5,602	6,682	6,995
	<u>23,774</u>	<u>26,698</u>	<u>28,166</u>
<b>Turnover analysed by market</b>			
Abrasives	4,722	4,939	6,000
Refractories	11,134	12,101	11,591
Heating elements	7,163	8,798	9,762
Technical ceramics	755	860	813
	<u>23,774</u>	<u>26,698</u>	<u>28,166</u>
<b>Net assets can be analysed as follows</b>			
<i>by origin</i>			
United Kingdom	7,661	10,056	11,372
North America	2,553	2,725	3,086
	<u>10,214</u>	<u>12,781</u>	<u>14,458</u>
Non-operating assets/(liabilities)	2,420	(4,589)	(3,729)
	<u>12,634</u>	<u>8,192</u>	<u>10,729</u>
<i>by market</i>			
Abrasives	1,581	2,215	3,008
Refractories	4,132	5,725	5,794
Heating elements	3,844	4,545	5,286
Technical ceramics	657	296	370
	<u>10,214</u>	<u>12,781</u>	<u>14,458</u>
Non-operating assets/(liabilities)	2,420	(4,589)	(3,729)
	<u>12,634</u>	<u>8,192</u>	<u>10,729</u>

Non-operating assets/(liabilities) include net cash/(borrowings), loans to and from former group undertakings, taxation balances and dividends payable.

In the opinion of the directors, the disclosure of results by segment would be seriously prejudicial to the interests of the Group.

### 4. Interest payable and similar charges

	1992 £'000	1993 £'000	1994 £'000
On bank loans, overdrafts and other loans repayable within five years	9	347	336
On all other loans	135	3	—
	<u>144</u>	<u>350</u>	<u>336</u>

## 5. Directors' emoluments

	1992 £'000	1993 £'000	1994 £'000
Fees – non-executive directors	—	14	15
Remuneration – executive directors:			
Salaries	—	224	277
Pension contributions	—	26	60
Benefits-in-kind	—	21	31
Bonus payments	—	39	105
	<u>—</u>	<u>324</u>	<u>488</u>

The emoluments of the chairman in 1994 amounted to £nil (£nil for the period from 1 March 1993 to 31 December 1993). Before 1 March 1993 the chairman was also the highest paid director. In addition, pension contributions in 1994 of £nil (£nil for the period from 1 March 1993 to 31 December 1993) were paid on behalf of the chairman.

The emoluments of the highest paid director in 1994 amounted to £119,451 which included a performance-related bonus of £31,150 (1993: £86,332 including a performance-related bonus of £15,000). In addition, pension contributions in 1994 of £25,826 (1993: £12,263) were paid on behalf of the highest paid director.

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director and excluding the director whose duties are performed mainly outside the United Kingdom) were within the following ranges:

	<i>Number of directors</i>		
	1992	1993	1994
£0 – £5,000	—	1	1
£10,001 – £15,000	—	1	1
£55,001 – £60,000	—	1	—
£60,001 – £65,000	—	1	—
£80,001 – £85,000	—	—	1
£85,001 – £90,000	—	1	1
£115,001 – £120,000	—	—	1

In addition to the above, £23,827 was paid in 1994 to Phipps & Company Limited for making available the services of Dr CB Phipps as chairman of the Company (1993: £13,750 for the period from 1 March to 31 December 1993). No other director had any material interest in any significant contract entered into by the Group during the year.

Prior to 29 January 1993, the directors did not receive any emoluments from the Company. They received emoluments for the periods from 1 January 1992 to 20 March 1992 and from 20 March 1992 to 29 January 1993 as executives of divisions ultimately owned by Burmah Castrol plc and Unicorn respectively.

The directors have the following options to purchase ordinary shares of the Company:

	<i>Number</i>	<i>Option price</i>	<i>Exercise date</i>
TG Dughan	19,166	90p	6 February 2000

Options under the option scheme may be exercised within six months of the exercise date.

The market price of the Company's shares as at 31 December 1994 was 95p with a range during the period since flotation of 86p – 105p.



## 6. Profit on ordinary activities before taxation

	1992 £'000	1993 £'000	1994 £'000
<b>Profit on ordinary activities before taxation is stated after charging</b>			
Auditors remuneration:			
Audit	25	39	39
Other services	13	20	50
Depreciation and amounts written off tangible fixed assets:			
Owned	356	390	422
Leased	94	86	83
Operating lease rentals — hire of other assets	125	121	99
Research and development expenditure	252	221	211
Management charges payable to former group undertakings	399	—	—
	<u>399</u>	<u>—</u>	<u>—</u>

Additional fees of £168,000 (1993: £198,000, 1992: £nil) were paid to the auditors for their services and have been charged direct to reserves.

## 7. Staff numbers and costs

The average number of persons employed by the Group (including directors) during each year, analysed by category, was as follows:

	<i>Number of employees</i>		
	1992	1993	1994
Technical	27	31	29
Administration	84	79	69
Manufacturing	244	244	257
	<u>355</u>	<u>354</u>	<u>355</u>

The aggregate payroll costs of these persons were as follows:

	1992 £'000	1993 £'000	1994 £'000
Wages and salaries	5,347	5,791	6,250
Social security costs	416	473	488
Other pension costs	90	178	241
	<u>5,853</u>	<u>6,442</u>	<u>6,979</u>

## 8. Taxation

	1992 £'000	1993 £'000	1994 £'000
UK corporation tax at 33 per cent. on the profit for the year on ordinary activities	—	567	488
Overseas taxation charge/(credit)	(57)	241	259
Deferred taxation	—	(333)	(3)
Adjustment relating to an earlier year	—	—	(47)
	<u>(57)</u>	<u>475</u>	<u>697</u>

## 9. Dividends

	1992 £'000	1993 £'000	1994 £'000
<b>Equity</b>			
Ordinary shares:			
Interim	—	66	34
Final proposed	—	37	604
	—	103	638
<b>Non-equity</b>			
Preference shares	—	154	159
	—	257	797

## 10. Earnings per ordinary share

Earnings per share is calculated with reference to earnings attributable to ordinary shareholders of £1,193,000 (1993: £1,074,000, 1992: £740,000) and the weighted average number of ordinary shares in issue during the year of 18,613,189 (1993 and 1992: 14,981,460). Earnings attributable to ordinary shareholders comprise profit for the financial year of £1,352,000 less preference dividends of £159,000 (1993: £1,228,000 less £154,000). For 1993 and 1992, the 14,981,460 ordinary shares of 5p each is the number of ordinary shares (including 'A' ordinary shares) of £1 each in issue at 31 December 1993, adjusted to reflect the number of ordinary shares these will represent immediately after admission to the Official List of the London Stock Exchange, including the effect of the conversion into ordinary shares of the share option outstanding at 31 December 1993. The capital structure of the Group before the management buy-out was significantly different from that prevailing thereafter and the results of the Group for the periods before and after the management buy-out were not wholly comparable. Accordingly, earnings per ordinary share for the periods before and after the management buy-out are also not comparable.

## 11. Dividends per share

	1992	1993	1994
Dividends per ordinary share	—	0.7p	3.4p
Dividends per non-equity share	—	5.0p	9.9p

Dividends per ordinary share is based on ordinary dividends of £638,000 (1993: £103,000, 1992: £nil) and the weighted average number of ordinary shares in issue during the year as shown in note 10 above.

Dividends per non-equity share is based on preference dividends of £159,000 (1993: £154,000, 1992: £nil) and the weighed average number of cumulative redeemable preference shares in issue during the year of 1,610,577 (1993: 3,093,014).

## 12. Tangible fixed assets

	<i>Freehold land £'000</i>	<i>Freehold buildings £'000</i>	<i>Long leasehold land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 January 1993	179	1,662	348	9,336	11,525
Exchange differences	—	(2)	—	(11)	(13)
Additions	—	—	—	17	17
Assets not acquired on 29 January 1993	—	(427)	—	—	(427)
Transfer from depreciation at 29 January 1993	—	(736)	(243)	(7,378)	(8,357)
Revaluation	1,297	1,008	846	—	3,151
At 29 January 1993	1,476	1,505	951	1,964	5,896
Exchange differences	2	14	—	18	34
Additions	—	—	15	441	456
Disposals	—	—	—	(18)	(18)
At 31 December 1993	1,478	1,519	966	2,405	6,368
Additions	—	133	54	836	1,023
Disposals	—	—	—	(10)	(10)
Exchange differences	(4)	(29)	—	(44)	(77)
At 31 December 1994	1,474	1,623	1,020	3,187	7,304
<b>Depreciation and diminution in value</b>					
At 1 January 1993	—	789	242	7,350	8,381
Exchange differences	—	(1)	—	(9)	(10)
Charge for the period	—	5	1	37	43
Assets not acquired on 29 January 1993	—	(57)	—	—	(57)
Transfer to cost at 29 January 1993	—	(736)	(243)	(7,378)	(8,357)
At 29 January 1993	—	—	—	—	—
Exchange differences	—	—	—	2	2
Charge for the period	—	71	31	331	433
Disposals	—	—	—	(13)	(13)
At 31 December 1993	—	71	31	320	422
Charge for the year	—	75	35	395	505
Disposals	—	—	—	(9)	(9)
Exchange differences	—	(2)	—	(7)	(9)
At 31 December 1994	—	144	66	699	909
<b>Net book value</b>					
At 31 December 1992	179	873	106	1,986	3,144
At 31 December 1993	1,478	1,448	935	2,085	5,946
At 31 December 1994	1,474	1,479	954	2,488	6,395

The net book value of plant and machinery as at 31 December 1994 includes £31,000 (1993: £114,000, 1992: £200,000) in respect of assets held under finance leases.

The United Kingdom properties were revalued as at 22 January 1993 by Dunlop Heywood, Consultant Surveyors, using the open market valuation method for existing use.

The United States of America properties were revalued as at 8 January 1993 by the directors using the open market valuation method for existing use.

### 13. Management buy-out

On 29 January 1993, the Company respectively acquired and assumed certain trading assets and liabilities of the UCM businesses for a cash consideration of £8,500,000. The fair value of the net assets acquired, after deducting costs of acquisition, was £11,543,000, comprised as follows:

	<i>Vendors' net book value £'000</i>	<i>Property revaluation £'000</i>	<i>Costs of acquisition £'000</i>	<i>Other fair value adjustments £'000</i>	<i>Fair value to the Group £'000</i>
<b>Fixed assets</b>					
Tangible	2,745	3,151	—	—	5,896
<b>Current assets</b>					
Stocks	6,234	—	—	(147)	6,087
Debtors	5,686	—	(15)	(329)	5,342
Cash	225	—	—	—	225
<b>Total assets</b>	<u>14,890</u>	<u>3,151</u>	<u>(15)</u>	<u>(476)</u>	<u>17,550</u>
<b>Creditors</b>					
Trade creditors	(3,924)	—	—	—	(3,924)
Other creditors and accruals	(1,034)	—	(951)	70	(1,915)
<b>Provisions for liabilities and charges</b>					
Deferred tax	—	—	—	(164)	(164)
Pensions	(4)	—	—	—	(4)
<b>Total liabilities</b>	<u>(4,962)</u>	<u>—</u>	<u>(951)</u>	<u>(94)</u>	<u>(6,007)</u>
<b>Net assets</b>	<u>9,928</u>	<u>3,151</u>	<u>(966)</u>	<u>(570)</u>	<u>11,543</u>

### 14. Stocks

	<i>1992 £'000</i>	<i>1993 £'000</i>	<i>1994 £'000</i>
Raw materials and consumables	1,741	1,630	1,683
Work-in-progress	1,505	1,278	1,506
Finished goods and goods for resale	2,668	2,722	2,834
	<u>5,914</u>	<u>5,630</u>	<u>6,023</u>

### 15. Debtors

	<i>1992 £'000</i>	<i>1993 £'000</i>	<i>1994 £'000</i>
<b>Amounts falling due within one year</b>			
Trade debtors	4,557	4,689	5,902
Amounts owed by former group undertakings	3,555	—	—
Other debtors	119	203	181
Prepayments and accrued income	400	249	335
	<u>8,631</u>	<u>5,141</u>	<u>6,418</u>
<b>Amounts falling due after more than one year</b>			
Advance corporation tax recoverable	—	12	151
Deferred taxation	20	169	166
	<u>20</u>	<u>181</u>	<u>317</u>
	<u>8,651</u>	<u>5,322</u>	<u>6,735</u>

**16. Creditors: amounts falling due within one year**

	1992 £'000	1993 £'000	1994 £'000
Bank loans and overdrafts (see note 18)	—	795	717
Trade creditors	3,026	2,977	3,003
Amounts owed to former group undertakings	1,917	—	—
Other creditors including taxation and social security:			
Corporation tax	—	578	397
Other taxes and social security	367	135	242
Accruals and deferred income	524	765	976
Dividends proposed	—	40	604
Advance corporation tax payable	—	46	151
	<u>5,834</u>	<u>5,336</u>	<u>6,090</u>

**17. Creditors: amounts falling due after more than one year**

	1992 £'000	1993 £'000	1994 £'000
Bank loans and overdrafts (see note 18)	<u>—</u>	<u>3,447</u>	<u>2,824</u>

**18. Bank loans and overdrafts**

The repayment of bank loans and overdrafts can be analysed as follows:

	1992 £'000	1993 £'000	1994 £'000
<b>Secured</b>			
Within one year	—	795	717
Between one and two years	—	583	614
Between two and five years	—	2,000	2,210
Five years or more	—	864	—
	<u>—</u>	<u>4,242</u>	<u>3,541</u>

The bank loans and overdrafts are secured by fixed and floating charges over the property and other assets of the Group.

The bank loan is repayable in agreed percentage amounts with the final instalment due on 31 December 1999. The interest on loans and overdrafts is payable at base rate plus 2 per cent.

**19. Provisions for liabilities and charges**

	<i>Pensions and similar obligations</i> £'000	<i>Taxation including deferred taxation</i> £'000	<i>Total</i> £'000
At 1 January 1994	59	(169)	(110)
Charge for the year in the profit and loss account	98	3	101
At 31 December 1994	<u>157</u>	<u>(166)</u>	<u>(9)</u>

The above table can be reconciled to the balance sheet as follows:

	1992 £'000	1993 £'000	1994 £'000
Deferred taxation asset (see note 15)	(20)	(169)	(166)
Provision for liabilities and charges	<u>—</u>	<u>59</u>	<u>157</u>
	<u>(20)</u>	<u>(110)</u>	<u>(9)</u>

No provision has been released or applied for any purposes other than that for which it was established.

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1993		1994	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Difference between accumulated depreciation and amortisation and capital allowances	(11)	116	—	303
Other timing differences	(158)	(52)	(166)	—
	<u>(169)</u>	<u>64</u>	<u>(166)</u>	<u>303</u>

No deferred tax has been provided in respect of the accumulated reserves of overseas subsidiary undertakings as the amount involved is not material to the Group.

## 20. Called up share capital

	1993 £	1994 £
<b>Authorised Equity</b>		
242,250 ordinary shares of £1 each	242,250	—
607,750 'A' ordinary shares of £1 each	607,750	—
29,277,600 ordinary shares of 5p each	—	1,463,880
<b>Non-equity</b>		
3,350,000 5% cumulative redeemable preference shares of £1 each	3,350,000	—
	<u>4,200,000</u>	<u>1,463,880</u>
<b>Allotted, called up and fully paid Equity</b>		
242,250 ordinary shares of £1 each	242,250	—
607,750 'A' ordinary shares of £1 each	607,750	—
21,958,205 ordinary shares of 5p each	—	1,097,910
<b>Non-equity</b>		
3,350,000 5% cumulative redeemable preference shares of £1 each	3,350,000	—
	<u>4,200,000</u>	<u>1,097,910</u>

### Ordinary shares and 'A' ordinary shares

A fixed non-cumulative dividend of 8.5 per cent. (net of ACT) was payable per annum on the nominal value of the ordinary and 'A' ordinary shares, together with a performance related participating dividend which was based on a formula detailed in the Articles of Association.

### Cumulative redeemable preference shares

A dividend of 5 per cent. (net of ACT) was payable per annum up to 31 December 1993. This increased to 10 per cent. per annum thereafter.

Subject to the provisions of the Companies Act 1985 and certain other events and conditions detailed in the Articles of Association, the preference shares were redeemable at par in four equal annual instalments commencing on 1 January 1997.

### Changes in share capital

On 1 March 1993, 17,347 options over the ordinary shares of £1 each of the Company were granted to Phipps & Company Limited, normally exercisable between the third and fifth anniversaries of the date of grant at a subscription price of 100p.

On 16 February 1994 the authorised share capital of the Company was increased to £4,217,347 by the creation of 17,347 ordinary shares of £1 each.

On 8 June 1994, the number of ordinary shares of £1 each over which Phipps & Company Limited had an option was adjusted to 14,982 and this option was exercised.

Following admission to listing on the London Stock Exchange on 24 June 1994, the capital of the Company was reorganised as follows:

- (a) 3,350,000 preference shares of £1 each were redeemed for cash at par;
- (b) 607,750 'A' ordinary shares of £1 each were converted and redesignated as:
  - (i) 491,841 ordinary shares of £1 each, and
  - (ii) 115,909 deferred shares of £1 each, which were redeemed for a total aggregate price of 1p;
- (c) following the conversion referred to in (b) above, 749,073 existing issued ordinary shares of £1 each were sub-divided into 14,981,460 ordinary shares of 5p each, and the remaining 2,365 authorised but unissued ordinary shares of £1 each were sub-divided into 47,300 ordinary shares of 5p each; and
- (d) the authorised share capital attributable to the 3,350,000 preference shares of £1 each and the 115,909 deferred shares of £1 each redeemed pursuant to paragraphs (a) and (b) above were reclassified into 69,318,180 ordinary shares of 5p each and the authorised share capital of the Company was decreased to £1,463,880 by the cancellation of 55,069,340 authorised but unissued ordinary shares;
- (e) upon admission to listing on the London Stock Exchange, a further 6,976,745 ordinary shares of 5p each were issued for a total consideration of £6 million.

## 21. Equity prior to management buy-out

	1992 £'000	1993 £'000
Balance as at 1 January		
Profit for period	8,819	12,634
Exchange rate differences	740	77
Cash receipt/(payment) on head office account	421	(10)
Transfer of debtors	2,708	(756)
Net assets not acquired in the management buy-out	(54)	—
Transfer resulting from the management buy-out	—	(2,017)
Balance as at 31 December	12,634	(9,928)

## 22. Share options

Under the terms of the Universal Ceramic Materials PLC Savings Related Share Option Scheme, employees (including directors) of the Group held the following options to purchase ordinary shares of the Company within six months of the exercise date.

Contract	Options at 31 December 1994	Options at 31 December 1993	Option price	Exercise date
1	250,823	—	90p	6 February 2000

The options were granted on 2 December 1994.

## 23. Capital and reserves

	<i>Share capital</i> <i>£'000</i>	<i>Share redemption premium</i> <i>£'000</i>	<i>Capital reserve</i> <i>£'000</i>	<i>Capital reserve</i> <i>£'000</i>	<i>Profit and loss account</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
At 1 January 1994	4,200	—	—	3,050	942	8,192
Conversion of 'A' ordinary shares to ordinary shares	(608)	—	—	—	—	(608)
Exercise of options	492	—	116	—	—	608
Issue of new shares	15	—	—	—	—	15
Repayment of preference shares	349	5,651	—	—	—	6,000
	(3,350)	—	—	—	—	(3,350)
Profit retained	—	—	—	—	555	555
Exchange movement	—	—	—	—	(93)	(93)
Flotation costs	—	(590)	—	—	—	(590)
Transfer between capital reserve and profit and loss account reserve	—	—	—	(1,305)	1,305	—
At 31 December 1994	<u>1,098</u>	<u>5,061</u>	<u>116</u>	<u>1,745</u>	<u>2,709</u>	<u>10,729</u>

Transfers between capital and revenue reserves have been made to reflect reserves realised during the year.

## 24. Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	<i>1992</i> <i>£'000</i>	<i>1993</i> <i>£'000</i>	<i>1994</i> <i>£'000</i>
Contracted	28	114	79
Authorised but not contracted	<u>20</u>	<u>32</u>	<u>135</u>

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	<i>1992</i>		<i>1993</i>		<i>1994</i>	
	<i>Land and buildings</i> <i>£'000</i>	<i>Other</i> <i>£'000</i>	<i>Land and buildings</i> <i>£'000</i>	<i>Other</i> <i>£'000</i>	<i>Land and buildings</i> <i>£'000</i>	<i>Other</i> <i>£'000</i>
Operating leases which expire:						
Within one year	—	35	—	27	—	18
In second to fifth years inclusive	—	29	—	37	—	59
Over five years	3	—	3	—	3	—
	<u>3</u>	<u>64</u>	<u>3</u>	<u>64</u>	<u>3</u>	<u>77</u>

## 25. Contingent liabilities

The Group has contingent liabilities in respect of guarantees given in the ordinary course of business as at 31 December 1994 of £70,000 (1993: £70,000, 1992: £nil).



## 26. Pension scheme

The Group operates three pension schemes, one in the United Kingdom and two in the United States of America.

Contributions to the principal scheme, the United Kingdom defined benefit pension scheme, are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the Group. The contributions are determined by a qualified actuary using the projected unit method. The most recent valuation was at 21 January 1993. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the rate of return on investments would be 10 per cent. per annum, that salaries would increase at the rate of 7.25 per cent. per annum and that pensions would increase at the rate of 4.75 per cent. per annum in excess of the increase in the guaranteed minimum pension.

The most recent actuarial valuation showed that the market value of the scheme's assets was £5,248,000 and that the actuarial value of those assets represented 136 per cent. of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The United Kingdom pension charge for the year ended 31 December 1994 was £131,000 (1993: £81,000, 1992: £38,000) and the amounts of the related provision and contribution creditor at 31 December 1994 were £157,000 and £57,622 (1993: £59,000 and £22,000) respectively. The surplus is being amortised over 12 years, the estimated average remaining service lives of employees.

Pension charges in the United States of America subsidiary undertakings, as recommended by the qualified actuary, for the year ended 31 December 1994 were £110,000 (1993: £97,000, 1992: £52,000).

The pension costs for the years ended 31 December 1992, 1993 and 1994 are not necessarily comparable as, prior to 29 January 1993, the employees were members of other schemes operated by former group undertakings.

## 27. Reconciliation of operating profit to net cash inflow from operating activities

	1992 £'000	1993 £'000	1994 £'000
Operating profit			
Depreciation charge	827	2,053	2,385
Loss/(profit) on sale of tangible fixed assets	450	476	505
Movement in provisions for liabilities and charges	5	1	(1)
Decrease/(increase) in stocks	—	59	98
Increase in debtors	780	174	(475)
Increase/(decrease) in creditors	(177)	(189)	(1,334)
	611	(85)	339
Net cash inflow from operating activities	<u>2,496</u>	<u>2,489</u>	<u>1,517</u>

## 28. Analysis of changes in cash and cash equivalents

	Cash £'000	Overdraft £'000	Net £'000
Balance at 1 January 1992	103	(2,572)	(2,469)
Net cash inflow before adjustments for foreign exchange rate changes	639	2,572	3,211
Effect of foreign exchange rate changes	17	—	17
Balance at 1 January 1993	<u>759</u>	<u>—</u>	<u>759</u>
Net cash outflow before adjustments for foreign exchange rate changes	(626)	(408)	(1,034)
Effect of foreign exchange rate changes	3	(6)	(3)
Balance at 1 January 1994	<u>136</u>	<u>(414)</u>	<u>(278)</u>
Net cash inflow before adjustments for foreign exchange rate changes	509	404	913
Effect of foreign exchange rate changes	2	10	12
Balance at 31 December 1994	<u>647</u>	<u>—</u>	<u>647</u>

## 29. Analysis of changes in financing during the year

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Loans from former group undertakings £'000	Bank loan £'000	Other loan £'000	Total £'000
Balance at 1 January 1992	—	—	—	1,350	—	45	1,395
Cash inflow/(outflow) from financing	—	—	—	272	—	(48)	224
Effect of foreign exchange rate changes	—	—	—	97	—	3	100
Balance at 1 January 1993	—	—	—	1,719	—	—	1,719
Cash inflow from financing	4,200	—	—	—	4,000	—	8,200
Liabilities not acquired in the management buy-out	—	—	—	(1,719)	—	—	(1,719)
Repayment of loan	—	—	—	—	(190)	—	(190)
Effect of foreign exchange rate changes	—	—	—	—	18	—	18
Balance at 1 January 1994	4,200	—	—	—	3,828	—	8,028
Repayment of preference shares	(3,350)	—	—	—	—	—	(3,350)
Issue of share capital	364	5,651	—	—	—	—	6,015
Flotation costs	—	(590)	—	—	—	—	(590)
Conversion of 'A' ordinary shares	(116)	—	116	—	—	—	—
Repayment of loan	—	—	—	—	(237)	—	(237)
Effect of foreign exchange rate changes	—	—	—	—	(50)	—	(50)
Balance at 31 December 1994	<u>1,098</u>	<u>5,061</u>	<u>116</u>	<u>—</u>	<u>3,541</u>	<u>—</u>	<u>9,816</u>

## PART V

### GENERAL INFORMATION

#### 1. Responsibility

The Directors, whose names appear on page 5 of this document, accept responsibility 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.

#### 2. Incorporation

The Company, whose registered office and principal place of business is Doxey Road, Stafford ST16 1DZ was incorporated and registered in England and Wales on 5 June 1992 as a private company limited by shares under the Companies Acts 1985 to 1989 with the name Offshelf 171 Limited (with registered number 2720770). On 16 October 1992 the name of the Company was changed to Universal Ceramic Materials Limited. The Company was re-registered as a public limited company on 8 June 1994 with the name Universal Ceramic Materials PLC. The principal legislation under which the Company operates is the Act.

The main activity of the Group is the manufacture and distribution of ceramic materials.

The business address of the Directors is the registered office address of the Company.

Melvyn Fookes ACA is the secretary of the Company.

#### 3. Share capital

- (a) The following is a summary of the changes in the amounts of the Company's authorised and/or issued share capital during the three years preceding the date of this document:
- (i) by special resolution passed on 16 February 1994 the authorised share capital of the Company was increased to £4,217,347 by the creation of 17,347 ordinary shares of £1 each;
  - (ii) on 8 June 1994, Phipps & Company Limited exercised an option over 14,982 Ordinary Shares;
  - (iii) on 22 June 1994 the 3,350,000 Preference Shares were redeemed for cash at par and 607,750 'A' ordinary shares of £1 each were reconverted and redesignated as 491,841 ordinary shares of £1 each and the remaining 115,909 'A' ordinary shares of £1 each were converted and redesignated as deferred shares of £1 each, such deferred shares being redeemed for an aggregate of 1p;
  - (iv) following the conversion referred to in paragraph 3(a)(iii) above the 749,073 issued ordinary shares of £1 each and the 2,365 authorised but unissued ordinary shares of £1 were subdivided into Ordinary Shares;
  - (v) following the redemption of the Preference Shares referred to in paragraph 3(a)(iii) above, the authorised share capital of the Company attributable to the Preference Shares and the 115,909 deferred shares of £1 each were redeemed and reclassified into 69,318,180 Ordinary Shares; and
  - (vi) immediately following the reclassification referred to in paragraph 3(a)(v) above, the authorised share capital of the Company was decreased to £1,463,880 by the cancellation of 55,069,340 authorised but unissued Ordinary Shares;
  - (vii) by ordinary resolution passed on 9 May 1995 the Directors were generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £305,987.00 provided that this authority would expire on whichever was the earlier of fifteen months from the date of the passing of the resolution or the conclusion of the next Annual General Meeting of the Company after the passing of the resolution save that the Company may make an offer or agreement which would or might require relevant securities to be allotted after such expiry.
  - (viii) by special resolution passed on 9 May 1995 the Directors were empowered pursuant to Section 95 of the Act to allot equity securities (as defined in the Act) for cash pursuant to the

authority conferred by the ordinary resolution referred to in paragraph 3(a)(vii) above as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that the power was limited to:

- (aa) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be after giving effect to such arrangements as the Directors may deem necessary or expedient in order to deal with fractional entitlements or the effects of securities laws or regulations applicable in any country) to the respective number of ordinary shares held by them; and
  - (bb) to the allotment (otherwise than pursuant to sub-paragraph (aa) above) of equity securities up to an aggregate nominal amount of £54,895.00 representing 5 per cent. of the then current issued share capital and shall expire on whichever is the earlier of fifteen months from the date of the resolution or the conclusion of the next Annual General Meeting of the Company after the passing of the resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.
- (b) The authorised and issued and fully paid share capital of the Company at the date of this document and as it will be following the allotment and issue of the New Shares is as follows:

	<i>Present</i>		<i>Following the Placing and Open Offer</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Authorised	29,277,600	1,463,880	35,000,000	1,750,000
Issued and fully paid	21,958,205	1,097,910	25,950,605	1,297,530

- (c) Following the Placing and Open Offer (and after allowing for shares reserved for allotment upon the exercise of options granted under the Share Option Schemes) 8,726,542 Ordinary Shares will remain authorised but unissued, representing 33.63 per cent. of the enlarged issued share capital of the Company.
- (d) The New Shares to be issued pursuant to the Placing and Open Offer will be issued at a premium of 90p per New Share over the nominal value.

The middle market quotation per Ordinary Share for the first dealing day in each of the six months prior to the date of this document, as derived from the London Stock Exchange Daily Official List and the middle market quotation per Ordinary Share on the last dealing day prior to the announcement of the Placing and Open Offer (being the last practicable date prior to the publication of this document) were as follows:

2 October 1995	108p
1 November 1995	101p
1 December 1995	101p
2 January 1996	101p
1 February 1996	100p
1 March 1996	104p
21 March 1996	104p

- (e) The following options to subscribe for Ordinary Shares were outstanding on 20 March 1996, being the last practicable date prior to the publication of this document:

<i>Number of Ordinary Shares</i>	<i>Date of grant</i>	<i>Option price</i>	<i>Exercise period</i>
SAYE: 250,853	2 December 1994	90p	2 December 1999 — 1 June 2000
Executive: 72,000	11 May 1995	89p	11 May 1998 — 10 May 2005

Save as disclosed above, no share capital of the Company or any of its subsidiaries is under option or has been agreed, conditionally or unconditionally, to be put under option.

- (f) All of the current issued share capital and that for which listing is being sought is or is intended to be listed on the Official List.
- (g) The shares are in registered form.

#### **4. Share Option Schemes**

##### *(a) Introduction*

On 22 June 1994 the Company adopted the Share Option Schemes. The Savings Scheme was approved by the Inland Revenue on 28 October 1994 and the Executive Scheme was approved by the Inland Revenue on 24 March 1995.

The Board may make certain minor amendments to the Share Option Schemes (for example, to benefit the administration of the Share Option Schemes or to obtain or maintain favourable taxation, exchange control or regulatory treatment of the Company, any subsidiary or qualifying employee) but no other alterations can be made to the benefit of current or future participants in the Share Option Schemes without the prior sanction of the Company in general meeting.

If any amendments, whether minor or not, are made to the Share Option Schemes at a time when they are approved by the Inland Revenue under Schedule 9, they will not have effect until the Inland Revenue has confirmed its approval of the amendments.

Ordinary Shares issued by the Company in satisfaction of the exercise of options will rank *pari passu* in all respects with other Ordinary Shares then in issue except for dividends and other distributions arising by reference to a date prior to the date of exercise. Application will be made to the London Stock Exchange for the listing of any Ordinary Shares so issued.

The Share Option Schemes are administered under the direction of the Board or, where appropriate, the Remuneration Committee of the Board ("the Remuneration Committee"), the majority of whose members are non-executive directors and which is chaired by a non-executive director.

##### *(b) Scope of the Share Option Schemes*

The maximum number of Ordinary Shares in respect of which options may be granted under the Share Option Schemes or any other employee share scheme established by the Company over a ten year period (but excluding lapsed or cancelled options) cannot exceed in aggregate ten per cent. of the share capital of the Company from time to time in issue. This number is subject to adjustment in the event of a variation of the Company's share capital but only with the written approval of the Inland Revenue and (apart from capitalisation issues) only in a manner which the auditors of the Company confirm in writing to be in their opinion fair and reasonable.

##### *(c) The Executive Scheme*

###### *(i) Participation and price payable on exercise of options*

Under the Executive Scheme, the Remuneration Committee of the Board may, at its discretion, grant options to acquire Ordinary Shares to any full-time director or employee of the Group other than one who is within two years of his normal retirement date. No payment is required for the grant of an option. The price payable on the exercise of an option must not be less than the market value of an Ordinary Share on the day immediately preceding the day on which an invitation to apply for the option is issued or the option is otherwise granted (normally being the middle market quotation of an Ordinary Share on the dealing day last preceding that day as derived from the Official List for such day) or the nominal value of an Ordinary Share (if greater).

###### *(ii) Rights and restrictions on grant*

Options may normally be granted only within six weeks of the announcement of the Company's interim or final results, unless the Remuneration Committee consider circumstances to be sufficiently exceptional to justify the granting of options at another time. No option may be granted more than ten years after the approval of the Executive Scheme under Schedule 9. Options are not transferable.

The number of Ordinary Shares over which options may be granted under the Executive Scheme over a period of ten years may not, when aggregated with Ordinary Shares issued or issuable under any other employee share scheme (other than the Savings Scheme) in respect of rights granted following the approval of the Executive Scheme by the Inland Revenue under Schedule 9 in that same ten year period, exceed five per cent. of the issued ordinary share capital of the Company at the time of the grant.

In addition, in any three year period following the approval of the Executive Scheme by the Inland Revenue under Schedule 9 there is a further limitation restricting the aggregate number of Ordinary Shares over which options can be granted under the Executive Scheme and any other employee share scheme to three per cent. of the issued ordinary share capital of the Company at the time of the grant.

Each individual's participation will be limited so that the aggregate exercise price of all options granted to him in a ten year period under the Executive Scheme will not exceed the greater of four times the individual's relevant emoluments (as defined in the rules of the Executive Scheme) and £100,000 at the date of grant.

(iii) Rights and restrictions on exercise

Options will remain exercisable for a maximum period of ten years from the date of grant, subject generally to the option holder remaining a full-time director or employee of the Group.

The exercise of options granted under the Executive Scheme will normally be subject to the achievement of a condition imposed by the Remuneration Committee requiring a significant and sustained improvement in the underlying performance of the Group ("the Exercise Condition"). The Exercise Condition currently specified by the Remuneration Committee requires that options may only be exercised if during a period of three consecutive financial years, the first of which shall be no earlier than the financial year during which any particular option is granted, the growth in headline earnings per share of the Company for that period is at least six per cent. higher than the percentage increase in the Retail Prices Index for the same period. Once the Exercise Condition has been satisfied in respect of an option it can be exercised at any time thereafter in accordance with the rules of the Executive Scheme.

The growth in headline earnings per share shall be calculated in accordance with Statement of Standard Accounting Practice No. 3, where headline earnings are as defined in the Statement of Investment Practice No. 1 issued by the Institute of Investment Management and Research.

In normal circumstances an option holder will only be able to exercise an option after the third anniversary of the date of grant but the option may be exercised earlier in certain circumstances including on the death of an option holder, on the cessation of employment with the Group for certain specified reasons, on a take-over or on the voluntary winding-up of the Company. In these circumstances the exercise of the option will not be subject to the fulfilment of the Exercise Condition.

(iv) Changes in control

In the event of a take-over or reconstruction of the Company, an option holder may, within certain specified time limits, exchange his options for options over shares in the acquiring company or its ultimate holding company.

(d) *The Savings Scheme*

(i) Participation and price payable on exercise of options

Under the Savings Scheme the Remuneration Committee may make offers of options to acquire Ordinary Shares in the Company to any full-time director or employee of the Group who at the time when the offer is made has generally been continuously employed by the Group for not less than six months. The price payable on the exercise of an option must not be less than 80 per cent. (or such lower percentage as may from time to time be permitted by the Income and Corporation Taxes Act 1988) of the market value of an Ordinary Share on the day immediately preceding the day on which an invitation to apply for the option is issued (normally being the middle market quotation of an Ordinary Share on the dealing day last preceding that day as derived from the Official List for such day) or the nominal value of an Ordinary Share (if greater).

(ii) Rights and restrictions on grant

A qualifying employee who wishes to participate must enter into an approved save-as-you-earn contract with a bank or building society to save a regular monthly amount (selected by the employee but subject to a minimum of £10 and (currently) a maximum of £250) by deduction from his wages or salary. The savings period will be five years although the rules of the Savings Scheme allow the Company to offer the employee the opportunity to elect at the outset to exercise his option on either the fifth or the seventh anniversary of the starting date of the relevant save-as-you-earn contract or within the period of six months thereafter.

THIS APPLICATION FORM, WHICH IS PERSONAL TO THE SHAREHOLDER(S) NAMED HEREIN AND MAY NOT BE ASSIGNED OR TRANSFERRED OR SPLIT (EXCEPT TO SATISFY BONA FIDE MARKET CLAIMS PURSUANT TO THE RULES OF THE LONDON STOCK EXCHANGE), IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT IS NOT A NEGOTIABLE DOCUMENT OR A DOCUMENT OF TITLE AND CANNOT BE TRADED. If you are in any doubt about the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services Act 1986. If you have sold or otherwise transferred all or part of your Ordinary Shares in Universal Ceramic Materials PLC ("UCM") prior to 22 March 1996 please forward this Application Form at once to the stockbroker, bank or other agent through or to whom the sale or transfer was effected for delivery to the purchaser of transferee, since the benefits arising under the Open Offer may in such event be claimed from you by the purchaser or transferee under the rules of the London Stock Exchange in which case this Application Form will be split or transferred as appropriate. Information relating to UCM and full details of the Open Offer to which this form relates are contained in the circular to shareholders of UCM dated 22 March 1996 ("the Document") accompanying this Application Form. You are strongly advised not to complete and lodge this Application Form until you have read the Document. Terms defined in the Document shall have the same meaning when used herein and the terms and conditions of the Open Offer as set out in the Document also apply to this Application Form. The New Shares will rank *pari passu* with the Ordinary Shares in issue at the date hereof save that they will not rank for the final dividend of 3.0p (net) per share which the Directors have declared in the announcement of the preliminary results in respect of the year ended 31 December 1995. The attention of overseas shareholders is drawn to the representation and warranty in paragraph 7 below and the restrictions on application by such shareholders set out in the Document and this Application Form. ACTION TO BE TAKEN. If you wish to apply for your entitlement in full, sign below, date and return this Application Form together with a sterling cheque or banker's draft for the sum set out in Box C. If you wish to apply for less than your maximum entitlement, you must complete Boxes D and E and then sign below, date and return this Application Form together with a sterling cheque or banker's draft for the sum inserted by you in Box E. If you do not wish to apply for any New Shares, you should take no further action.

**APPLICATION FORM**  
**UNIVERSAL CERAMIC MATERIALS PLC**

(Registered in England No. 2720770)

**Open Offer by Beeson Gregory Limited ("Beeson Gregory"), on behalf of UCM, of 3,992,400 New Ordinary Shares of 5p each ("New Shares") at 95p per New Share payable in full on application not later than 3 p.m. on 16 April, 1996.**

To:

Application Form No:

TO BE COMPLETED BY THE APPLICANT		
<b>Box D</b> *Number of New Shares for which application is made	<b>Box E</b> Amount enclosed at 95p per New Share applied for	
		£
*Application may be made for any number of New Shares up to and including your maximum entitlement set out in Box B. Any application which exceeds the amount set out in Box B will be disregarded to the extent of the excess.		
<b>Box A</b> Existing Registered holding of Ordinary Shares	<b>Box B</b> Maximum entitlement to New Shares	<b>Box C</b> Amount payable at 95p per New Share if you apply for the maximum entitlement set out in Box B
		£

To the Directors of UCM and of Beeson Gregory  
Gentlemen,

22 March 1996

1. I/We, being the registered holder(s) at the close of business on 14 March 1996 of the number of Ordinary Shares set out in Box A (or the beneficial owner(s) of any of those Ordinary Shares by virtue of a bona fide market claim) hereby apply for the number of New Shares inserted in Box D above or, if none is inserted, the number stated in Box B above and agree to accept the same on the terms and subject to the conditions set out herein and in the Document and subject to the Memorandum and Articles of Association of UCM.
2. I/We enclose a sterling cheque or banker's draft crossed "A/c Payee only" and payable to "Harford Registrars—A/c UCM PLC" for the amount inserted in Box E above, being the amount payable in full on application for the number of New Shares shown in Box D above or, if Box D and Box E are left blank, for the sum payable in full on application as shown in Box C above.
3. In consideration of your agreeing to deal with this application, upon and subject to the terms and conditions set out herein and in the Document, for the number of New Shares stated above, I/we undertake that this application shall be irrevocable and agree that this paragraph shall constitute a contract between me/us and UCM which shall become binding upon receipt by Harford Registrars of this Application Form and the accompanying payment and which shall be governed by English law. I/We acknowledge that you reserve the right to treat any application not complying strictly with the terms and conditions of application as nevertheless valid and, in the case of my/our failure to complete Box D (or if the number inserted in Box D is inconsistent with the remittance which accompanies this Application Form or exceeds the maximum entitlement set out in Box B), I/we agree that I/we shall be deemed to have applied for the fewer of (i) the number of New Shares set out in Box B and (ii) such number of New Shares at 95p per New Share as are covered by the remittance which accompanies this Application Form.
4. I/We request and authorise UCM or its agent to send me/us a definitive certificate in respect of the New Shares for which this application is accepted by post at my/our risk either to the address above or, if the name and address of my/our agent is inserted in Box F below, to my/our agent at such address, and authorise you to take all steps to procure my/our name(s) to be placed on the register of members of UCM in respect thereof. I/We acknowledge that pending despatch of definitive certificates, transfers will be certified against the register of members of UCM.
5. I/We authorise UCM or its agent to present the enclosed cheque or banker's draft on receipt and to withhold definitive share certificates pending clearance thereof. In the event that any of the conditions of the Open Offer are not fulfilled by 18 April 1996 I/we authorise you or your agent to return such application monies, without interest, to me/us by post at my/our risk either to the address above or, if the name and address of my/our agent is inserted in Box F below, to my/our agent at such address, within 14 days thereafter.
6. I/We acknowledge that due completion of this Application Form accompanied by a cheque or banker's draft constitutes a warranty that the cheque or banker's draft will be honoured on first presentation and that such warranty shall constitute a term of this application.
7. I/We represent and warrant that I/we am/are not applying on behalf of any person who is in the United States of America or Canada or in their territories or possessions, and am/are not applying with a view to re-offering, selling, transferring or delivering any of the New Shares which are the subject of this application to or for the benefit of such a person and am/are not (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for shares under the Open Offer.
8. I/We represent and warrant that, so far as I/we am/are aware, I/we am/are not applying on behalf of a person engaged in money laundering. I/We acknowledge that the verification of identity requirements of the Money Laundering Regulations 1993 will apply and verification of the identity of the applicant(s) may be required. FAILURE TO PROVIDE THE REQUISITE EVIDENCE MAY RESULT IN MY/OUR APPLICATIONS BEING TREATED AS INVALID. I/WE ACKNOWLEDGE THAT YOU RESERVE THE RIGHT TO REFUSE ANY APPLICATION WHICH MAY INFRINGE OR APPEAR TO INFRINGE THE MONEY LAUNDERING REGULATIONS 1993.

Dated .....

PLEASE SIGN HERE	First or Sole Holder Usual Signature .....
ALL JOINT HOLDERS MUST SIGN	Joint Holders (if any) (2) Usual Signature .....
	(3) Usual Signature .....
	(4) Usual Signature .....

Notes:

1. This form should be completed and returned by post to Harford Registrars, Harford House, 101-103 Great Portland Street, London W1N 6BH, together with a remittance in respect of the number of New Shares applied for, so as to arrive not later than 3.00 p.m. on 16 April 1996. If you post this document please allow two days for delivery.
2. Application may be made for any number of New Shares up to and including the number set out in Box B.
3. Cheques or banker's drafts should be made payable to "Harford Registrars—A/c UCM plc" and crossed "A/c Payee only". Cheques and banker's drafts must be drawn in sterling on a bank and be payable in the United Kingdom. Applications will not be acknowledged and no receipt will be given in respect of this Application Form.
4. A corporation should execute this form under its common seal or sign under the hand of a duly authorised official who should state his capacity. In the case of joint holders, all must sign.
5. If this Application Form is signed under a power of attorney a duly certified copy thereof must accompany this form.
6. All documents or remittances sent by or to an applicant, or as he or she may direct, will be sent through the post as his or her risk.
7. This Application Form may be transferred or split, but only to satisfy bona fide market claims and may also be consolidated. Instructions for transfer, splitting and consolidation are set out on the reverse of this Application Form.
8. No person receiving a copy of the Document and/or this Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any way use such form, unless he or she is authorised to do so by the relevant authorities.

Box F
Name and address of person(s) lodging this Application Form (if other than the person named above) and/or to whom the definitive share certificate and, if applicable, a cheque for any returned application monies should be sent.

## INSTRUCTIONS FOR TRANSFER, SPLITTING AND CONSOLIDATION

1. This Application Form may be transferred or split, but only to satisfy a bona fide market claim. If you have recently sold or transferred all or part of your Ordinary Shares shown in Box A overleaf, please forward this Application Form together with the Document at once to the stockbroker, bank or other agent who effected the sale or transfer on your behalf. You may then be required to complete the Declaration in Box H below. Box G must be completed by the person(s) to whom any relevant Ordinary Shares have been sold or transferred if he or she wishes to apply on this Application Form for New Shares.
2. Split Application Forms may be obtained on surrender of this Application Form to Harford Registrars with Box H duly completed. The number of New Shares to be applied for under each split Application Form must be stated and the aggregate must equal the number shown in Box B. Box H on each Application Form will be marked "Declaration of sale duly made". The latest time for splitting is shown in Box I below.
3. The right to apply for New Shares represented by several Application Forms may be claimed by the person to whom Ordinary Shares have been sold or transferred as described above if Box G is completed on one Application Form (the "Principal Application Form") and all the Application Forms are lodged in one batch, together with a remittance for the total number of New Shares applied for. Details of each Application Form (including the Principal Application Form) should be listed in ascending serial number order in the consolidation listing form on the Principal Application Form and the serial number of the Principal Application Form should be entered in the space provided on each of the other Application Forms.
4. In the event of Boxes G and H being completed, Box J must be completed by the selling agent and Box K must be completed by the buying broker or other agent.

### Box G

**NOT FOR USE BY THE PERSON NAMED OVERLEAF**

IF ANY OF THE ORDINARY SHARES SET OUT IN BOX A OVERLEAF HAVE BEEN SOLD AND THE PURCHASER IS ENTITLED TO BENEFITS ARISING UNDER THE OPEN OFFER THIS BOX SHOULD BE COMPLETED BY THE PURCHASER OF SUCH ORDINARY SHARES AND CONSTITUTES AN APPLICATION ON THE TERMS SET OUT HEREIN AND IN THE DOCUMENT.

I/WE DECLARE THAT THIS APPLICATION IS MADE BY ME/US AS THE RESULT OF A BONA FIDE MARKET CLAIM AND I/WE (A) APPLY FOR THE NUMBER OF NEW SHARES STATED OR DEEMED TO BE STATED IN BOX D OVERLEAF ON THE TERMS AND CONDITIONS SET OUT HEREIN AND IN THE DOCUMENT AND SUBJECT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF UCM (B) AUTHORISE UCM TO PLACE MY/OUR NAME(S) ON THE REGISTER OF MEMBERS OF UCM IN RESPECT OF SUCH NEW SHARES AND (C) REPRESENT AND WARRANT IN THE TERMS OF PARAGRAPHS 7 AND 8 OVERLEAF.

1. Forename(s) (in full) .....  
(State Mr., Mrs., Miss or Title)  
Surname .....  
Address .....  
..... Post Code .....  
Signature ..... Date .....
2. Forename(s) (in full) .....  
(State Mr., Mrs., Miss or Title)  
Surname .....  
Address .....  
..... Post Code .....  
Signature ..... Date .....
3. Forename(s) (in full) .....  
(State Mr., Mrs., Miss or Title)  
Surname .....  
Address .....  
..... Post Code .....  
Signature ..... Date .....
4. Forename(s) (in full) .....  
(State Mr., Mrs., Miss or Title)  
Surname .....  
Address .....  
..... Post Code .....  
Signature ..... Date .....

**CONSOLIDATION  
LISTING FORM**[illegible]

### Box H

I/We hereby declare that I/we have sold all or part of the holding of Ordinary Shares set out in Box A.

Signature (1).....

Signature (2).....

Signature (3).....

Signature (4).....

### Box I

By post to:  
Harford Registrars  
Harford House  
101-103 Great Portland Street  
London W1N 6BH

Latest time and date for  
splitting (bona fide  
market claims only) ..... 3 p.m. on 12 April, 1996

Latest time and date for application ..... 3 p.m. on 16 April, 1996

Despatch of certificates by ..... 25 April, 1996

## Box 1

Stamp of selling broker or other agent

## Box K

Stamp of buying broker or other agent



At the end of the savings period the employee will be entitled to a tax free bonus payment as appropriate from the bank or building society (currently equal to the value of nine or eighteen months' payments). The total number of Ordinary Shares to which the employee will be entitled under his option will be such number as can be acquired at the option exercise price out of the aggregate of the total amount saved and, normally, the bonus payment.

Options may normally be granted only within six weeks of the announcement of the Company's interim or final results, unless the Remuneration Committee consider circumstances to be sufficiently exceptional to justify the granting of options at another time. No option may be granted more than ten years after the approval of the Savings Scheme under Schedule 9. Options are not transferable.

The number of Ordinary Shares over which options may be granted over a period of ten years under the Savings Scheme may not, when aggregated with Ordinary Shares issued or issuable under any other employee share scheme in respect of rights granted in that same ten year period, exceed ten per cent. of the total number of Ordinary Shares in issue immediately before the time of grant.

In addition, in any three year period following the approval of the Savings Scheme by the Inland Revenue under Schedule 9 there is a further limitation restricting the aggregate number of Ordinary Shares over which options can be granted under the Savings Scheme and any other employee share scheme to three per cent. of the issued ordinary share capital of the Company at the date of the grant. This limitation is subject to a proviso that on the grant of an option under the Savings Scheme the limit in respect of the Savings Scheme for that year and the preceding four years is increased to five per cent. of the issued ordinary share capital of the Company at the date of the grant.

(iii) Rights and restrictions on exercise

Options will normally only be exercisable for a period of six months commencing on the date that the five or seven year bonus (as the case may be) is payable and, if not exercised by the end of that period, will lapse. Options may be exercised earlier in certain circumstances (including on the death of an option holder, on the cessation of employment with the Group for certain specified reasons, on a take-over or on the voluntary winding-up of the Company) but only to the extent that Ordinary Shares can be acquired with repayments made, together with the interest received, under the relevant savings contract.

(iv) Changes in control

In the event of a take-over or reconstruction of the Company an option holder may, within certain specified time limits, exchange his options for options over shares in the acquiring company or its ultimate holding company.

## **5. Memorandum and Articles of Association**

### **(1) Memorandum of Association**

The Memorandum of Association of the Company provides that its principal objects are to carry on business as a general commercial company and as a holding company. The objects of the Company are set out in full in clause 4 of the Company's Memorandum of Association, which is available for inspection at the address specified in paragraph 16 below.

### **(2) Articles of Association**

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

#### **(a) Rights attaching to shares**

##### **(i) Voting rights of members**

Subject to disenfranchisement at the direction of the board of directors of the Company or all the directors present at a meeting at which a quorum is present ("the Board") in the event of (1) non payment of any call or other sum due and payable in respect of any share, or (2) non compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares and, subject to any special terms as to voting for the time being attached to any shares, on a show of hands every member who is present in person shall have one vote and on a poll every member so present in person or by proxy shall have one vote for every share of which he is the holder.

(ii) Restrictions on shares

If any member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 212 of the Act and, in the opinion of the Board, is in default in supplying to the Company information thereby required within the Prescribed Period (as defined below) after the service of such notice ("the First Notice") in respect of the shares in relation to which the default occurred ("the Default Shares") then the Board may in its absolute discretion direct that such member shall not be entitled to be present or vote at any general meeting or class meeting of the Company.

Where the Default Shares represent one quarter of one per cent. or more of the issued amount of the class of shares concerned: (i) any dividend or other money which would otherwise be payable on the Default Shares may be retained by the Company without any liability to pay interest thereon when such money is finally paid to the member and where an offer of the right to elect or receive shares instead of cash in respect of any dividend is or has been made, any election made thereunder by such member in respect of the Default Shares shall not be effective; and/or (ii) no transfer of any Default Shares need be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and when presented for registration is accompanied by a certificate by the member in a form satisfactory to the Board to the effect that, after due and careful enquiry, the member is satisfied that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer unless the transfer is an approved transfer.

The Company shall send to each member to whom the First Notice was sent a written notification ("the Sanction Notice") of all restrictions imposed by the Board pursuant to the provisions summarised above. The Company shall also send to each other person appearing to be interested in the Default Shares which are the subject of any Sanction Notice a copy of the notice, but the failure or omission by the Company to do so or the non-receipt by any such person of the copy shall not invalidate the notice.

The Prescribed Period in respect of any particular member is 14 days from the date of service of the First Notice.

(iii) Dividends

Subject to any special rights as to dividend attached to any shares, the holders of shares are entitled *pari passu* amongst themselves, but in proportion to the respective amounts paid up on the shares held by them during any portion or portions of the period in respect of which the dividend is paid, to share in the whole of the profits of the Company declared and paid out as dividends. The Company may by an ordinary resolution declare dividends not exceeding the amount recommended by the Board. The directors may pay interim dividends.

The Board may, if authorised by ordinary resolution of the Company, offer shareholders in respect of any dividend, the right to elect to receive shares by way of scrip dividend instead of cash.

Any dividends unclaimed for a period of 12 years after having been declared shall be forfeited and cease to remain owing by the Company. The Company shall be entitled to cease sending dividend warrants or cheques by post to any member if any such warrants or cheques have been returned undelivered or left uncashed on two consecutive occasions or, following one such occasion, if reasonable enquiries have failed to establish any new address of such member.

(b) Transfer of shares

The shares of the Company are in registered form and may be transferred by an instrument of transfer in writing in any usual form or in any other form acceptable to the directors. The directors may, in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of shares which (a) is not fully paid up, (b) is in respect of more than one class of shares, (c) is in favour of more than four transferees or (d) is not duly stamped. Every instrument of transfer must be lodged at the transfer office of the Company, or such other place as the directors may appoint, accompanied by the share certificate for the shares to be transferred and such other evidence as the directors may reasonably require to prove the right of the transferor to make such a transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so.

(c) Changes in capital

The Company may by ordinary resolution increase, consolidate or subdivide its share capital. The Company may by special resolution and subject to the requirements of the Act reduce its share

capital, any capital redemption reserve and any share premium account. The Company may also, subject to the requirements of the Act and if sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of any of the shares, purchase its own shares.

*(d) Distribution of assets on a winding-up*

On any winding-up of the Company, the liquidator may, with the authority of an extraordinary resolution and subject to the Act, divide among the members in kind the whole or any part of the assets of the Company whether or not the assets shall consist of property of one kind, or shall consist of properties of different kinds, and for such purpose may set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between members or classes of members but so that if any such division shall be otherwise than in accordance with the existing rights of the members, every member shall have the right to dissent.

*(e) Variation of rights*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights, or privileges for the time being attached to any class of shares may be varied (a) in accordance with the rights already attaching to such shares or (b) in the absence of any express rights, either with the consent in writing of the holders of three-fourths in nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. At any such separate general meeting, the necessary quorum is two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class in question (but at any adjourned meeting, one person holding shares of the class or his proxy is a quorum).

*(f) Directors*

- (i) There is no age limit for directors. However, the Company is obliged to inform members should any director attain the age of 70.
- (ii) The number of directors shall not, unless determined otherwise by an ordinary resolution of the Company, be less than three nor more than twelve in number. The Company shall at all times have no fewer than two non-executive directors.
- (iii) The directors shall not be required to hold any qualification shares in the Company.
- (iv) The directors (other than any director who for the time being holds an executive office) shall be paid out of the funds of the Company by way of remuneration for their services as directors, such sum (not exceeding £100,000 per annum) as the directors may from time to time determine or such other figure as the Company may in general meeting from time to time determine. Such remuneration shall be divided among the directors in such proportion or manner as may be determined by the directors, or failing agreement, equally.
- (v) The directors shall also be entitled to be paid out of the funds of the Company all expenses properly incurred by them in and about the discharge of their duties, including their expenses of attending meetings of the Board or committee meetings of the Board or general meetings of the Company. The Board may pay such reasonable additional remuneration and expenses to any director who, being called upon, shall perform any special services or make any special journeys to or at the request of the Company. Furthermore, each director shall be entitled to be reimbursed on an indemnity basis the costs of any reasonable legal fees incurred by any director(s) in taking independent legal advice on any matter directly affecting the Company.
- (vi) Any director who has been appointed by the directors to fill a casual vacancy shall retire from office at the dissolution of the annual general meeting following such appointment unless he is re-elected during such meeting. At every annual general meeting of the Company, as near as possible to one third of the directors who are subject to retirement by rotation will retire by rotation. The directors to retire will be those who wish to retire and not offer themselves for re-election (if any) and to the extent that the number of such directors is insufficient to meet the number required, those directors who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will be determined by lot. All retiring directors shall be eligible for re-appointment.
- (vii) The directors may establish or concur or join with subsidiaries of the Company or companies with which it is associated in business in establishing and making contributions out of the Company's moneys to any schemes or funds for providing pensions, annuities, sickness or compassionate allowances, life insurance benefits, donations, gratuities or other benefits for

employees, ex-employees, directors or ex-directors of the Company or any such subsidiary or associated company or the relatives or dependants of any such person.

- (viii) A director may hold any other office or place of profit (except that of auditor) in conjunction with the office of director upon such terms as the directors may arrange. A director may act by himself or his firm in a professional capacity to the Company (except as auditor) and he or his firm shall be entitled to remuneration for professional services as the directors may arrange. Any such remuneration shall be in addition to any remuneration provided for in any other Article. Subject to the provisions of statute, no director shall be disqualified from entering into any contract, arrangement, transaction or proposal with the Company either in regard to such other office or place of profit or as vendor, purchaser or otherwise.
- (ix) A director shall not vote in respect of any contract, arrangement, transaction or proposed contract, or any other proposal whatsoever in which he has a material interest other than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. Notwithstanding the above, a director shall be entitled to vote (and count in the quorum) on any resolution concerning any of the following matters:
- (aa) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
  - (bb) the giving of any security or indemnity to a third party in respect of the debt or obligation of the Company or of 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;
  - (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for the subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
  - (dd) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or interested in one per cent. or more of any class in the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to the members of the relevant company (any such interest being deemed for these purposes to be a material interest in all the circumstances);
  - (ee) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which either relates to both employees and directors of the Company or has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes and does not accord to any director as such any privilege or advantage not accorded to the employees to which the scheme or fund relates;
  - (ff) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees (including full time executive directors of the Company and/or any subsidiary) to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees; and
  - (gg) any proposal concerning the grant, purchase and/or maintenance of any insurance policy or indemnity under which a director may benefit.
- (x) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to any offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such cases each of the directors concerned (if not otherwise debarred from voting under the Articles of Association) shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (xi) Any director who has an interest as outlined above is obliged to make full disclosure of the nature of and extent of such interest to the other members of the Board in a board meeting or to a specific director or directors duly designated for such purpose.

*(g) Borrowing powers*

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and all uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its holding company (if any) or any subsidiary of the Company or its holding company or of any third party. The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount at any one time owing by the Group in respect of moneys borrowed, exclusive of moneys borrowed by the Company or any of its subsidiaries from any other of such companies, shall not at any time, without the previous sanction of the Company in general meeting, exceed a sum equal to the greater of £10,000,000 or two times the aggregate of the following, all as shown in a consolidation of the latest audited balance sheet of the Group but after certain adjustments and deductions:

- (i) the nominal capital of the Company for the time being issued, paid up or credited as paid up; and
- (ii) the amount standing to the credit of the consolidated reserves of the Company and its subsidiaries whether distributable or undistributable and including (without limitation) share premium account, capital redemption reserve and the profit and loss account but before any deduction of goodwill arising on consolidation or merger reserve arising on consolidation.

*(h) Untraced shareholders*

The Company may sell any shares in the Company after advertising its intention and waiting for three months and notifying the London Stock Exchange of its intention to sell, if the shares have been in issue for at least 12 years and during that period at least three dividends have become payable on them and have not been claimed or satisfied and the Company has not received any communication during the relevant period from the holder of the shares or any person entitled to them by transmission. Upon any such sale, the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

**6. Directors' and other interests**

- (a) The interests in the issued share capital of the Company, which (a) have been notified to the Company by each Director pursuant to Section 324 or Section 328 of the Companies Act 1985, (b) are required by Section 325 of that Act to be entered in the register referred to therein, or (c) are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under (a) or (b) above and that existence of which is known to or could with reasonable diligence be ascertained by that Director, (all of which are, unless otherwise stated, beneficial as at the date of this document and following Admission) are as follows:

Director	Options granted pursuant to the Share Option Schemes	Number of Ordinary Shares		Percentage of issued ordinary share capital	
		Prior to Admission	Following Admission	Prior to Admission	Following Admission
Dr. C B Phipps	—	—	—	—	—
R Hughes	—	1,143,576	1,143,576	5.21%	4.41%
M Fookes	—	409,100	409,100	1.86%	1.58%
T G Dughan	19,166	1,095,360	1,145,360	4.99%	4.41%
W R Johnson	—	1,118,120	1,143,120	5.09%	4.40%
G B Davison	—	10,440	12,338	0.05%	0.05%
I Fisher	—	—	—	—	—

Phipps & Company Limited, which is a company controlled by Dr. C B Phipps' family, beneficially holds 299,640 Ordinary Shares. Dr. C B Phipps has no interest in the shareholding of Phipps & Company Limited.

- (b) As at 20 March 1996, being the last practicable date prior to the publication of this document, no loans had been granted and no guarantees had been provided by the Company or any of its subsidiaries to or for the benefit of any of the Directors.

- (c) In the year ended 31 December 1995 the aggregate remuneration, including pensions and benefits in kind granted by the Company and its subsidiaries, of persons who were Directors during that financial year was £482,857. The corresponding figure for the year ending 31 December 1996 is estimated to be £509,000. The total emoluments receivable by the Directors will not be varied as a result of the Placing and Open Offer.
- (d) No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group.
- (e) Save as disclosed below, no service contract between the Company or any of its subsidiaries and any Director is proposed to be or has been entered into or varied since 9 May 1995, when all existing service contracts were available for inspection.

On 21 July 1995, the Company appointed I Fisher as a non-executive director for a fixed term of 3 years. His fees are £15,000 per annum.

- (f) As at 20 March 1996, being the last practicable date prior to the publication of this document, the Company had been notified pursuant to section 198 of the Act of the following interests in three per cent. or more of the issued share capital of the Company prior to the Placing and Open Offer:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital prior to Admission</i>	<i>Percentage of issued ordinary share capital following Admission</i>
3i Group plc	3,278,940	14.93%	12.64%
Coal Pension Venture Nominees Limited*	3,115,000	14.19%	0.00%
The Equitable Life Assurance Society	1,864,793	8.49%	7.19%
Barclays Venture Nominees Limited*	1,639,460	7.47%	0.00%
Railway Pension Venture Capital Limited*	1,639,460	7.47%	0.00%
Citifriends Nominees Limited	675,000	3.07%	2.60%

\*Funds managed by CINVen Limited. Following the placing of the Ordinary Shares held by these funds, details of which are set out on page 11 of this document, these funds will have no interest in the issued share capital of the Company following Admission.

Percentages of issued ordinary share capital following Admission set out above are on the basis that these shareholders do not take up their entitlements under the Placing and Open Offer.

Save as disclosed above and in paragraph 6(a) above, the Company is not aware of any person who, directly or indirectly, is interested in three per cent. or more of the issued share capital of the Company in such circumstances where such interest is disclosable under the Act or of any person who, directly or indirectly, jointly or severally, exercises, or could exercise, control over the Company.

## 7. Subsidiaries

The Company is the ultimate holding company of the following wholly owned subsidiary companies all of which are incorporated in England and Wales and have the same registered office as the Company with the exception of Universal Ceramic Materials US, Inc., Universal America Inc. which are incorporated in the state of Delaware, United States of America and Muscle Shoals which is incorporated in the State of Alabama, United States of America and Universale Electrominerale which is incorporated in France. Universal Ceramic Materials US Inc. and Muscle Shoals have the same corporate address, being 510 Mulberry Lane, Cherokee Alabama, 35616. Universal America Inc.'s corporate address is: 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. Universale Electrominerale's registered office address is 3 Rue du Colonel Mon, 75017, Paris.

<i>Name of Company</i>	<i>Authorised share capital</i>	<i>Issued share capital</i>	<i>Principal activity</i>
Universal Abrasives Limited	10,000 ordinary £1 shares	2 ordinary £1 shares	General commercial company
Electro Furnace Products Limited	10,000 ordinary £1 shares	2 ordinary £1 shares	General commercial company
Unitec Ceramics Limited	10,000 ordinary £1 shares	2 ordinary £1 shares	General commercial company
Choicewise Limited	1,000,002 ordinary £1 shares	1,000,002 ordinary £1 shares	Intermediate holding company
Universal Ceramic Materials US, Inc.	750 shares of common stock par value of \$1.00	100 shares of common stock par value of \$1.00	Intermediate holding company
Muscle Shoals Minerals, Inc.	1,000 shares of common stock par value of \$0.01	100 shares of common stock par value of \$0.01	General commercial company
Universal America Inc.	1,000 shares of common stock par value of \$0.01	100 shares of common stock par value of \$0.01	General commercial company
Universal Electrominerale	50,000 shares of FF1 each	50,000 shares of FF1 each	Dormant

Universale Electrominerale was formed on 6 November 1995 in France for the purposes of acquiring the fused magnesia business of PEM.

## 8. Property

The Group has the following freehold/leasehold premises, all of which are used as operating sites.

### (a) Hull

Leasehold land and buildings at Salt End, Preston, Kingston upon Hull held by virtue of a lease dated 30 September 1958 for a term of 99 years from 1 October 1958 at a reserved rental of £2,500 per annum for the term comprising industrial buildings, offices and other buildings of approximately 100,000 sq. feet on a site of approximately 25 acres.

The property is registered with good leasehold title which means that the Company's title would be defeasible in the event that the landlord had inadequate title to make the grant.

### (b) Seighford

Freehold land and warehouse buildings at Four Lanes End, Seighford, Stafford providing approximately 84,217 sq. feet of warehousing on a site of approximately 10.7 acres.

### (c) Doxey Road

(i) Freehold land and buildings at Doxey Road, Stafford comprising manufacturing areas of approximately 140,000 sq. feet, sport and social club comprising approximately 21,000 sq. feet and 7.8 acres or thereabouts of land.

(ii) Leasehold premises at Doxey Road, Stafford comprising part of Number 2 factory building and part of the engineering factory held by virtue of leases dated 29 January 1993 for a term from 29 January 1993 to 31 December 2006 at a peppercorn rent until 31 December 2002;

### (d) USA

(i) Freehold industrial buildings and land at 510 Mulberry Lane, Cherokee, Colbert County, Alabama, comprising a primary site of approximately 19.02 acres including manufacturing facilities of some 84,808 sq. feet and approximately 65 acres of excess land.

(ii) Leasehold office premises at 100 Oaks Office Tower, Nashville, Davidson County, Tennessee comprising approximately 195 sq. feet for a term from 1 May 1993 at a base rent of \$1,800 per annum.

(iii) Freehold land and buildings at Coile Street, Greeneville, Tennessee comprising 512,000 sq. feet.

## 9. Taxation

### *Taxation of Dividends*

The following summary assumes that the Company will not elect for any of its dividends to be treated as foreign income dividends. The Company has no present intention of making such an election.

Under current United Kingdom taxation legislation, no tax will be withheld from dividend payments on Ordinary Shares by the Company but the Company will have to account to the Inland Revenue for advance corporation tax ("ACT"), currently at the rate of one quarter of the amount of the dividend, in respect of any dividend it pays (except to the extent that the Company is able to set off against the dividend investment income which it has received).

Non-corporate shareholders resident in the United Kingdom will be entitled to a tax credit in respect of any dividend paid by the Company which they can off-set against their total income tax liability. The value of the tax credit attached to dividends is equal to one quarter of the cash dividend. The amount of the dividend received by a non-corporate shareholder and the associated tax credit are both included in arriving at such a shareholder's total income (and are regarded as the top slice of that income) for United Kingdom taxation purposes. To the extent that a non-corporate shareholder's tax credit exceeds his overall liability to United Kingdom income tax he should be able to claim the excess from the Inland Revenue. The income tax charge in respect of dividends for lower and basic rate tax payers will be at the lower rate of 20 per cent. and such shareholders will have no further liability to tax on their dividends. Higher rate tax payers will be liable to tax on the sum of the dividend plus the tax credit at the higher rate of 40 per cent. against which liability they can off-set their lower rate tax credit.

Subject to certain exceptions for some insurance companies with overseas business, a United Kingdom resident corporate shareholder will be able to treat any dividend received (together with the associated tax credit) as franked investment income and will not be liable for any tax on the dividend. Such a corporate shareholder paying a dividend of an amount up to the amount of any dividend paid to it by the Company will have no further liability to account for ACT in relation to the dividend that it pays.

Subject to certain exceptions for Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands (and, under proposals contained in the Finance Bill, with effect from 6 April 1996, nationals of all European Economic Area States) and certain others, the rights of shareholders who are resident in countries other than the United Kingdom to a tax credit in respect of dividends received from the Company and/or to claim payment from the Inland Revenue of a proportion of that tax credit depend in general on the provisions of any double taxation convention or agreement which exists between such countries and the United Kingdom. Such shareholders should consult their own tax advisers on their tax liabilities on dividends received or on the possible application of any relevant treaty provisions, what relief or credit, if any, may be claimed under any such treaty in the jurisdiction in which they are resident and any procedure for claiming payment.

## 10. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or by its subsidiaries within the two year period immediately preceding the date of this document and are or may be material:

- (a) The Placing Agreement dated 22 March 1996, among (1) the Company, (2) Beeson Gregory, (3) 3i Group plc ("3i") and (4) CINVen Limited ("CINVen") whereby, subject to certain conditions, Beeson Gregory has agreed, as agent for the Company (i) to invite Qualifying Shareholders of the Company to apply for the New Shares; and (ii) (other than the shares for which irrevocable undertakings have been received from Qualifying Shareholders stating that they will apply in the Open Offer) to procure purchasers for the New Shares not taken up under the Open Offer and failing which has agreed to purchase such shares itself.

Beeson Gregory has also agreed on behalf of CINVen to procure persons to purchase the 6,393,920 Ordinary Shares held by them ("the Vendor Shares") at the Issue Price and failing which has agreed to purchase such shares itself.

The obligations of Beeson Gregory under the Placing and in respect of the Vendor Shares are conditional, *inter alia*, on Admission occurring by not later than 18 April 1996 (or such date as Beeson Gregory may agree).



The Placing Agreement provides for the payment by the Company to Beeson Gregory of:

- (i) a basic commitment commission of 1.25 per cent. on the value at the Issue Price of all the New Shares (other than the shares for which irrevocable undertakings have been received from Qualifying Shareholders stating that they will apply in the Open Offer) ("Placing Shares");
- (ii) a further commitment commission or commissions of 0.125 per cent. on the value at the Issue Price of all the Placing Shares in respect of each period of seven days (or any part thereof) after (but not including) 20 April 1996 and before the earliest of:
  - (a) the day upon which the last of the conditions set out in the Placing Agreement is satisfied or the Placing Agreement lapses; or
  - (b) the date on which notice is given by Beeson Gregory terminating the Placing Agreement or the Placing Agreement lapses;
- (iii) a corporate finance fee of £75,000;
- (iv) a further commission of 0.75 per cent. of the aggregate at the Issue Price of so many of the Placing Shares as are not taken up under the Open Offer which shall only be paid if all the conditions set out in the Placing Agreement are satisfied.

The obligations of Beeson Gregory may be terminated in certain circumstances, which include the occurrence at any time prior to 5.30 pm on 25 March 1996 of any extraordinary or exceptional change in national or international financial, economic or political conditions.

- (b) an option agreement, dated 23 December 1994, made between Tateho America Inc. (1) and Universal Ceramic Materials US Inc. ("the Purchaser") (2) whereby the Purchaser acquired an option to purchase certain assets and liabilities of Tateho America Inc. on terms set out in the acquisition agreement (which is summarised at paragraph (c) below). The option consideration of US\$350,000 was paid upon exercise of the option on 22 February 1995;
- (c) an acquisition agreement triggered by the exercise of the option mentioned in paragraph (b) above and made between Tateho America Inc. (1), Universal Ceramic Materials US Inc. ("the Purchaser") (2) and the Company (3), whereby the Purchaser acquired certain listed assets of Tateho America Inc. for a consideration of £3,747,000 less the option consideration of US\$350,000. All obligations of the Purchaser were guaranteed by the Company;
- (d) a placing agreement dated 24 June 1994 and made between the Company (1), certain shareholders of the Company (2) ("the Sellers"), certain holders of preference shares of the Company (3), the then Directors of the Company (4), Phipps & Company Limited (5) and Beeson Gregory (6) whereby Beeson Gregory agreed as agent for the Company and the Sellers to procure subscribers for 6,976,745 new Ordinary Shares and purchasers for the Sellers' 872,094 Ordinary Shares.

## 11. Indebtedness

At the close of business on 23 February 1996, the Group had total outstanding borrowings of £4,862,000, comprising secured bank loans of £2,835,000, secured bank overdrafts of £244,000, and other secured loans of £1,783,000. At the same time, the Group had contingent liabilities of £110,000.

Save as aforesaid and apart from intra-group liabilities, neither the Company nor any other member of the Group had outstanding at the close of business on 23 February 1996 any loan capital (including term loans), whether outstanding or created but unissued, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or obligations under finance leases, mortgages or charges, guarantees or other contingent liabilities.

At the close of business on 23 February 1996, the Group had bank deposits of £50,000.

## 12. Working capital

The Directors are of the opinion that, taking into account the bank and other facilities available to the Group and the net proceeds of the Placing and Open Offer, the Group has sufficient working capital for its present requirements.

### 13. Litigation

Save as set out below, no member of the Group is engaged in any legal or arbitration proceedings which may have, or have had in the twelve months prior to the date of this document, a significant effect on the financial position of the Group, nor, so far as the Directors are aware, are any such proceedings pending or threatened.

PEM have issued a writ in France against the Company claiming the sum of FF20 million (£2.57 million). Negotiations between the Company and PEM for the acquisition of the fused magnesia business of PEM terminated in December 1995, commercially acceptable terms having failed to be agreed. PEM alleges that the Company negotiated in bad faith.

The Company believes that it had sound reasons to withdraw from the negotiations as, based on the commercial terms available, it believed the transaction was not in the commercial interests of the Company. In the view of the Board, such decision was justified and made in good faith.

The Company has been advised by leading counsel in the UK and by its legal advisers in both the UK and France respectively that in their opinion the action is without substance. The Company will resist the litigation vigorously.

### 14. General

- (a) There has been no significant change in the financial or trading position of the Group since 31 December 1995, the date to which the Group's preliminary results statement was made up.
- (b) Beeson Gregory is registered in England and has its registered office at The Registry, Royal Mint Court, London EC3N 4EY. Beeson Gregory is regulated by The Securities and Futures Authority Limited. Beeson Gregory has given and has not withdrawn its written consent to the publication of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- (c) The estimated expenses of the Placing and Open Offer payable by the Company will amount to £225,000 (excluding value added tax).
- (d) The Company's registrars are Harford Registrars, Harford House, 101-103 Great Portland Street, London W1N 6BH.
- (e) KPMG, Chartered Accountants and Registered Auditors, Stoke on Trent, Staffordshire ST1 5TA have audited the Company's accounts in accordance with national law for the three financial years ended 31 December 1995.
- (f) The financial information relating to the Group contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts of the Group for the years ended 31 December 1993 and 1994, on which the audit opinions were unqualified, have been delivered to the Registrar of Companies. Statutory accounts of Burmah Castrol plc for the year ended 31 December 1992 and of Unicorn Abrasives Limited for the years ended 31 December 1992 and 1993 have been delivered to the Registrar of Companies. In each case, the statutory accounts received an unqualified audit opinion.
- (g) The average number of employees of the Group over the last three years is 368.

### 15. Irrevocable undertakings to take up new Ordinary Shares in respect of the Placing and Open Offer ("Committed Shares") and to vote in favour of the resolution to be proposed at the EGM have been received from the following:

<i>Name</i>	<i>Number of Committed Shares</i>	<i>Number of Ordinary Shares</i>
3i Group plc	—	3,278,940
Coal Pension Venture Nominees Limited	—	3,115,000
Railway Pension Venture Capital Limited	—	1,639,460
Barclays Venture Nominees Limited	—	1,639,460
R Hughes	—	571,788
D Hughes	—	571,788
M Fookes	—	409,100
T Dughan	25,000	518,920
S Dughan	25,000	576,440
W Johnson	25,000	1,118,120
G Davison	1,898	10,440
Phipps & Company Limited (as beneficial holder)	54,480	299,640

#### **16. Documents available for inspection**

Copies of the following documents are available for inspection at the offices of Edge & Ellison, Rutland House, 148 Edmund Street, Birmingham B3 2JR during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document up to and including 15 April 1996:

- (a) the memorandum and articles of association of UCM;
- (b) the material contracts referred to in paragraph 10 above;
- (c) the written consent referred to in paragraph 14 above;
- (d) the audited annual consolidated accounts of the Group for the financial years ended 31 December 1993 and 31 December 1994;
- (e) the Directors' service contracts and consultancy agreements referred to in paragraph 6 above;
- (f) the rules of the Share Option Schemes referred to in Part 4 of this document;
- (g) Industrial Minerals January 1996 and February 1996 issues;
- (h) the prospectus of the Company dated 24 June 1994; and
- (i) the irrevocable undertakings referred to in paragraph 15 above.

22 March 1996

# UNIVERSAL CERAMIC MATERIALS PLC

(Registered in England No. 2720770)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of the Company will be held at the offices of Edge & Ellison, Rutland House, 148 Edmund Street, Birmingham B3 2JR on 15 April 1996 at 10.00 am for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution.

### SPECIAL RESOLUTION

**THAT** subject to, conditionally upon and with effect from the admission of the ordinary share capital of the Company to be issued upon the terms of the Placing and Open Offer referred to in paragraph (c)(i) below to the Official List of The London Stock Exchange becoming effective in accordance with paragraph 7.1 of the Listing Rules of The London Stock Exchange:

- (a) the authorised share capital of the Company be and it is hereby increased from £1,463,880.00 to £1,750,000.00 by the creation of 5,722,400 additional ordinary shares of 5p each which will rank *pari passu* in all respects with the existing ordinary shares in the capital of the Company save that they will not rank for the final dividend to be declared in respect of the year ended 31 December 1995;
- (b) the Directors be and they are hereby generally and unconditionally authorised in connection with Section 80 Companies Act 1985 ("the Act") in substitution for any existing power (to the extent that the same has not already been exercised) to exercise all powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £652,089 provided that this authority shall expire on whichever is the earlier of fifteen months from the date of the passing of this resolution or the conclusion of the Annual General Meeting of the Company in respect of the year ended 31 December 1996 (both dates inclusive), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements;
- (c) the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority given by paragraph (b) of this Resolution as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (i) in connection with the Placing and Open Offer (as the same is defined in the Prospectus of the Company dated 22 March 1996) up to an aggregate nominal amount of £199,620 at any time prior to 30 April 1996;

- (ii) otherwise up to an aggregate nominal amount of £64,876 on or before the expiry of fifteen months from the date hereof or if earlier the conclusion of the Annual General Meeting of the Company in respect of the year ended 31 December 1996 (both dates inclusive);

except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements; and

- (d) all authorities previously conferred under Section 95 of the Act be and they are hereby revoked save to the extent that they have been exercised or agreed to be exercised prior to the taking effect of this Resolution.

Registered Office:  
Doxey Road  
Stafford ST16 1DZ

By Order of the Board  
Melvyn Fookes  
*Secretary*

22 March 1996

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him or her. Such proxy need not be a member of the Company.
2. A prepaid form of proxy for use in connection with the Extraordinary General Meeting is enclosed. To be effective, the form of proxy and any power of attorney or other authority (if any) under which it is signed (or a duly certified copy thereof) must be lodged with the Company's registrars, Harford Registrars, Harford House, 101-103 Great Portland Street, London W1N 6BH not less than 48 hours before the time of the meeting. Completion of a form of proxy will not affect the right of such member to attend and vote at the meeting in person.