

**GAVEL  
SECURITIES  
LIMITED**

*P. Phipps*  
P.A.C.H. PHIPPS

*J.D.T. Greenall*  
J.D.T. GREENALL  
BY HIS ATTORNEY  
P.A.C.H. PHIPPS

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*W.F. Dyer*  
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BY HIS ATTORNEY  
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*B.E. Kerrison*  
B.E. KERRISON  
BY HIS ATTORNEY  
P.A.C.H. PHIPPS

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action to be taken, you should immediately consult a person authorised under the Financial Services Act 1986 who specialises in providing advice in connection with securities.

If you have sold all your Ordinary Shares in Gavel Securities Limited (other than ex-rights), please forward this document and the accompanying form of proxy, Provisional Allotment Letter and Excess Application Form to the purchaser or to the agents through whom you made the sale for transmission to the purchaser.

A copy of this Circular and the Provisional Allotment Letter and Excess Application Form have been delivered to the Registrar of Companies for registration.

### GAVEL SECURITIES LIMITED

(Registered in England No.1898682)

### PROPOSED RIGHTS ISSUE

of

834,997 new Convertible Redeemable Cumulative Preference  
Shares of  
£1 each at  
£1.20 per share

It is emphasised that the Company is a private company and that no application has been made to the Council of The International Stock Exchange of the United Kingdom and Republic of Ireland Limited for any of the shares in Gavel Securities Limited issued or to be issued to be admitted to the Official List or to be dealt in in the Unlisted Securities Market or the Third Market.

Notice of an Annual General Meeting of Gavel Securities Limited to be held at 12.00 noon on 18th October, 1989 is set out on page 35 of this document. Forms of proxy should be returned so as to arrive by 12.00 noon on 16th October, 1989.

Your attention is drawn to the risk factors set out on page 17 of this document.

Your Board's recommendation and the action to be taken are set out on page 21 of this document

If payment in full for any new shares provisionally allotted is not received by 3.00 p.m. on 27th October, 1989 the provisional allotment will be deemed to have been declined and will lapse. No payment will be made to shareholders who do not take up their rights.



## TIMETABLE OF EVENTS FOR THE RIGHTS ISSUE

|                                           |                                  |
|-------------------------------------------|----------------------------------|
| Record Date                               | 18th September, 1989             |
| Last time for receipt of proxy cards      | 12.00 noon on 16th October, 1989 |
| Annual and Extraordinary General Meetings | 12.00 noon on 18th October, 1989 |
| Latest times and dates for:               |                                  |
| Splitting (nil paid)                      | 3.00 p.m on 25th October, 1989   |
| Acceptance and payment in full            | 3.00 p.m on 27th October, 1989   |
| Splitting (fully paid)                    | 3.00 p.m on 13th November, 1989  |
| Registration of renunciation              | 3.00 p.m on 15th November, 1989  |
| Despatch of Share Certificates            | by 30th November, 1989           |

### Note :

The Provisional Allotment Letter enclosed herewith is conditional upon the passing of all the Resolutions at the Extraordinary General Meeting convened by the Notice set out on page 36.

## SUMMARY

THE FOLLOWING INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS CIRCULAR FROM WHICH IT IS DERIVED

### Business

The Group's activities are centred on the development and sale of a range of branded sailing craft and associated items. Profits of £299,261 (pre-tax) were generated from this business in 1988. The Group, which has recently been expanded by the acquisition of Dart Catamarans International, sees significant opportunities for the use of the Group's brand names "LASER" and "DART".

### Illustrative Financial Projections

|                                     | Year to<br>31.12.89<br>£'000 | Year to<br>31.12.90<br>£'000 | Year to<br>31.12.91<br>£'000 | Year to<br>31.12.92<br>£'000 |
|-------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Revenue                             | 5,923                        | 8,118                        | 9,621                        | 11,492                       |
| Gross Profit                        | 1,848                        | 2,412                        | 2,982                        | 3,562                        |
| Profit before tax                   | 227*                         | 599                          | 970                          | 1,299                        |
| Tax (projected at 35%)              | 79                           | 210                          | 340                          | 455                          |
| Profit after tax                    | 148                          | 389                          | 630                          | 844                          |
| Preference dividends                | 17                           | 100                          | 100                          | 100                          |
| Available for ordinary shareholders | 131                          | 289                          | 530                          | 744                          |
| Earnings per share                  | 4.5p                         | 9.9p                         | 18.1p                        | 25.5p                        |
| Earnings per share fully diluted    | 3.5p                         | 9.1p                         | 14.8p                        | 19.8p                        |

\* During the current year the Group acquired the whole of the issued share capital of DCI. If the costs associated with the acquisition and the projected trading losses of DCI are eliminated, the projected pre-tax profit of the Group for the year to 31st December 1989 would be £375,000.

### Rights Issue

A maximum of £1,001,996 is to be raised by the Rights Issue.

### Future Developments

The Board expects that sales of the Group's existing products will continue to grow steadily and that the recent acquisition of DCI will provide an immediate and significant growth opportunity. In addition, the Company intends to expand by acquisition and is actively seeking opportunities. The Group has built a strong and complementary management team covering production, marketing, sales, distribution and finance which the Directors consider has the skills necessary to handle new challenges.

### Realisation

The primary objective of the Board is to build the Group to a size and profitability by growth and acquisition that would enable it to be floated on The Stock Exchange.

### Terms of the Rights Issue

Shareholders are being offered two Preference Shares for every seven Existing Ordinary Shares held at £1.20 per share payable in full on acceptance.

The rights attaching to the Preference Shares include the right to convert into Ordinary Shares between 1993 and 1999. The Preference Shares may be partially redeemed at any time by the Company at a price which will yield a 25 per cent compound per annum pre-tax rate of return. Full details of the rights attaching to the Preference Shares are set out in the new Articles of Association enclosed with this Circular.

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## DIRECTORS AND ADVISERS

### Directors

JOHN DESMOND THOMAS GREENALL  
(Non-Executive Chairman)

TIMOTHY WILLIAM COVENTRY  
(Managing Director)

WILLIAM FREDERICK DYER  
(Finance Director)

BERNARD EDWARD KERRISON  
(Non-Executive)

PIERS ANTHONY CONSTANTINE HOWARD  
PHIPPS  
(Non-Executive)

all of 6 Riverside, Banbury, Oxon  
OX16 8TL

### Secretary and Registered Office

PAUL BULMAN  
6 Riverside  
Banbury  
Oxon  
OX16 8TL

### Auditors

PRICE WATERHOUSE  
Chartered Accountants  
Livery House  
169 Edmund Street  
Birmingham  
B3 2JB

### Solicitors

STRINGER SAUL  
Marcol House  
293 Regent Street  
London W1R 7PD

### Stockbrokers

GREIG MIDDLETON & CO LTD  
66 Wilson Street  
London EC2A 2BL

## DEFINITIONS

|                            |                                                                                                                                                               |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Gavel or "the Company"    | Gavel Securities Limited                                                                                                                                      |
| "PSE"                      | Performance Sailcraft Europe Limited, a wholly owned subsidiary of the Company                                                                                |
| "DCI"                      | Dart Catamarans International Limited, a wholly owned subsidiary of the Company                                                                               |
| "Precis"                   | Precis Ninety Nine Limited, a wholly owned subsidiary of the Company                                                                                          |
| "the Subsidiaries"         | PSE, DCI and Precis                                                                                                                                           |
| "the Original Gavel Group" | Gavel, PSE and Precis                                                                                                                                         |
| "the Group"                | Gavel and the Subsidiaries                                                                                                                                    |
| "Ordinary Shares"          | ordinary shares of 10p each in the Company                                                                                                                    |
| "existing Ordinary Shares" | fully paid Ordinary Shares now in issue                                                                                                                       |
| "Preference Shares"        | the Convertible Redeemable Cumulative Preference Shares of £1 each in the capital of the Company proposed to be issued pursuant to the Rights Issue           |
| "Rights Issue"             | the proposed issue of 834,997 new Preference Shares by way of rights to shareholders on the register on the Record Date on the terms set out in this document |
| "Record Date"              | 18th September, 1989                                                                                                                                          |
| "Laser"                    | the trade name used for the range of dinghies made by PSE                                                                                                     |
| "Dart"                     | the trade name used for the range of catamarans made by DCI                                                                                                   |
| "The Laser Centre"         | PSE's retail showrooms in Banbury                                                                                                                             |



GAVEL SECURITIES LIMITED

(Registered in England No.1898682)

Directors:

J D T Greenall (Chairman) P/A  
T W Coventry (Managing Director) P/A  
W F Dyer (Finance Director) P/A  
B E Kerrison P/A  
P A C H Phipps ✓

Registered Office:

6 Riverside  
Banbury  
Oxon  
OX16 8TL

20th September 1989

TO ALL SHAREHOLDERS

Dear Shareholder

PROPOSED RIGHTS ISSUE

INTRODUCTION

I am writing to set out your Board's proposals to issue 834,997 new Preference Shares by way of rights to raise approximately £874,000 net of expenses, and to give the reasons for the Rights Issue which are set out in detail on pages 14 and 15. It is intended that the Preference Shares will be provisionally allotted at £1.20 per share, payable in full on acceptance, to shareholders on the register of members at the close of business on the Record Date on the basis of two Preference Shares for every seven existing Ordinary Shares then held.

The Rights Issue is conditional upon the passing of resolutions to be proposed at the Extraordinary General Meeting of the Company to be held on 18th October, 1989 increasing the Company's share capital, adopting new Articles of Association and giving your Board the necessary authority to allot the Preference Shares.

Enclosed with this Circular you will also find the Company's Financial Statements for the year ended 31st December, 1988 together with Notice of the Annual General Meeting which will precede the Extraordinary General Meeting.

## BACKGROUND

Gavel is the parent company of three wholly owned subsidiary companies, PSE, DCI and Precis. PSE and Precis were acquired by Gavel on 22nd March, 1985, and DCI was acquired on 5th June, 1989. The Group's activities have centred on the development and sale of a range of branded sailing craft and associated items. Profits of £299,261 pre-tax were generated from this business in 1988. The objective of the Board is now to build up the Group's activities and profitability by organic growth and acquisition to a size that would enable Gavel to be floated on The Stock Exchange.

## THE EXISTING BUSINESS AND PRODUCTS

Since 1985 the Group has, in the Directors' opinion, successfully implemented a five point plan to :-

1. promote the products and brand names of the Subsidiaries and thereby increase profit margins and reduce cyclical vulnerability;
2. expand the range of products by developing derivatives of existing products and new product additions;
3. rationalise product distribution to create strategically located specialised and committed sales outlets;
4. increase marketing activities to promote sales growth and new opportunities; and
5. develop and exploit the brand name "LASER".

The Group now has a solid profit base with a capacity for growth, an expanded and targeted product range, a well organised distribution network and a skilled and competent management team eager for new opportunities.

### Performance Sailcraft Europe and Precis

PSE is, and has been since 1982, the licensed builder of the LASER range of sailing boats for Europe, the Middle East and North Africa and is currently the largest and most successful of the LASER builders. The principal product is the single handed LASER sailing dinghy. First produced in the early seventies, it is one of the best known and most successful of all small boats. The LASER is used in most countries' national sailing programmes and is one of the most popular club sailing dinghies due to its simplicity, high performance, relatively low cost and high resale value.

As well as the single handed LASER, PSE has developed and currently sells several other sailing boats under the LASER brand name. These include the "LASER 2 Regatta", a 2 person high performance class racing dinghy suitable for youth

training and mixed adult competitive sailing and the "LASER 16", a 4/6 person family day sailing dinghy, as well as several derivatives of the LASER and LASER 2 suitable for different users.

A 13ft 2/4 person family day sailing dinghy is being developed for introduction for the 1990 season.

PSE will shortly conclude an agreement to acquire rights to the "LASER" trade mark, including common law rights by usage, throughout the world (excluding North America, Japan, Korea and the Central American republics). In certain countries these rights are subject to existing licence agreements, notably in Australia, Brazil and South Africa.

Precis was formed in 1982 to develop and exploit the design of a 28ft racing cruiser yacht, known as the "LASER 28". Although technically satisfactory, the product has not succeeded commercially. In Europe certain rights to manufacture and market the boat have been granted to a UK company. In the US the class association is forming a company to take over the building of this boat. The illustrative projections set out in Appendix II exclude any contribution from the sales of the LASER 28.

#### Dart Catamarans International

DCI is one of the leading manufacturers of catamarans in Europe as owner of the trade mark DART relating to catamarans (except in South Africa and France) and is the exclusive user of the copyright relating to the DART catamarans (except in South Africa).

In 1987, when DCI was not part of the Group, the Group acquired the UK distribution rights for the DART catamarans for a 3 year period. The Group has increased sales from 60 units in 1986/7 to over 200 units in 1988/9.

On 5th June, 1989 Gavel acquired the whole of the issued share capital of DCI (then called Panthercraft Limited) for a consideration of £510,000 plus associated acquisition costs. The purchase price was financed by a short term loan of £230,000 from Barclays Bank plc and a one year loan of £280,000 from Stratagem Group plc, a major shareholder in the Company. Further details of the arrangements with Stratagem are set out on pages 27 and 28.

In the year to 30th September, 1988 DCI made a pre-tax profit of £18,100 and in the seven months to 30th April 1989 a pre-tax loss of £27,239.

The DART range of catamarans complement the LASER products and marketed together the Directors consider they should acquire a much higher profile, which should result in significantly improved sales of DART catamarans and LASER products outside the UK.

The DCI factory in Penryn is not fully utilised and has a work force trained to produce high quality products in the same materials used for the production of Lasers, providing additional production capacity for the Gavel Group.

Steps have been taken to integrate DCI into the Group to reduce overheads and improve control. Significant improvements in productivity are expected at the Penryn factory with the introduction of production methods that have proved successful in the production of Lasers at Banbury.

DCI currently manufactures a range of three high performance catamarans, the "DART 15", "DART 18" and "DART 20".

The DART 15 is a "car-toppable" fun catamaran of which approximately 130 are sold each year. The DART 18 is a One Design class racing catamaran and is the product upon which DCI was founded. It was introduced in 1976 and nearly 5500 have been sold to date. Sales are currently approximately 370 units per year of which 110 are sold by the Laser Centre in the UK. The DART 20 is a twin trapeze, catamaran first introduced in 1980, of which approximately 450 have been sold to date.

Cosmetic changes are planned for the DART 18 together with improvements to many details to increase its perceived value without affecting the class racing specification. A new modern rig is being developed for the DART 20. A re-launch with the new rig is planned for 1990. Also, a derivative of the DART 15 has been developed for sale in certain overseas markets. All these developments have been initiated since the acquisition of DCI.

In addition to the above range of catamarans a design has been commissioned for a new 21ft DART. The decision to produce the boat will be taken later this year on completion of the design work.

## MARKETING

The main marketing areas are the UK, France, Germany, Italy, Holland and Switzerland with fringe markets in Austria, Belgium, Eire, Denmark, Norway, Sweden, Finland, Spain, Portugal and the Middle East. The majority of LASER and DART sales are within the United Kingdom and the main European markets. Sales are steadily growing in Turkey and Greece, supported by government policies to encourage youth sailing. Sales in North Africa are mainly restricted to holiday operators and are generated from the European based administration.

## The U.K. Market

In 1985 the Group re-organised its U.K. product distribution by establishing "The Laser Centre" as its own national retail outlet based at its Banbury headquarters. There is a smaller franchised Laser Centre in Glasgow, and Northern Ireland is serviced by a dealer in Belfast. At the same time in 1985 PSE stopped selling boats through the existing dealer network which continued stocking and selling LASER spares and accessories.

Establishment of the Laser Centre provided the Company with full control of its marketing and distribution in the UK and allowed increased advertising and promotional expenditure. The Laser Centre has now become an important and growing profit centre within the Group and is currently undergoing further development. It has also provided valuable experience for the Group in the direct marketing of products.

The Laser Centre sells both LASER and DART boats and currently over 1200 new and used boats are sold each year. It has also established a mail order business which currently has a turnover of approximately £225,000 per annum. The Centre is now expanding its retailing activities to include the products of other manufacturers.

The Laser Centre advertises extensively in the specialist press and exhibits at national and regional boat shows and other selected leisure activity shows. It is involved in many direct promotional activities that encourage the buying public to use the products.

The Laser Centre has sponsored a school based at Falmouth for LASER and DART sailing which provides tuition to prospective purchasers of boats at basic and expert levels. It is planned to expand these courses into other areas of the country during 1990.

## Overseas Markets

PSE has concentrated its activities over the last four years in those markets where sales would be most easily and cost effectively obtained. Advertising costs, which vary enormously in each country, have been a major factor in these decisions.

The distribution in these territories is through either an importer or an agent and local dealers as appropriate to the circumstances of each market. PSE directs and supervises all marketing and advertising.

PSE has already achieved considerable success in developing sales to holiday operators such as Club Med and Club Mark Warner. With the increase in activity holidays, and the subsequent increase in interest in sailing as a holiday activity, there are significant further opportunities to be exploited for both the LASER and DART marques.

## Brand Name Marketing

Sales have been stimulated in the UK with the assistance of a marketing link up with SAAB which provides a higher and more attractive profile to young buyers with sponsorship providing good prizes and social activities for racing events. Your Board believes that significant benefits can be obtained from the development and exploitation of brand name marketing. It is currently involved with joint marketing ventures with TIMEX, AQUASCUTUM and DELSEY and the LASER brand is seen as an active market leader with potential to develop into other leisure sectors.

A range of LASER brand name clothing and accessories has also been developed and is now being marketed by PSE.

## PRODUCTION FACILITIES

The Group occupies six leasehold industrial properties, three in Banbury and three in Penryn, Cornwall details of which are set out in Appendix III.

With the acquisition of DCI the existing manufacturing facilities, with certain planned improvements, are adequate for projected production until 1991. Thereafter additional space will be required. The lease of the Banbury production unit expires in 1992 and the lease is not renewable. Alternative manufacturing facilities will therefore have to be found.

The extension of the M40 motorway between Oxford and Birmingham is expected to impact on industrial property rentals and wage/salary levels in the Banbury area. Accordingly, the rent payable in respect of the existing space in Banbury is expected to increase by significantly more than that of the properties in Penryn.

The location of the new premises will be determined during 1990/91 in the light of these factors and the circumstances prevailing at that time.

## FUTURE DEVELOPMENTS

Whilst the LASER is a mature product the strength of the class associations ensure a continuing volume of sales to new and existing participants in the sport. The Board expects that sales of the Group's existing products will continue to grow steadily. The Group's products are continually being reviewed with a view to their improvement and the enhancement of their sales potential, with new products being developed to fill gaps in the market where opportunities are perceived.

The recent acquisition of DCI will provide an immediate and significant growth opportunity. Gavel will use the experience gained in the U.K. with DART products and its knowledge and contacts in the important European markets to increase DART sales. The ability to combine LASER and DART marketing activities will enhance both marques and also provide economies of scale that will help to raise the marketing profile without significant increases in marketing expenditure.

The Board sees significant opportunities for the use of the Group's brand names. PSE is currently developing its own collection of leisure wear clothing and associated accessories to be sold using its brand names LASER and DART. The Group intends to seek markets outside the marine leisure sector in specialist retail outlets.

The Laser Centre also provides opportunities to expand clothing and accessory sales. Joint marketing ventures with Aquascutum and Delsey have been agreed as the first stage in this expansion. Other complementary products will be sought to expand the retailing activities at the Laser Centre.

The recent acquisition of the further rights relating to the LASER trade mark and the acquisition of DCI are expected to provide further opportunities for overseas sales outside Europe.

Gavel intends to expand by acquisition and is seeking opportunities particularly in areas that meet the following criteria:

- involvement in leisure or sports related activities matched to the skills and experience of the Gavel management team;
- goods having an established brand name or trade mark; and
- capacity for volume growth

The Board considers that Gavel is well positioned to identify possible acquisitions and it is currently evaluating a particular project which falls within the criteria set out above.

#### REASONS FOR THE RIGHTS ISSUE

The primary objective of the Board is to build the Group to a size and profitability by organic growth and acquisition that would enable it to be floated on The Stock Exchange within the next three years.

In the short term funds are required by the Company to repay the loans from Barclays Bank plc and Stratagem Group PLC incurred at the time of the acquisition of DCI. The Barclays loan is repayable on 31st October, 1989 and the Stratagem loan provides for payment of a significant profit share of the Group if it is not repaid by 3rd June, 1990. Your Board considers it to be in the best interests of the Company and its shareholders to refinance both of these loans. As well as expanding by acquisition the Board expects the core business to grow organically with further opportunities for development and refinement. In order to facilitate this growth your Board is budgeting to incur capital expenditure on product development, tooling, vehicles, plant and machinery, a new production unit and fixed plant totalling £500,000 by the end of 1992.

The purpose of the Rights Issue is therefore both to refinance the debts relating to the recent acquisition of DCI and to provide funds for the expansion of the Group.

#### THE BOARD OF DIRECTORS, SENIOR MANAGEMENT AND STAFF

The Directors of Gavel are:

**J D T Greenall** (Non-Executive Chairman), aged 50, has been a stockbroker since 1960 and is an executive director of Greig Middleton & Co Limited. Mr Greenall is also a director of a number of other companies.

**T W Coventry** (Managing Director), aged 48 began his business career in the automobile industry and has also worked in the fields of management consultancy and overseas business development. He is an accomplished yachtsman and between 1971 and 1974 he held National, European and World Titles in the Tornado and LASER Classes of yachts. Mr Coventry formed the LASER Class Association in Europe in 1971 and he was World President of the International LASER Class Association until 1981. In 1981 and 1982 Mr Coventry was a consultant to the LASER parent company in Canada and in 1983 was a member of the team that helped raise the finance for PSE to purchase the LASER business following the formation of Gavel in July 1983.

**W F Dyer** (Finance Director), aged 64, is a Fellow of the Chartered Association of Certified Accountants. He has worked for Lloyds Bank, the Morgan Group and the Beecham Group. Prior to joining Gavel, Mr Dyer was Chief Internal Audit Manager for the Unipart group of companies where he had worked in senior financial positions for 20 years.

**B E Kerrison** (Non Executive), aged 41, has worked for Lazard Brothers & Co Ltd, The World Bank Group and Banque Paribas where he was head of their Corporate Finance Department in London. He is now Chairman and Managing Director of Stratagem Group PLC, a listed investment company, which is a 22.4 per cent shareholder in Gavel.



P A C H Phipps (Non-Executive), aged 48, qualified as a Chartered Accountant before being called to the Bar by the Inner Temple. He was Assistant Director and Head of Research and Planning at Lazard Brothers & Co Ltd from 1975 to 1977 and was Senior Manager and Head of Corporate Finance at the London branch of Banque Bruxelles Lambert S.A from 1985 to 1988. Mr Phipps worked with Mr Coventry between 1981 and 1983 in arranging and financing Gavel's acquisition of the European LASER business. He is a director of several other companies, and also has his own corporate financial consultancy business.

The Group has built a strong and complementary management team covering production, marketing, sales, distribution and finance which the Directors consider has the skills necessary to handle new challenges.

The senior managers who play a key role in the day to day running of the Group include:

Richard Simmonds, aged 27, is a Director of PSE and DCI and responsible for the Group's marketing activities.

Harvey Reader, aged 42, is a Director of PSE and DCI and responsible for sales and distribution.

Chris Nichols, aged 46, is a Director of PSE and DCI and responsible for production and warehouse control.

Paul Bulman, aged 38, is the Group financial controller and Company Secretary. He is responsible for accounting functions within the Group.

The Group has a total workforce, including executive directors, of approximately 110.

Details of the Service Contracts of the Directors and Senior Executives are set in Appendix III

#### FINANCIAL INFORMATION

The Group's report and accounts for the year ended 31st December, 1988 are enclosed with this Circular.

A summary of the audited accounts for the period 31st March 1985 to 31st December 1988 is included in Appendix I. This shows a growth in turnover from £963,802 for the 9 months to 31st December, 1985 to £5,280,703 for the year to 31st December 1988. This is equivalent to an annual growth rate of approximately 60 per cent. The gross profit margin has improved from 28 per cent in 1985 and 1986 to 32 per cent in 1988.

The accumulated losses had been substantially eliminated by 31st December, 1988 and unaudited management accounts for the first six months of 1989 show the Group with positive revenue reserves.

## ILLUSTRATIVE PROJECTIONS

Illustrative projections for the Group for the four years ending 31st December, 1992 are set out in Appendix II.

IT SHOULD BE NOTED THAT THESE PROJECTIONS ARE FOR ILLUSTRATIVE PURPOSES ONLY AND DO NOT CONSTITUTE A PROFIT FORECAST

## DIVIDEND POLICY

The projections for the current financial year show that the accumulated losses of the Group will be eliminated by 31st December, 1989 and Gavel will therefore be in a position to pay dividends. The Directors intend to commence paying dividends on the Ordinary Shares in 1990, subject to the achievement of the expected profits for the year to 31st December, 1989.

## RISK FACTORS

Investment in shares in any company carries a degree of risk. Your attention is drawn to the following factors which the Directors consider to be the most significant risks attaching to an investment in the Company:

- a major adverse change in exchange rates could potentially affect export sales;
- the level of consumer acceptance of new products under development but not yet launched cannot always be accurately predicted;
- unforeseen delays in completing the development of planned new products could affect the time when these are launched onto the market with a resultant delay in revenue flow;
- material adverse change in economic conditions in the major markets for the Group's products, including a continuing period of high interest rates affecting consumer spending could affect the Group's ability to achieve the level of sales projected;
- the costs of integrating the DART manufacturing operation could exceed expectations; and
- the cost of premises and staff in the Banbury area appears likely to rise significantly and the Company may encounter delay or difficulty in seeking to relocate its business.

## DETAILS OF THE RIGHTS ISSUE

### Terms of the Issue

Subject to the passing of the Resolutions to be proposed at the Extraordinary General Meeting, shareholders on the register at the close of business on the Record Date have been provisionally allotted new Preference Shares at a price of £1.20 per share on the following basis:

Two Preference Shares for every seven existing Ordinary Shares then held

Fractions of shares have been disregarded in calculating the entitlements of members.

Subject to the passing of the Resolutions the subscription price of £1.20 per Preference Share will be payable in full on acceptance not later than 3.00 p.m. on 27th October, 1989.

The Preference Shares, when fully paid, will have the rights and be subject to the restrictions set out in the new Articles of Association. In particular they will carry a cumulative preferential dividend of 12 per cent net which will be payable in equal half yearly instalments on 30th April and 31st October in each year. The first dividend will be payable on 30th April, 1990.

Preference Shares may be redeemed by the Company in each year before 1999 at a price which will give a compound pre-tax rate of return of 25 per cent per annum when aggregated with dividend payments in respect of the shares to be redeemed. Not more than 40 per cent of profits available for distribution may be used to redeem Preference Shares each year before October, 1999. Holders of Preference Shares will have the option of converting every five Preference Shares to be redeemed into eight Ordinary Shares of 10p each rather than accepting redemption.

Shareholders may convert every five Preference Shares they hold into eight Ordinary Shares of 10p each on 30th June, 1993 (or earlier on notice of redemption) and on 30th June in every subsequent year. Any Preference Shares not converted or redeemed by 18th October, 1999 shall (subject to any statutory provisions) be redeemed on that date at par plus premium.

### Procedure for acceptance and payment

The Provisional Allotment Letter enclosed herewith sets out your holding of existing Ordinary Shares on which your entitlement is based and the number of Preference Shares which have been provisionally allotted to you and for which you are provisionally entitled to subscribe.

Shareholders who wish to subscribe for Preference Shares must lodge the Provisional Allotment Letter, together with a remittance for the full amount payable on acceptance, in accordance with the instructions printed thereon with the Company at 6 Riverside, Banbury, Oxon OX16 8TL so that it arrives not later than 3.00 p.m. on 27th October, 1989.

If payment has not been received by 3.00 p.m. on 27th October, 1989, the provisional allotment will be deemed to have been declined and will lapse.

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

As the Company is a private company and may not offer its shares to the public the provisional allotment may only be renounced in favour of existing shareholders or employees of the Company or the members of their families (as defined in the Provisional Allotment Letter). If you wish to sell or transfer all or part of your entitlement to subscribe for the Preference Shares to any such person, you should follow the instructions contained in the Provisional Allotment Letter. Full instructions in respect of the procedure for acceptance and payment or renunciation are set out in the Provisional Allotment Letter.

No market will be made in rights not taken up, but these will be available for subscription by shareholders wishing to subscribe for additional shares as set out below.

If you wish to apply for any of the Preference Shares not taken up in addition to your entitlement you should complete and sign the Excess Application Form enclosed herewith as indicated thereon and forward it together with a separate remittance for the amount payable in respect of the additional Preference Shares applied for to Gavel Securities Limited at 6 Riverside, Banbury, Oxon OX16 8TL so as to arrive not later than 3.00 p.m. on 27th October, 1989. No receipt will be issued but a fully paid Allotment Letter in respect of any additional Preference Shares allotted will be forwarded to you or your agent as soon as possible thereafter. If no allotment is made the amount paid on application will be returned to you in full. Where the number of Preference Shares allotted to you is less than that applied for, the surplus application money will be refunded to you. The basis of allotment of the excess shares will be decided by the Directors in their absolute discretion. The Excess Application Form should be used only by the person(s) named therein and is not transferable.

#### TAXATION

If you dispose of any of the Preference Shares provisionally allotted to you, or your rights thereto, you may, depending on your circumstances, incur a taxation liability.

The Preference Shares to be provisionally allotted to you which you take up will be treated for United Kingdom Capital Gains Tax purposes as though they had been acquired at the same time as your original holding. The cost of your new shares is added to the cost of the original holding for the purpose of ascertaining allowable expenditure. Under present United Kingdom legislation, indexation allowances will also be available on the consideration paid for your new shares from the date on which payment is due.

If you sell the whole or part of your enlarged holding of Shares or the rights to Preference Shares provisionally allotted to you this may constitute a disposal for United Kingdom Capital Gains Tax purposes and, depending on your individual circumstances, a liability to taxation may arise.

If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

#### **NEW ARTICLES OF ASSOCIATION**

Your Board proposes that the Company should adopt the new Articles of Association in place of its existing Articles. The purpose of this change is to set out the rights attaching to the Preference Shares and also to put in place Articles suitable for the Company on its conversion to plc status, which it is expected will happen next year. A copy of the draft new Articles of Association is enclosed for your information. The new Articles of Association also set out in full the rights attaching to the Preference Shares.

#### **FURTHER INFORMATION**

Your attention is drawn to the further information in Appendix III of this document.

#### **ANNUAL GENERAL MEETING**

You will find set out on page 35 notice convening the Annual General Meeting of the Company. A white form of proxy is enclosed for use at the Annual General Meeting.

#### **EXTRAORDINARY GENERAL MEETING**

You will find set out on page 36 of this document a Notice convening an Extraordinary General Meeting for 18th October, 1989 at which Resolutions will be proposed to increase the Company's authorised share capital, adopt the new Articles of Association and to authorise the Directors to allot and issue the Preference Shares.

The Directors are also taking this opportunity (by Resolution 3 set out in the Notice) to seek shareholders' authority pursuant to Section 95 of the Companies Act 1985 to allot securities for cash other than in proportion to existing shareholdings. Following the Rights Issue the amount of

authorised but unissued share capital not reserved for specific purposes will be £24,046.20 representing 2.13 per cent of the Company's issued share capital assuming all Preference Shares provisionally allotted are taken up.

Resolution 4 set out in the Notice at the end of this document will empower your Directors to allot shares for cash, otherwise than in proportion to existing shareholdings, up to a maximum aggregate nominal amount of £10,000 which will result in your Directors being authorised to issue the equivalent of 0.89 per cent of the issued share capital of the Company as enlarged following the Rights Issue assuming all the Preference Shares provisionally allotted are taken up. The Company intends to comply with the guidelines recently issued by the Association of British Insurers in connection with the disapplication of shareholder's statutory pre-emption rights on the issue of shares for cash.

Save in respect of the Rights Issue or pursuant to the Executive Share Option Scheme, the Directors have no present intention of issuing any of the authorised but unissued Shares of the Company. No issue of such shares will be made which will effectively alter control of the Company without the prior approval of shareholders in General Meeting.

#### ACTION TO BE TAKEN

A blue form of proxy is enclosed for use at the Extraordinary General Meeting and a white form of Proxy for use at the Annual General Meeting. Whether or not you intend to be present at the meetings, you are asked to complete and return the form of proxy in accordance with the instructions printed thereon so as to be received not later than 12.00 noon on 16th October, 1989. Completion and return of the form of proxy will not preclude you from attending the meetings and voting in person should you so wish.

#### RECOMMENDATION

Your Directors consider the Rights Issue to be in the best interests of the Company. Accordingly, your Directors unanimously recommend you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as they intend to do so in respect of their shareholdings amounting to 229,202 Ordinary Shares representing 7.8 per cent of the share capital.

Yours sincerely

J D T GREENALL  
Chairman

# APPENDIX I

## Summary of Audited Accounts of Gavel Securities Limited 1985 - 1988

|                                                | Period<br>22.3.85 to<br>31.12.85 | Year to<br>31.12.86 | Year to<br>31.12.87  | Year to<br>31.12.88   |
|------------------------------------------------|----------------------------------|---------------------|----------------------|-----------------------|
| Revenue                                        | 963,802                          | 2,977,073           | 3,876,858            | 5,280,703             |
| Gross<br>Profit<br>(% of<br>revenue)           | 271,029<br>(28.12%)              | 858,919<br>(28.65%) | 1,314,399<br>(33.9%) | 1,699,846<br>(32.19%) |
| Overheads                                      | 417,103                          | 1,040,594           | 1,228,238            | 1,400,585             |
| Profit/<br>(Loss)<br>before tax                | (146,074)                        | (181,675)           | 86,161               | 299,261               |
| Tax                                            | -                                | -                   | 8,500                | 99,000                |
| Profit/<br>(Loss)<br>after tax                 | (146,074)                        | (181,675)           | 77,661               | 200,261               |
| Earnings<br>per share<br>(2,992,538<br>shares) |                                  |                     | 2.6                  | 6.7                   |

# BALANCE SHEETS

|                           | 31.12.85       | 31.12.86         | 31.12.87         | 31.12.88         |
|---------------------------|----------------|------------------|------------------|------------------|
| Fixed Assets              |                |                  |                  |                  |
| Intangible Assets         |                |                  | 187,667          | 200,000          |
| Tangible Assets           | 181,330        | 143,091          | 207,197          | 273,608          |
|                           | <u>181,330</u> | <u>143,091</u>   | <u>394,864</u>   | <u>473,608</u>   |
| Current Assets            |                |                  |                  |                  |
| Stocks                    | 474,198        | 522,951          | 786,573          | 821,169          |
| Debtors                   | 362,846        | 503,171          | 386,873          | 519,073          |
| Cash                      | 47,799         | 21,086           | 25,390           | 4,783            |
|                           | <u>884,843</u> | <u>1,047,208</u> | <u>1,198,836</u> | <u>1,345,025</u> |
| Current Liabilities       |                |                  |                  |                  |
| Creditors                 | 562,258        | 867,699          | 998,646          | 1,030,297        |
| Net Current Assets        | 322,585        | 179,509          | 200,190          | 314,728          |
| (Creditors over one year) | 12,970         | 13,330           | 25,103           | 18,124           |
|                           | <u>490,945</u> | <u>309,270</u>   | <u>569,951</u>   | <u>770,212</u>   |
| Represented by            |                |                  |                  |                  |
| Share Capital             | 292,252        | 292,252          | 292,252          | 292,252          |
| Capital Reserve           | 344,767        | 344,767          | 509,201          | 509,201          |
| P & L a/c                 | ( 146,074)     | (327,749)        | (231,502)        | (31,241)         |
|                           | <u>490,945</u> | <u>309,270</u>   | <u>569,951</u>   | <u>770,212</u>   |



## APPENDIX II

### Illustrative Projections for the three years ending 31st December 1991

The table below sets out the actual results of the Group for the year ended 31st December 1988 and the projected figures for the four years 1989 through to 1992.

The projections have been compiled in accordance with the Group's accounting policies and on the basis of the principal assumptions set out below.

THESE FIGURES ARE FOR ILLUSTRATION ONLY AND THE DIRECTORS STRESS THAT THEY SHOULD NOT BE REGARDED AS FORECASTS.

| Actual<br>Year to<br>31.12.88<br>£'000 |                                        | Projected                    |                              |                              |                              |
|----------------------------------------|----------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                        |                                        | Year to<br>31.12.89<br>£'000 | Year to<br>31.12.90<br>£'000 | Year to<br>31.12.91<br>£'000 | Year to<br>31.12.92<br>£'000 |
| £,281                                  | Revenue                                | 5,923                        | 8,118                        | 9,621                        | 11,492                       |
| 1,700                                  | Gross Profit                           | 1,848                        | 2,412                        | 2,982                        | 3,562                        |
| 1,401                                  | Overheads                              | 1,621                        | 1,813                        | 2,012                        | 2,263                        |
| 299                                    | Profit before tax                      | 227*                         | 599                          | 970                          | 1,299                        |
| 99                                     | Tax (projected at 35%)                 | 79                           | 210                          | 340                          | 455                          |
| 200                                    | Profit after tax                       | 148                          | 389                          | 630                          | 844                          |
|                                        | Preference dividends                   | 17                           | 100                          | 100                          | 100                          |
|                                        | Available for ordinary<br>shareholders | 131                          | 289                          | 530                          | 744                          |
| 6.9p                                   | Earnings per share                     | 4.5p                         | 9.9p                         | 18.1p                        | 25.5p                        |
| N/A                                    | Earnings per share<br>fully diluted    | 3.5p                         | 9.1p                         | 14.8p                        | 19.8p                        |

\* During the current year the Group acquired the whole of the issued share capital of DCI. If the costs associated with the acquisition and the projected trading losses of DCI are eliminated, the projected pre-tax profit of the Group for the year to 31st December 1989 (based on the Assumptions set out below) would be £375,000.

### ASSUMPTIONS

The illustrative projections of the Group for the four years ending 31st December, 1992 have been made on the basis of the following principal assumptions:

1. Interest rates and the bases and rates of taxation will not change materially in the projected periods.
2. Exchange rates for foreign currencies will not fluctuate materially in the projected periods.
3. The new DART 15 and 20 models and the new 13ft LASER will be available in October 1989 and accepted in the market place.
4. In respect of the year ended 31st December, 1989 increased sales to Italy will result from the recent significant reduction in VAT.
5. Trading results will not be affected by industrial disputes either within the Group or at its principal suppliers and customers.
6. Supplies of the principal raw materials namely resin, aluminium and sailcloth, will be available to enable anticipated activity levels to be achieved.

Your attention is drawn to the risk factors set out on page 17.

## APPENDIX III

### General Information

#### 1. Directors' responsibility

The Directors of the Company, whose names appear on page 5 of this Circular, are the persons responsible for the information contained in this Circular. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

#### 2. The Company

The Company was incorporated on 22nd March, 1985 with registered number 1898682 under the Companies Acts 1948 to 1981 as a private company limited by shares.

#### 3. Share Capital

The authorised share capital of the Company is £325,000 divided into 3,250,000 Ordinary Shares of 10p each of which 2,922,538 have been issued credited as fully paid.

On 11th October 1988 the Company adopted an Employee share option scheme approved by the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988. The maximum number of shares over which options may be granted under the Scheme (together with any options granted under any other share option scheme) is 10 per cent of the Ordinary Shares in issue at the time of grant. To date options over 87,000 shares have been granted pursuant to this scheme.

Save as disclosed herein:

- (i) No share or loan capital of the Company or the Subsidiaries has been issued since the incorporation of the Company or the Subsidiaries;
- (ii) No share or loan capital of the Company or the Subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

#### 4. The Subsidiaries

##### PSE

PSE is a wholly owned subsidiary of the Company. It was incorporated on 28th November, 1967 under registered number 922893. It has an authorised share capital of £50,000 divided into 50,000 Shares of £1 each, all of which have been issued and credited as fully paid.

## DCI

DCI is a wholly owned subsidiary of the Company which was acquired with effect from 1st May, 1989. It was incorporated on 25th October 1971 under registered number 1027974 and has an authorised share capital of £30,000 divided into 30,000 Ordinary Shares of £1 each, of which 21,600 are issued and credited as fully paid.

## PRECIS

Precis is a wholly owned subsidiary of the Company. It was incorporated on 16th February, 1982 under registered number 1614216 and has an authorised share capital of £150,000 divided into 1,500,000 Shares of 10p each, all of which have been issued and credited as fully paid.

## PANTHERCRAFT

At the time DCI was acquired by Gavel it was known as Panthercraft Limited. The name of the company formerly known as Panthercraft Limited was changed to Dart Catamarans International Limited on 30th June, 1989. The Company has incorporated a new company with the name of Panthercraft Limited to ensure that another company cannot be incorporated with that name.

## 5. The Acquisition of DCI and Associated Loan Transactions

Under an Agreement dated 5th June 1989 Gavel acquired the entire issued share capital of DCI with effect from 1st May 1989, for a total consideration of £510,000.

The purchase price was provided by a loan of £230,000 from Barclays Bank plc repayable on 31st October, 1989 and by a loan of £280,000 from Stratagem Group PLC, (the "Stratagem Loan").

The terms of the Stratagem Loan provide for repayment on 3rd June 1990, and failing repayment, for payment of 36.35 per cent of the consolidated post tax profits of the Group in addition to interest. In addition, the Stratagem Loan and any accrued interest, if not repaid by 3rd June 1990, may, subject to the passing of the necessary resolution in General Meeting by Shareholders of the Company be converted at the Stratagem's option into Ordinary Shares in accordance with the following formula:

$$Y = \frac{L}{X}$$

Where Y represents the number of new Ordinary Shares of 10p each in the capital of the Company to be allotted and issued to Stratagem

L is the principal sum of £280,000 ("the Principal Sum") together with all interest accrued but unpaid thereon at the date of conversion

X is the lower of:

(a) 45p; and

(b) the higher of:

(i) 10p

(ii)  $\frac{(7P) - L}{C}$

Where P is the amount of consolidated profit after tax of the Company and the Subsidiaries for the last completed financial period ended prior to the date of conversion together with interest paid on the Principal Sum during such period

C is the number of Ordinary Shares of 10p each of the Company in issue immediately prior to conversion

The Company's borrowings from Barclays Bank plc and Stratagem Group PLC are secured by first and second fixed and floating charges respectively over the assets of both Gavel and PSE.

## 6. Directors' and other interests

The Directors and their wives and minor children have the following interests (all beneficial) in the share capital of the Company:

| Directors                               | No of Ordinary Shares in the capital of the Company | Percentage of the Ordinary Share capital prior to the Rights Issue |
|-----------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------|
| John Desmond Thomas Greenall            | 7,000                                               | Less than 1 per cent                                               |
| Timothy William Coventry                | 102,101                                             | 3.49                                                               |
| William Frederick Dyer                  | Nil                                                 | Nil                                                                |
| Bernard Edward Kerrison                 | Nil                                                 | Nil                                                                |
| Piers Anthony Constantine Howard Phipps | 120,101                                             | 4.11                                                               |

Note :

Mr Kerrison is a Director of Stratagem Group PLC which is the beneficial owner of 665,249 Ordinary Shares (representing 22.4 per cent of the issued share capital prior to the Rights Issue) registered in the name of Bank of Scotland London Nominees Limited.

The Directors are aware of the following holdings of 5 per cent or more of the share capital of the Company:-

| Name of Shareholder               | Number of Shares held | Percentage of Ordinary Share Capital |
|-----------------------------------|-----------------------|--------------------------------------|
| London & Strathclyde Trust plc    | 250,000               | 8.55                                 |
| MGX Nominees Ltd ("A" Account)    | 184,492               | 6.31                                 |
| Morgan Nominees Ltd MG A/c        | 168,983               | 5.78                                 |
| Scottish Amicable Nominees Ltd    | 300,000               | 10.27                                |
| Witan Investment Company plc      | 747,459               | 25.58                                |
| NC Lombard Street Nominees Ltd    | 168,983               | 5.78                                 |
| Bank of Scotland Nominees Limited | 655,249               | 22.42                                |

Save as aforesaid the Directors are not aware of any shareholding which, following the Rights Issue, will represent five per cent or more of the issued share capital of the Company.

Save as disclosed herein, no Director has had any material interest direct or indirect in any assets which within two years of the date of this document have been or which are proposed to be acquired or disposed of by or leased to the Company.

#### 7. Service and Consultancy Agreements

The Company has agreed to enter into, or has, where indicated, already entered into, the following service and consultancy agreements :-

- (1) The Company has entered into an agreement with Mr T.W. Coventry whereby Mr Coventry will serve as Managing Director of the Company until 31st December, 1989 at a salary of £45,000 p.a. payable monthly in arrears and a single annual pension contribution of £8,000. It is intended that a new agreement will be negotiated with Mr Coventry before 31st December, 1989.
- (2) An agreement to be made between the Company (1) and Mr W.F. Dyer (2) in which Mr Dyer agrees to act as part-time Finance Director of the Company at a salary of £21,000 p.a., payable monthly in arrears and a Director's fee of £7,500 p.a. The agreement will be for a term of two years commencing 1st August 1989 terminable thereafter by either party on six months' notice.
- (3) Agreements to be entered into by the Company with :-
  - (a) Mr P. Bulman, to act as Finance Director of PSE and DCI;
  - (b) Mr. C.F. Nichols, to act as Works Director of PSE and DCI;
  - (c) Mr H.C. Reader, to act as Commercial Director of PSE and DCI; and
  - (d) Mr. R.C. Simmonds, to act as Marketing Director of PSE and DCI

in which each of them will be paid a salary of £25,000 p.a. payable monthly in arrears. The term of each agreement will be three years commencing on 1st October, 1989 and will be automatically extended for a further year each subsequent 1st October unless the Company gives written notice on or before 1st September to the effect that the agreement shall not be so extended or if the relevant Director gives four months' notice in writing to terminate his agreement.

- (4) The Company has entered into a agreement with Phoenix Services, in which Mr Coventry is a partner, for the provision of product design and development services. In the current year to date £36,650 has been paid for these services and £53,600 was paid in the year ending 31st December 1988.

#### 8. Working Capital

The Directors of the Company consider that, having regard to the existing cash resources of the Group and following receipt of the net proceeds of the Rights Issue the Group will have sufficient working capital for its present requirements.

## 9. Indebtedness

At the close of business on 31st August, 1989 there were outstanding loans of amounting in total to £439,000. Save for this amount and intra-Group loans at that date no member of the Group had any loan capital outstanding or created but unissued, term loans or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, obligations under finance leases, guarantees or other material contingent liabilities.

## 10. Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company or the Subsidiaries within the two years preceding the date of issue of this Circular and are or may be material:

- (1) Agreement dated 5th June, 1989 between J.K.W. Stephens and I.K. Fraser and the Company relating to the acquisition of DCI;
- (2) Loan Agreement dated 5th June, 1989 between Stratagem Group Plc and the Company relating to a loan of £280,000;
- (3) Loan Agreement dated 5th June, 1989 between Barclays Bank plc and the Company relating to a short term loan of £230,000 as amended by a letter dated 14th September, 1989;
- (4) Agreement ("the Assets Agreement") dated 30th August, 1989 between Metcalfe Realty Company Limited ("Metcalfe") and PSE relating to the sale by Metcalfe of various intangible assets including the registered "LASER" trade mark in some countries, the unregistered trade mark and trade name rights in the name of "LASER" in other countries and goodwill relating thereto, for a consideration of 75,000 Canadian Dollars; and
- (5) Agreement dated 30th August, 1989 between Metcalfe, PSE the Receiver of Laser International Composites Inc ("LIC") and The Royal Bank of Canada who appointed the Receiver relating to the release of Metcalfe by the Receiver from all claims LIC had against Metcalfe in relation to the assets sold pursuant to the Assets Agreement in consideration of a payment of 7,500 Canadian Dollars by PSE to Metcalfe.



## 11. Property

The Group does not own any freehold property but has the leasehold interests numbered (1)-(5) below and has negotiated the grant of a lease on terms set out in (6) below:-

- (1) A lease of the land and warehouse at Unit 4 of the British Rail Tramway Industrial Estate, Banbury, Oxon dated 21st March, 1988 and made between British Rail Pension Trustee Company Limited (1) and PSE (2). The term of the lease is 15 years commencing on 25th June, 1986 and the rent payable is £30,000 p.a. and is subject to reviews on 25th June, 1991 and 25th June, 1996.
- (2) An underlease of Unit 6 of the British Rail Tramway Industrial Estate, Banbury, Oxon dated 23rd August 1984 and made between Markham Developments Limited (1) and PSE (2). The term of the underlease is 10 years commencing on 14th January 1984 and the rent payable was initially £14,000 p.a. and is currently being reviewed.
- (3) A lease of the factory and premises at Plot 3, Kernick Road, Penryn, Cornwall dated 3rd May, 1983 and made between F.W. Johns and F.A. Burley (1) and DCI (then incorporated as Panthercraft Limited) (2). The term of the lease is 7 years commencing 5th April 1983 and the rent payable is £9,500 p.a.
- (4) A lease of the warehouse and premises at Plot 3, Kernick Road, Penryn, Cornwall dated 3rd May, 1983 and made between F.W. Johns and F.A. Burley (1) and DCI (then incorporated as Panthercraft Limited) (2). The term of the lease is 7 years commencing on 4th January 1984 and the rent payable is £9,500 p.a.
- (5) A lease of Unit 2, Falmarine, Kernick Road Industrial Estate, Penryn, Cornwall dated 25th June, 1985 and made between Carrick District Council (1) and DCI (then incorporated as Panthercraft Limited) (2). The term of the lease is 21 years commencing on 1st April 1984 and the rent payable is £5,325 p.a. which is subject to review on 1st April 1992, 1996, 2000 and 2004.
- (6) PSE has negotiated the grant of a lease of a unit at Swan Close Road, Banbury, Oxon by J.M.L. Stone, H.V.L. Stone and A. Webster. The lease will be for a term of 5 years commencing on 25th December 1987 and the rent payable will be £22,000 p.a. The lease will be excluded from Sections 24-28 of the Landlord and Tenant Act 1954 and so PSE will not be able to hold-over at the end of the term. Contracts have not yet been exchanged for the grant of the lease.

## 12. Litigation

PSE is currently pursuing an action in the French courts for trademark infringement against an organization which has been using the name 'LASER' without the authorisation of PSE. The Board has been advised that PSE has a good case but neither the costs involved nor the threat to the Company's goodwill is considered serious by the Board.

Save as indicated above neither the Company nor any of the Subsidiaries is engaged in any litigation or arbitration nor, so far as the Directors are aware, is any litigation or claim pending or threatened by or against any of those companies.

## 13. General

- (1) The expenses of and incidental to the Rights Issue are estimated to amount to £128,000 including the cost of producing and distributing this document, all accountancy and legal expenses in connection with the Rights Issue and Value Added Tax where applicable. Such expenses will be payable by the Company.
- (2) Save as disclosed herein, since the incorporation of the Company no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company.
- (3) The Directors are of the opinion that on completion of the Rights Issue the Company will not be a close company as defined in the Income and Corporation Taxes Act 1988.
- (4) The amount payable on each Preference Share is £1.20 of which 20p is premium.
- (5) Save as disclosed in this document, there has been no material change in the financial or trading position of the Group or any other factor which could have changed the assessment of the value of the Company's securities since 31st December 1988.
- (6) Copies of this document having attached thereto the documents mentioned will be delivered to the Registrar of Companies in London for registration.
- (7) The financial information set out in this document does not constitute full accounts for the purposes of Section 254 of the Companies Act 1985. Full accounts have been delivered to the Registrar of Companies for all accounting periods up to 31st December, 1987 and have been reported on without qualification. Full accounts for the year ending 31st December, 1988 will shortly be delivered to the Registrar of Companies and these have been reported on without qualification.

## 11. Property

The Group does not own any freehold property but has the leasehold interests numbered (1)-(5) below and has negotiated the grant of a lease on terms set out in (6) below:-

- (1) A lease of the land and warehouse at Unit 4 of the British Rail Tramway Industrial Estate, Banbury, Oxon dated 21st March, 1988 and made between British Rail Pension Trustee Company Limited (1) and PSE (2). The term of the lease is 15 years commencing on 25th June, 1986 and the rent payable is £30,000 p.a. and is subject to reviews on 25th June, 1991 and 25th June, 1996.
- (2) An underlease of Unit 6 of the British Rail Tramway Industrial Estate, Banbury, Oxon dated 23rd August 1984 and made between Markham Developments Limited (1) and PSE (2). The term of the underlease is 10 years commencing on 14th January 1984 and the rent payable was initially £14,000 p.a. and is currently being reviewed.
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- (6) PSE has negotiated the grant of a lease of a unit at Swan Close Road, Banbury, Oxon by J.M.L. Stone, H.V.L. Stone and A. Webster. The lease will be for a term of 5 years commencing on 25th December 1987 and the rent payable will be £22,000 p.a. The lease will be excluded from Sections 24-28 of the Landlord and Tenant Act 1954 and so PSE will not be able to hold-over at the end of the term. Contracts have not yet been exchanged for the grant of the lease.

## 12. Litigation

PSE is currently pursuing an action in the French courts for trademark infringement against an organization which has been using the name 'LASER' without the authorisation of PSE. The Board has been advised that PSE has a good case but neither the costs involved nor the threat to the Company's goodwill is considered serious by the Board.

Save as indicated above neither the Company nor any of the Subsidiaries is engaged in any litigation or arbitration nor, so far as the Directors are aware, is any litigation or claim pending or threatened by or against any of those companies.

## 13. General

- (1) The expenses of and incidental to the Rights Issue are estimated to amount to £128,000 including the cost of producing and distributing this document, all accountancy and legal expenses in connection with the Rights Issue and Value Added Tax where applicable. Such expenses will be payable by the Company.
- (2) Save as disclosed herein, since the incorporation of the Company no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company.
- (3) The Directors are of the opinion that on completion of the Rights Issue the Company will not be a close company as defined in the Income and Corporation Taxes Act 1988.
- (4) The amount payable on each Preference Share is £1.20 of which 20p is premium.
- (5) Save as disclosed in this document, there has been no material change in the financial or trading position of the Group or any other factor which could have changed the assessment of the value of the Company's securities since 31st December 1988.
- (6) Copies of this document having attached thereto the documents mentioned will be delivered to the Registrar of Companies in London for registration.
- (7) The financial information set out in this document does not constitute full accounts for the purposes of Section 254 of the Companies Act 1985. Full accounts have been delivered to the Registrar of Companies for all accounting periods up to 31st December, 1987 and have been reported on without qualification. Full accounts for the year ending 31st December, 1988 will shortly be delivered to the Registrar of Companies and these have been reported on without qualification.

14. Documents available for inspection

The following documents or copies thereof may be inspected at the offices of Stringer Saul, Marcol House, 293 Regent Street, London W1R 7PD during usual business hours on any weekdays (Saturdays and Public Holidays excepted) from the date of this document until 27th October, 1989:

- (a) the Memorandum and Articles of Association of the Company and the Subsidiaries together with the new draft Articles of Association;
- (b) the Report and Accounts of the Group for the periods ended 31st December 1987 and 31st December 1988;
- (c) the Material Contracts referred to in paragraph 10 above.

20th September, 1989

GAVEL SECURITIES LIMITED  
(Registered in England No.1898682)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the Company for 1989 will be held on 18th October, 1989 at 12.00 noon at 66 Wilson Street, London EC2A 2BL to transact the following business of the Company:

1. To receive and adopt the report of the Directors and the financial statements for the year ended 31st December, 1988 together with the report of the Auditors;
2. To re-appoint Messrs Price Waterhouse, Chartered Accountants, as Auditors and to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD

P BULMAN  
SECRETARY

Registered Office:

6 Riverside  
Banbury  
Oxon OX16 8TL

Dated: 20th September, 1989

NOTES:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A white form of proxy is enclosed for holders of Ordinary Shares.
3. The instrument appointing a proxy must reach the Company's registered office at 6 Riverside, Banbury, Oxon OX16 8TL not less than 48 hours before the holding of the meeting.

GAVEL SECURITIES LIMITED

(Registered in England No. 1898682)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of the Company will be held at 66 Wilson Street, London EC2A 2BL on 18th October, 1989 at 12.05 p.m. or as soon thereafter at the Annual General Meeting of the Company convened for the same date shall have been concluded or adjourned for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed as:

AN ORDINARY RESOLUTION

1. THAT the authorised share capital of the Company be and it is hereby increased from £325,000 to £1,306,997 by the creation of 834,997 new Convertible Redeemable Cumulative Preference Shares of £1 having the rights and being subject to the restrictions set out in the new Articles of Association to be adopted pursuant to resolution 2 below and 1,470,000 Ordinary Shares of 10p each ranking pari passu with the existing Ordinary Shares already in issue.

A SPECIAL RESOLUTION

2. THAT the draft Articles of Association produced to the meeting and initialled by the Chairman for the purposes of identification be and they are hereby adopted as the Articles of Association of the Company in substitution for the existing Articles of Association thereof.

AN ORDINARY RESOLUTION

3. THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to allot, grant options over or otherwise deal with or dispose of any relevant securities in the capital of the Company (as defined in Section 94 of the Act ) at such times and generally on such terms and conditions as they think fit, but so that no shares shall be issued at a discount except in accordance with the provisions of the Act; PROVIDED THAT the authority contained in this Resolution shall unless varied, revoked or renewed in accordance with Section 80 of the Act:
  - (a) be limited to a maximum nominal amount of shares equal to the amount of authorised but unissued share capital of the Company at the date of the passing of this Resolution:

- (b) expire at the conclusion of the Annual General Meeting of the Company (or any adjournment thereof) next following the passing of this Resolution but without prejudice to any offer or agreement made by the Company before that date which would or might require relevant securities to be allotted or otherwise dealt with by the Directors of the Company under such authority, after that date has passed.

#### A SPECIAL RESOLUTION

- 4(i) THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 3 above as if Section 89(1) of the Act did not apply to any such allotment:

- (a) in connection with a rights issue or rights issues; and
- (b) otherwise than in connection with a rights issue, up to an aggregate nominal value of £10,000

such power to remain in full force until the conclusion of the next Annual General Meeting of the Company or 18th October, 1989 whichever is earlier, (unless previously revoked or amended by the Company in General Meeting), save that the Company may before the expiry of the power hereby conferred make offers or agreements which may or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the power hereby conferred had not expired.

- (ii) For the purposes of this Resolution the expression "rights issue" shall mean an offer of equity securities open for acceptance for a period fixed by the Directors to holders of equity securities on the register on a fixed record date in proportion to their respective holdings of such equity securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional



entitlements or legal or practical problems under the laws of any territory) and shall include the placing of any equity securities so offered but not taken up by such existing holders and the words and expressions defined in or for the purposes of the Companies Act 1985 shall bear the same meaning in this Resolution.

BY ORDER OF THE BOARD

P BULMAN  
SECRETARY

Registered Office:

6 Riverside  
Banbury  
Oxon OX16 8TL

Dated: 20th September, 1989

NOTES:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A blue form of proxy is enclosed for holders of Ordinary Shares.
3. The instrument appointing a proxy must reach the Company's registered office at 6 Riverside, Banbury, Oxon OX16 8TL not less than 48 hours before the holding of the meeting.

WE HEREBY CERTIFY  
THIS TO BE A TRUE  
COPY OF THE ORIGINAL

*Stringer Saul*  
*20/9/89*

POWER OF ATTORNEY

I, JOHN DESMOND THOMAS GREENALL of Lagg House, Dunure, Ayrshire being a Director of GAVEL SECURITIES LIMITED ("the Company") hereby authorise any other Director for the time being of the Company to act for me and on my behalf and as my act and deed or otherwise as my attorney to do, execute or sign any act, deed, prospectus, agreement or other document which such Director may consider necessary, requisite or desirable in connection with a rights issue by the Company ("the Issue") and the issue, publication or release of a rights issue Circular and Provisional Allotment Letter and Excess Application Form ("the Issue Documents") and any other document or advertisement in relation thereto.

I further hereby authorise the issue or publication or release of any document or advertisement or announcement relating to or in connection with the Issue (including, without prejudice to the foregoing, the Issue Documents) which shall have been approved by the Board of Directors of the Company or duly authorised committee thereof and of which I shall not have expressed disapproval by notice in writing addressed to the Company at 6 Riverside, Banbury, Oxon OX16 8TL and to Stringer Saul, Solicitors, at Marcol House, 293 Regent Street, London W1R 7PD and received by the Company and Stringer Saul at such addresses prior to any such issue or publication or release, with the inclusion therein of a statement in terms or to the effect that the Directors of the Company have taken all reasonable care to ensure that the facts stated in any such approved document are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement therein whether of fact or of opinion and that all the Directors of the Company accept responsibility accordingly.

AND I HEREBY UNDERTAKE to ratify whatever my attorney shall do or lawfully cause to be done hereunder and to indemnify my attorney and keep my attorney fully indemnified against all claims costs and expenses which my attorney may suffer as a result thereof.

I declare that the foregoing authorities shall be governed by and construed in accordance with English Law and shall, except as stated above, be irrevocable for 3 months from the date hereof.

IN WITNESS whereof I have this 14<sup>th</sup> day of September 1989 set my hand and seal.

SIGNED SEALED AND DELIVERED)  
by the said JOHN DESMOND )  
THOMAS GREENALL in the )  
presence of:

*M. Daniels.*  
8, Victoria St.,  
Upper Belvedere,  
Kent DA17 5LN.  
(Secretary).

*J.D.T. Greenall*



WE HEREBY CERTIFY  
THIS TO BE A TRUE  
COPY OF THE ORIGINAL

*Stringer Saul*  
*20/9/89*

POWER OF ATTORNEY

I, TIMOTHY WILLIAM COVENTRY of Rosewarren Cottage, Old Church Road, Mawnan Smith, Falmouth, Cornwall TR11 5HU being a Director of GAVEL SECURITIES LIMITED ("the Company") hereby authorise any other Director for the time being of the Company to act for me and on my behalf and as my act and deed or otherwise as my attorney to do, execute or sign any act, deed, prospectus, agreement or other document which such Director may consider necessary, requisite or desirable in connection with a rights issue by the Company ("the Issue") and the issue, publication or release of a rights issue Circular and Provisional Allotment Letter and Excess Application Form ("the Issue Documents") and any other document or advertisement in relation thereto.

I further hereby authorise the issue or publication or release of any document or advertisement or announcement relating to or in connection with the Issue (including, without prejudice to the foregoing, the Issue Documents) which shall have been approved by the Board of Directors of the Company or duly authorised committee thereof and of which I shall not have expressed disapproval by notice in writing addressed to the Company at 6 Riverside, Banbury, Oxon OX16 8TL and to Stringer Saul, Solicitors, at Marcol House, 293 Regent Street, London W1R 7PD and received by the Company and Stringer Saul at such addresses prior to any such issue or publication or release, with the inclusion therein of a statement in terms or to the effect that the Directors of the Company have taken all reasonable care to ensure that the facts stated in any such approved document are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement therein whether of fact or of opinion and that all the Directors of the Company accept responsibility accordingly.

AND I HEREBY UNDERTAKE to ratify whatever my attorney shall do or lawfully cause to be done hereunder and to indemnify my attorney and keep my attorney fully indemnified against all claims costs and expenses which my attorney may suffer as a result thereof.

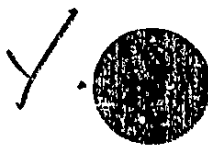
I declare that the foregoing authorities shall be governed by and construed in accordance with English Law and shall, except as stated above, be irrevocable for 3 months from the date hereof.

IN WITNESS whereof I have this *13th* day of *September* 1989 set my hand and seal.

SIGNED SEALED AND DELIVERED )  
by the said TIMOTHY WILLIAM )  
COVENTRY in the presence of:)

*Nigel Gordon*  
*293 Regent Street*  
*London W1R 7PD*  
*Solicitor*

*Timothy William Coventry*



WE HEREBY CERTIFY  
THIS TO BE A TRUE  
COPY OF THE ORIGINAL

*Stringer Saul*  
*20/9/89*

POWER OF ATTORNEY

I, WILLIAM FREDERICK DYER of "Tollbrook" Westlands Avenue, Weston-on-the-Green, Bicester, Oxon OX6 8RD being a Director of GAVEL SECURITIES LIMITED ("the Company") hereby authorise any other Director for the time being of the Company to act for me and on my behalf and as my act and deed or otherwise as my attorney to do, execute or sign any act, deed, prospectus, agreement or other document which such Director may consider necessary, requisite or desirable in connection with a rights issue by the Company ("the Issue") and the issue, publication or release of a rights issue Circular and Provisional Allotment Letter and Excess Application Form ("the Issue Documents") and any other document or advertisement in relation thereto.

I further hereby authorise the issue or publication or release of any document or advertisement or announcement relating to or in connection with the Issue (including, without prejudice to the foregoing, the Issue Documents) which shall have been approved by the Board of Directors of the Company or duly authorised committee thereof and of which I shall not have expressed disapproval by notice in writing addressed to the Company at 6 Riverside, Banbury, Oxon OX16 8TL and to Stringer Saul, Solicitors, at Marcol House, 293 Regent Street, London W1R 7PD and received by the Company and Stringer Saul at such addresses prior to any such issue or publication or release, with the inclusion therein of a statement in terms or to the effect that the Directors of the Company have taken all reasonable care to ensure that the facts stated in any such approved document are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement therein whether of fact or of opinion and that all the Directors of the Company accept responsibility accordingly.

AND I HEREBY UNDERTAKE to ratify whatever my attorney shall do or lawfully cause to be done hereunder and to indemnify my attorney and keep my attorney fully indemnified against all claims costs and expenses which my attorney may suffer as a result thereof.

I declare that the foregoing authorities shall be governed by and construed in accordance with English Law and shall, except as stated above, be irrevocable for 3 months from the date hereof.

IN WITNESS whereof I have this 13<sup>th</sup> day of September 1989 set my hand and seal.

SIGNED SEALED AND DELIVERED )  
by the said WILLIAM FREDERICK )  
DYER in the presence of: )

*Nigel Gordon*  
*293 Regent Street,*  
*London W1R 7PD*  
*Solicitor*

*William F. Dyer*



This document is important and requires your immediate attention. If you are in any doubt about the action you should take, or you have sold (other than ex-rights) all or part of your registered holding of existing Ordinary Shares in the Company, you should consult your stockbroker, licensed dealer, bank manager, solicitor, accountant or other professional adviser immediately.

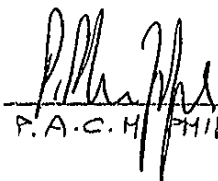
A copy of this excess application form, together with the Circular dated 20th September, 1989 and Provisional Allotment Letter herein referred to, has been delivered to the Registrar of Companies for registration.

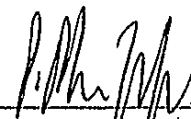
This form is for use only by the undermentioned persons being holders of Ordinary Shares of the Company on the Register at the close of business on 18th September, 1989 and who wish to apply for shares in excess of the number which was provisionally allotted to them under the Provisional Allotment Letter dated 20th September, 1989. Payment for the shares applied for on this form must be made by separate cheque and not included with the payment for shares taken up under the Provisional Allotment Letter.

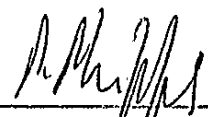
**GAVEL SECURITIES LIMITED**  
(Registered in England No.1898682)

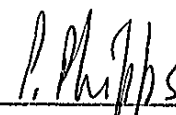
**RIGHTS ISSUE OF 834,997 CONVERTIBLE REDEEMABLE CUMULATIVE  
PREFERENCE SHARES OF £1 EACH ("PREFERENCE SHARES")  
AT £1.20 PER SHARE IN THE PROPORTION OF TWO  
PREFERENCE SHARES OF £1  
FOR EVERY SEVEN EXISTING ORDINARY SHARES HELD, PAYABLE IN FULL  
ON ACCEPTANCE NOT LATER  
THAN 3.00 P.M. ON 27TH OCTOBER, 1989**


**FORM OF APPLICATION FOR EXCESS SHARES**

  
P.A.C.H. PHIPPS

  
J.D.T. GREENWALL BY HIS  
ATTORNEY P.A.C.H. PHIPPS

  
T.W. COVENTRY BY HIS  
ATTORNEY P.A.C.H. PHIPPS

  
W.F. DYER BY HIS  
ATTORNEY P.A.C.H. PHIPPS

  
B.E. KERRISON BY HIS  
ATTORNEY P.A.C.H. PHIPPS



To : The Directors

Gavel Securities Limited ("the Company")

Having paid to you the undermentioned sum being the full amount payable on application for the number of Preference Shares I/we hereby apply for that number of such shares and request you to allot the same, or such smaller amount as you may see fit, for me/us on the terms of the Circular dated 20th September, 1989, and I/we agree to accept such shares or any smaller number that may be allotted to me/us.

|                                                           |                                                                               |
|-----------------------------------------------------------|-------------------------------------------------------------------------------|
| Number of Preference Shares for which application is made | Amount of cheque enclosed being payment in full at £1.20 per Preference Share |
|                                                           | £                                                                             |

|                        |
|------------------------|
| FOR OFFICE USE ONLY    |
| Allocated              |
| Paid on Appl.<br>£     |
| Refund to Allottee £   |
| Cheque No.<br>.....    |
| Allotment No.<br>..... |

In consideration of your agreeing to accept applications on the terms and subject to the conditions of the said Circular I/we agree that this application shall be irrevocable until 3.00 pm on 27th October, 1989 and that this paragraph shall constitute a collateral contract between me/us and you which shall become binding upon delivery of this application form duly completed to the Company as provided above.

I/we hereby request you to send me/us a fully paid renounceable allotment letter, together with a cheque for any amount over-paid by post at my/our risk to the first named holder.

I/we authorise you to place my/our name(s) on the Register of Members of the Company in respect of the shares so allotted to me/us and not effectively renounced.

I/we understand that due completion and delivery of this application form accompanied by a cheque will constitute and undertaking that the cheque will be honoured on first presentation.

DATED

1989

SIGNATURE(S)

(1) .....

(3) .....

(2) .....

(4) .....

Notes :

1. In the case of joint applicants all must sign, and in the case of a corporation this form must be signed under hand by an authorised official whose capacity must be stated.
2. No receipt will be issued for the payment on application but an acknowledgement will be forwarded in due course in the form of a fully paid renounceable allotment letter in respect of the shares applied for, or a part thereof, and/or the return of the application monies or any surplus thereof.
3. This form should be completed and returned to the Company Secretary at 6 Riverside, Banbury, Oxon OX16 8TL by post, together with a remittance for the full amount payable on application, so as to arrive not later than 3.00 pm on 27th October, 1989.
4. A separate cheque made payable to the Company and crossed "not negotiable" must accompany each application. The right is reserved to present all cheques for payment upon receipt, and to withhold allotment letters and/or remittances for surplus application monies pending payment of applicants' cheques.