2390006

A copy of this document which comprises listing particulars relating to Kenwood Appliances plc in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies for registration in accordance with section 149 of that Act

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of Kenwood Appliances plc, issued and now being issued, to be admitted to the Official List

The directors of Kenwood Appliances plc, whose names appear on page 2 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of Kenwood Appliances plc (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

KENWOOD
Appliances
plc

(Incorporated and registered in England and Wales under the Companies Act 1985.
Registered No. 2390006)

Placing and Public offer by Schroders

of 23,226,386 ordinary shares of 10p each
at 285p per share
payable in full on application
of which 11,613,193 shares are being placed and 11,613,193 shares are being offered to the public

The application lists for the shares which are the subject of the Public offer will open at 10.00 a.m. on 24th June 1992 and may be closed at any time thereafter. The procedure for application and an Application Form in respect of the Public offer are set out at the end of this document. It is expected that listing will become effective and that dealings in the shares will commence on 1st July 1992.

Upon Admission, the shares which are the subject of the Placing and the Public offer will rank *pari passu* in all respects with the existing issued ordinary shares of Kenwood Appliances plc and will rank in full for all dividends or other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

The shares have not been and will not be registered under the United States Securities Act of 1933 and may not, subject to certain exceptions, be offered or sold within the United States. This document should not be distributed into the US.

Share capital immediately following the Placing and Public offer

Authorised		Issued and fully paid
£20,167,874.30	in ordinary shares of 10p each	£3,668,196.20

Indebtedness

At the close of business on 29th May 1992, the Group had outstanding borrowings or indebtedness in the nature of borrowings of £40.8 million, comprising unsecured loan notes of £1.9 million, obligations under finance leases of £0.1 million, other borrowings or indebtedness in the nature of borrowings of £37.7 million (of which £0.4 million was unsecured) and other contingent liabilities of £1.1 million. At the same date, the Group had cash balances of £0.7 million.

Save as aforesaid, and apart from intra-group liabilities, neither Kenwood Appliances plc nor any of its subsidiaries had at that date any mortgages, charges, loan capital (whether outstanding or created but unissued) or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, obligations under finance leases, guarantees or other material contingent liabilities.

17th June 1992

INSIDE FRONT COVER — PRINTED SEPARATELY

Directors and advisers

Directors	Harold George Mourgue (chairman)* Timothy Charles Parker (chief executive) Timothy Paul Beech Gavin Douglas Fairservice* George Edward Fridlington Fiona Mary Harrison* Peter Reginald Hotston Michael John Lapham Peter Robert Taylor *(non-executive) all of New Lane, Havant, Hampshire PO9 2NH
Company secretary	Martin Eastwood
Registered office	New Lane Havant Hampshire PO9 2NH
Issuing house and financial advisers	J. Henry Schroder Wagg & Co. Limited 120 Cheapside London EC2V 6DS
Stockbrokers	Rowe & Pitman Ltd. 1 Finsbury Avenue London EC2M 2PA
Auditors and reporting accountants	Ernst & Young Chartered Accountants Wessex House 19 Threefield Lane Southampton SO1 1TW
Solicitors to the Company	Clifford Chance Royex House Aldermanbury Square London EC2V 7LD
Solicitors to the Offer	Allen & Overy 9 Cheapside London EC2V 6AD
Bankers	National Westminster Bank Plc 23 West Street Havant Hampshire PO9 1EU
Receiving bankers Lloyds Bank Plc Registrar's Department P.O. Box 1000 2nd Floor Bolsa House 80 Cheapside London EC2V 6EE	**Registrars** Lloyds Bank Plc Registrar's Department The Causeway Worthing West Sussex BN99 6DA

Key information

The following information should be read in conjunction with the full text of this document from which it is derived

Summary

Kenwood is an internationally-recognised brand name and the Kenwood Group is a leading European manufacturer and supplier of food preparation appliances. The Group markets products with a reputation for quality and durability and is best known for the Kenwood Chef mixer.

Kenwood's strategy in recent years has been to improve and expand its core range of food preparation products and to realise more of the potential of the Kenwood brand name. Key to this has been the introduction of new product ranges and a continuing process of improving existing products. It has also broadened the geographical spread of its operations. Group sales are split approximately one third to each of the UK, Continental Europe and the rest of the World.

In the five years ended 31st March 1992, the Group's sales have risen from £65.2 million to £92.1 million and operating profit has risen from £1.4 million to £9.5 million.

The directors believe that there is significant scope to increase the Group's share of the small appliance market. Kenwood's improved capital base following the Offer will enable the Group to finance the development of more new products and to continue to broaden its geographical spread.

Trading record

Set out below is the Group's trading record in respect of its continuing activities for the five years to 31st March 1992, which has been extracted from the historical consolidated profit and loss accounts contained in the Accountants' report in Part 4. In particular, your attention is drawn to page 28 which sets out fully the profit and loss record of the Group for the five years.

	Year ended 31st March				
	1988	1989	1990	1991	1992
	£000	£000	£000	£000	£000
Turnover	65,166	62,438	66,740	76,009	92,056
Operating profit before exceptional items, interest and other payments to Thorn EMI	1,402	4,000	4,229	6,559	9,511

Offer statistics

Offer price per share	285p
Number of shares in issue following the Offer	36,681,962
Market capitalisation at the Offer price	£104.5 million
Percentage of enlarged share capital now being offered	63.3 per cent
Net proceeds of the Offer	£63.5 million
Net proceeds receivable by the Company	£39.5 million
Historical earnings per share for the year ended 31st March 1992	16.4p
Pro forma earnings per share for the year ended 31st March 1992	18.9p
Price-earnings ratio (based on pro forma earnings per share)	15.1 times
Notional net dividend per share in respect of the year ended 31st March 1992	7.5p
Gross dividend yield (based on notional net dividend) at the Offer price	3.5 per cent

Notes:
(1) The bases and methods of calculation of the pro forma earnings per share, price-earnings ratio and gross dividend yield are set out in Financial information in Part 2.
(2) National Westminster Bank Plc is purchasing a total of 1,399,218 shares from existing shareholders in order to make those shares available under the ESOP options, details of which are set out in Additional information in section 6(e) of Part 5.

Contents

Timetable

	1992
Closing date for receipt of applications in respect of the Public offer	10.00 a.m. on Wednesday 24th June
Despatch of letters of acceptance in respect of the Public offer	Tuesday 30th June
Dealings expected to commence	Wednesday 1st July
Last date for splitting	Tuesday 4th August
Last date for registration of renunciation	Thursday 6th August
Despatch of definitive share certificates	Thursday 3rd September

Definitions

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

the "Company"	Kenwood Appliances plc
"Kenwood" or the "Group"	the Company and all or any of its subsidiaries from time to time or, in relation to the period before the Buy-out, the Kenwood domestic appliance division of Thorn EMI or Kenwood Manufacturing Company Limited or any other company engaged in the business of manufacturing and selling Kenwood small appliances, as the context requires
the "directors"	the directors of the Company
"shares"	ordinary shares of 10p each in the capital of the Company

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"Schroders"	J. Henry Schroder Wagg & Co. Limited
the "Placing"	the placing by Schroders of 11,613,193 shares described in this document
the "Public offer"	the offer for sale by Schroders of 11,613,193 shares described in this document
the "Offer"	the Placing and the Public offer together
"Employee priority offer"	the special arrangements for employee applications, as described in section 7 of Part 5
"Admission"	the admission of the shares issued and now being issued to the Official List of the London Stock Exchange
"Application Form"	the white application form in respect of the Public offer set out at the end of this document
"the London Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited

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"Kenwood Chef" or "Chef"	the Kenwood Chef and its model variations, including the Excel and the Major models
"large appliances" or "white goods"	large domestic electrical appliances, such as freezers, refrigerators and washing machines
"brown goods"	domestic electronic audiovisual equipment, such as hi-fi, video recorders and televisions
"small appliances"	small domestic electrical appliances
"small kitchen appliances"	small appliances designed for use in the kitchen
"food preparation appliances"	small kitchen appliances designed for use in the preparation of food
"Pentagram"	Pentagram Design Limited

"Candover Investments"	Candover Investments plc
"Thorn EMI"	THORN EMI plc and all or any of its subsidiaries and undertakings from time to time, as the context requires
the "Buy-out"	the acquisition of the Group in September 1989, as described in section 8 of Part 5

"Employee Incentive Schemes"	the employee incentive schemes described in section 6(a) to (d) of Part 5
"ESOP"	the employee share ownership plan, as described in section 6(e) of Part 5
"Share Participation Scheme"	the share participation scheme described in section 6(a) of Part 5

Part 1 – Introduction to Kenwood

Introduction

Kenwood is an internationally-recognised brand name and the Kenwood Group is a leading European manufacturer and supplier of food preparation appliances. The Group markets products with a reputation for quality and durability and is best known for the Kenwood Chef mixer. In recent years the product range has successfully been extended to include not only additional kitchen appliances, such as deep fat fryers, kettles and toasters, but also steam irons and other non-food preparation products. The UK is an important market for Kenwood but, over a number of years, the Group has developed markets for its products in Continental Europe and the rest of the World. The Group currently has ten overseas sales and marketing operations and sells its products in over 80 other countries. Group sales are split approximately one third to each of the UK, Continental Europe and the rest of the World.

In the year ended 31st March 1992, products manufactured by the Group accounted for 54 per cent of sales and products bought in from specialist suppliers, which have been made to Kenwood's own designs, accounted for a further 28 per cent of sales. Some 13 per cent of sales were products designed and manufactured by third party producers which are sold under the Kenwood brand name or are other manufacturers' branded products for which certain of Kenwood's overseas sales and marketing operations are the local agent. The remaining five per cent of the Group's sales consisted mainly of spares and sundry activities.

The Group's head office and principal manufacturing plant is located at Havant, in Hampshire. The Group employs a total of approximately 1,250 employees, of whom some 13 per cent are located overseas.

The Kenwood business was founded in 1947 and developed during the 1950's and 1960's, based largely on the Kenwood Chef. In 1968 Thorn EMI acquired the publicly-listed group which owned Kenwood and absorbed it into its own operations. Kenwood was, in later years, a relatively small, specialised business within Thorn EMI which increasingly focused on its larger, core businesses.

Group strategy

Kenwood was established as a stand-alone business within Thorn EMI for the first time in 1984, principally marketing small appliances, additionally acting as the export arm for Thorn EMI's white goods businesses. Tim Parker was appointed as managing director in 1986 and a new management team was put in place to develop and implement a new business strategy for the Group. Subsequently Kenwood largely withdrew from other activities to concentrate chiefly on small appliances. In 1989, the business was purchased from Thorn EMI in the Buy-out led by the executive directors.

Kenwood's strategy in recent years has been to improve and expand its core range of food preparation products and to realise more of the potential of the Kenwood brand name. Kenwood has achieved this through:

— the introduction of new product ranges, designed to high standards and aimed at international markets for quality small appliances

— a continuing process of improving existing products and introducing innovative features and new design concepts

— an extensive programme to raise the quality and reduce the manufacturing costs of its products.

Kenwood has focused on the introduction of new products over the last five years, including deep fat fryers, toasters, kettles and coffee makers and has grown its sales in these areas. The Group has also sought to broaden its product range and has successfully introduced a range of steam irons. Kenwood is currently launching a range of hair care products and has sought to capitalise on the growing interest in environmental products, with the introduction of an air filter, an ioniser and the "Ultrascreen" electronic water filter. In addition to expanding further the range of products which Kenwood markets, the directors intend to continue to expand the geographical spread of its operations.

Management

The senior management team of Kenwood comprises six executive directors, who have an average of over nine years' service with the Group. In 1985-1986, the nucleus of the senior management team was formed under the leadership of Tim Parker, through the promotion of Peter Taylor (international director) and Peter Hotston (marketing director) and the recruitment of George Fridlington (manufacturing director). The team was strengthened with the promotion in 1988 of Mike Lapham (engineering director) and with the recruitment in 1990 of Tim Beech (finance director).

New products and technological innovations are reviewed at monthly meetings of the design and development committee, which comprises a number of executive directors and members of the engineering department. The overseas sales and marketing operations are run on a decentralised basis with central financial controls.

The board, which meets monthly, comprises the six executive and three non-executive directors and is led by the non-executive chairman, Harold Mourgue, and the chief executive, Tim Parker. Control is supplemented by a strategic planning process, annual budgets and a monthly review of management accounts.

Financial record

The trading record of the Group for the five years ended 31st March 1992 is set out in full in the Accountants' report in Part 4, from which the following table has been extracted:

Kenwood turnover and operating profit

	Year ended 31st March				
	1988	1989	1990	1991	1992
	£000	£000	£000	£000	£000
Turnover					
Turnover by destination					
United Kingdom	20,834	19,010	20,701	26,606	32,707
Continental Europe	28,258	25,967	27,695	28,095	31,206
Rest of the World	16,074	17,461	18,344	21,308	28,143
	65,166	62,438	66,740	76,009	92,056

	Year ended 31st March				
	1988	1989	1990	1991	1992
	£000	£000	£000	£000	£000
Operating profit*	1,402	4,000	4,229	6,559	9,511

* Operating profit before exceptional items, interest and other payments to Thorn EMI

The Group achieved significant growth in sales and operating profits in the two years ended 31st March 1992, primarily as a result of the implementation of its strategy of introducing new products and improving existing products in the previous two years.

Sales have increased significantly in the two years ended 31st March 1992, especially in the UK, despite worldwide recessionary conditions. The reduction in the sale of microwaves and other white goods following Thorn EMI's sale of its large domestic appliance operations resulted in sales for the year ended 31st March 1989 being slightly below those for the previous year. In the year ended 31st March 1990, sales improved with the growth of the overseas sales and marketing operations and an initial contribution from new externally sourced products.

Growth in operating profit has been achieved through a combination of increases in prices, control of overhead costs, productivity improvements and the effects of Kenwood's ongoing policy of product enhancement and cost reduction.

Current trading and prospects

The directors believe that there is significant potential to use the Kenwood brand name on other products, which provides scope to increase the Group's share of the small appliances market.

Kenwood's improved capital base following the Offer will enable the Group to finance the development of more new products and to continue to broaden its geographical spread. Whilst no audited results are available for the first two months, management accounts show that the year has opened well. The directors consider that the prospects for the Group are excellent.

Part 2 – The Kenwood Group

The Group's activities

History of the Group

The Kenwood business was founded in 1947 by Kenneth Wood. The first product to bear the Kenwood name was an electric toaster, quickly followed by the Kenwood mixer, which has become the hallmark of the Company. The original mixer was redesigned shortly after its initial launch to take a number of attachments assisting in various food preparation tasks; this was developed into the Kenwood Chef.

By the late 1960's, the Kenwood business was part of a publicly-listed group (Kenwood Manufacturing Company Limited) and had an international structure with subsidiaries in several major European countries and a number of operations elsewhere. In 1968, the business was acquired by Thorn EMI and was subsequently absorbed into its large domestic appliance operations, with the Kenwood management assuming responsibility for the international marketing of Thorn EMI's large appliance brands. In 1984 the business became a separate division, Thorn EMI Kenwood Small Appliances, with its own management structure.

In 1985-1986, the nucleus of the current management team was formed under the leadership of Tim Parker A strategy of new product development, plant investment and overhead reduction was developed and implemented. Since then the manufacturing operations in New Zealand and the direct distribution operations in Australia have been discontinued. Kenwood Limited, then a subsidiary of Thorn EMI, acquired the UK trading operations of the Kenwood business in 1987. Since 1987, over 20 new product categories have been launched under the Kenwood brand name. In addition, the management has established new overseas sales and marketing operations in Hong Kong, Ireland, Singapore and the USA.

In September 1989, the executive directors, assisted by Candover Investments, led the Buy-out of the Kenwood business from Thorn EMI, for £56.8 million. The institutional equity finance was organised by Candover Investments, with additional finance from National Westminster Bank Plc and Intermediate Capital Group Limited. Further details of the Buy-out are set out in section 8 of Part 5.

Market background

The market for domestic appliances consists of small appliances, such as food mixers, kettles, toasters and hair dryers, and large appliances, or 'white goods', such as fridges, freezers and washing machines. Kenwood operates predominantly in the small appliance market, with specific emphasis on food preparation appliances.

The key small appliance markets are in industrialised countries, where household ownership of small appliances has, in many cases, reached high levels. There is, however, a high level of demand for replacement appliances and growth is stimulated by innovation. developing new products and adding new features to existing products.

Five of the largest markets for small kitchen appliances are the USA, Germany, Italy, the UK and France. The combined sales value of these five markets currently exceeds £2 billion per year. Kenwood has an established presence in the UK small kitchen appliances market. It also achieves a significant level of its sales in France and in certain other European markets both through its own sales and marketing operations and distributors. The value of Kenwood's sales in the German, Italian and the US markets is growing rapidly although it is as yet a small proportion of the Group's total.

In the small appliance market, similar needs in different countries can often be satisfied by the same product or one which only requires small changes to meet local requirements. Technical harmonisation has resulted in it being possible to obtain a single European approval for most products with only small adjustments for most individual countries; the same model of Kenwood hand mixer, in the same packaging, can be sold in most Continental European markets. In general, such products are transported easily and economically over long distances. These factors have contributed to the development of a competitive international market.

Demand for small appliances has not been as severely affected by recent economic cycles as that for white goods. Certain small appliances such as kettles, toasters and irons are regarded by consumers as basic necessities.

Four European companies, Braun, Moulinex, Philips and SEB, account for significant shares of the European small appliance market. There are many other companies (at least 50 in Europe alone) operating either as specialist manufacturers or national brands. Although smaller than Braun, Moulinex, Philips and SEB, Kenwood benefits from being sufficiently large to develop and support a wide range of products in many markets. The directors believe that Kenwood's strength is its specialisation in food preparation appliances and its ability to react swiftly to changing consumer requirements. The Kenwood Chef is a well established product which has been developed over a long period and which enjoys wide public recognition. This, together with recent new product introductions, has helped Kenwood to become the UK market leader in food preparation appliances, with almost half of the UK market by value, and to achieve significant shares of several other markets.

Products

Kenwood's principal product is the Chef. The Chef is used for whisking, beating and mixing and can be supplied with a wide range of attachments for other uses such as mincing and blending. It is a robust, high quality and well designed product. Over seven million units have been sold since the Chef was first introduced in the 1950's. The Group also markets a complementary range of high-quality small appliances.

The Kenwood product range principally comprises the following products:

Chef mixers

Major KM230 and KM250 (6.4 litre bowl capacity)
Chef KM201 (4.3 litre bowl capacity)
Range of 24 accessories and attachments

Food preparation appliances

Food processors	Can openers
Deep fat fryers	Coffee grinders
Toasters	Coffee makers
Kettles	Food slicers
Powerline*	Hand blenders
Hand mixers	Peelers
Blenders	Rice cookers
Juice extractors	Table mixers
Knives	

*A range of Hand mixers, Hand blenders, Knives and Can openers sold separately and as a set.

Non-food preparation appliances

- Air filters
- Hair care products
- Ionisers
- Knife sharpeners
- Steam irons
- Water filters

Kenwood's programme of extending its product range has in recent years been pursued at three levels: upgrading the Chef, extending and upgrading the food preparation equipment range and identifying new sectors of the small appliance market into which to expand.

The Chef range has been upgraded with more powerful motors, new finishes and the introduction of additional attachments. New food preparation products, such as deep fat fryers, kettles and juice extractors and an extensive range of upgraded models, including hand mixers, blenders and coffee grinders, have been introduced. Kenwood has also expanded into new sectors of the small appliances market, chiefly steam irons, environmental products, hair care products and, most recently of all, the "Ultrascreen" water filter.

In addition to the above products the Group also sells spares and other manufacturers' branded products for which certain of Kenwood's overseas sales and marketing operations are the local agent. The agency products include:

Agency products

- Breville (small appliances)
- Clairol (hair care)
- Nova (small appliances)
- Russell Hobbs (kettles)
- Samsung (microwaves and brown goods)
- Sodastream (home carbonation)
- Vax (vacuum cleaners)
- WAHL (hair clippers)

The table below sets out the sales development of the Kenwood product range by product category over the past five years.

Kenwood product range

Product category	Year ended 31st March 1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Chef mixers and attachments	21,733	24,035	24,693	24,932	26,281
Food preparation equipment					
Food processors	9,495	9,249	9,494	10,514	10,402
Deep fat fryers	448	1,409	4,207	5,978	7,813
Toasters	960	1,245	1,789	3,476	6,053
Kettles and Jug kettles	2,055	1,309	2,622	3,739	5,814
Powerline	387	1,483	1,894	2,773	3,379
Hand mixers	3,312	2,924	2,929	3,025	2,685
Blenders	1,501	1,570	1,512	2,068	2,373
Juice extractors	—	756	1,532	1,526	1,803
Knives	681	655	1,138	1,139	1,624
Can openers	546	531	515	990	1,202
Other food preparation equipment	9,817	5,488	4,592	3,420	9,225
Non-food preparation equipment					
Steam irons	375	213	245	510	1,156
Other non-food preparation equipment	—	—	—	—	237
Spares, agency and other products	13,856	11,571	9,578	11,919	12,009
	65,166	62,438	66,740	76,009	92,056

Kenwood has recognised the potential to expand the use of its brand name and now markets a number of products sourced externally from specialist suppliers, most of which are designed by Kenwood. These are marketed as part of a coordinated range under the Kenwood brand name.

Strict control of quality and safety standards is exercised by Kenwood and rigorous tests are undertaken before the Kenwood name is used on any product. Control is exercised both over the initial selection of externally sourced products and of specialist suppliers and in ensuring the continued maintenance of quality, safety and production standards.

The Group's supporting operations, Freshwater (light engineering) and Print 4 (printing), provide products and services to third party customers as well as to the Group. In total, third party sales from these operations accounted for less than two per cent of Group turnover for the year ended 31st March 1992.

Marketing

The Group's leadership of the UK small food preparation appliances market and the substantial proportion of its sales which are achieved overseas can be attributed in large part to the internationally-recognised Kenwood brand name. Awareness of the Kenwood brand name has grown significantly since the launch of the first Kenwood products and over the years the brand has been carefully supported by magazine and television advertising. Recent sales growth reflects Kenwood's success in establishing widespread distribution for its products. This is supported by attractive in-store promotional packages and better design and innovative features in the product itself. The UK small appliance market is strongly influenced by the major retailers, such as Argos, Comet, Currys and John Lewis. The Group's largest ten UK accounts comprise 58 per cent of its UK sales. The level of sales to these UK retailers corresponds broadly with their respective shares of the UK small appliance market.

The directors believe that Kenwood is widely regarded as a manufacturer of high-quality products, based largely on the long term development of the Kenwood Chef. Sales of Chef products comprised approximately 28 per cent of total Group sales for the year ended 31st March 1992. Sales of the Chef have in recent years been growing in most markets and Kenwood sold some 196,000 units in the year ended 31st March 1992. This forms a strong base from which the Group has been able to develop and market additional products.

The directors believe there is substantial scope for further development of the brand name in the small appliance market.

The division of sales by distribution channel is shown below:

Kenwood distribution channels

Distribution channel	Year ended 31st March 1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
UK	18,751	16,640	19,162	23,745	30,134
Overseas sales and marketing operations	29,403	29,372	32,292	33,446	40,602
Overseas distributors	13,910	12,872	12,069	14,428	17,023
	62,064	58,884	63,523	71,619	87,759
Spares, engineering, printing and other (UK and overseas)	3,102	3,554	3,217	4,390	4,297
	65,166	62,438	66,740	76,009	92,056

UK product sales account for some 33 per cent of Group sales.

The Group's ten overseas sales and marketing operations, in Australia, Austria, Denmark, France, Hong Kong, Ireland, New Zealand, Singapore, South Africa and the USA, account for some 44 per cent of Group sales. In addition to Kenwood manufactured and externally sourced products, some of these overseas sales and marketing operations market a selection of complementary products which are designed and manufactured locally and sold under the Kenwood name. Certain of these operations also market complementary products, branded and manufactured by other companies, for which they are the local agent. In respect of three operations, New Zealand, South Africa and Singapore, agency products account for a significant proportion of turnover; Samsung, Sodastream and Breville products are distributed by the operation in New Zealand, WAHL hair clippers and Sodastream products are distributed by the South African operation and Clairol hair care products are distributed by the operation in Singapore.

Some 18 per cent of Kenwood's sales are made through a network of international distributors, some of which have been marketing Kenwood products for over 20 years. Distributorships have been established in over 80 countries and most distributors have developed their Kenwood business around the Chef.

The countries served by Kenwood's ten largest overseas distributors, and the sales made through them in the year ended 31st March 1992, are as follows:

Kenwood overseas distributors

Country	Sales £000	Proportion of total distributor sales
Belgium	1,848	10.9%
Switzerland	1,688	9.9%
Israel	1,678	9.9%
Norway	1,489	8.7%
Canada	1,401	8.2%
Germany	1,349	7.9%
Greece	759	4.5%
Finland	553	3.2%
Italy	539	3.2%
Sweden	532	3.1%
	11,836	69.5%

The Company has entered into agreements with Kenwood Corporation of Japan which formally record the allocation of rights to the use of the Kenwood name, reflecting Kenwood Corporation of Japan's right to the worldwide use of the Kenwood name on specific defined electronic equipment, the main categories of which are audio-visual equipment, telecommunications equipment, data storage and processing equipment, and scientific apparatus and instruments, and Kenwood's right to use the Kenwood name on any other products outside Japan. The Group may also use the Kenwood name in Japan, with the consent of Kenwood Corporation of Japan. The agreement also provides for Kenwood and Kenwood Corporation of Japan to agree what common action to take in the event of any third party infringement of the Kenwood mark. Kenwood Corporation of Japan is not connected with the Group in any other way.

The Group also entered into an agreement with Electrolux at the time of the sale of Thorn EMI's white goods activities, whereby it pays a royalty to Electrolux in respect of any white goods sold under the Kenwood brand name. In the year ended 31st March 1992, such sales comprised less than one per cent of turnover. The agreement is due to terminate in 1997.

With these exceptions and certain rights held by the Swiss distributor to trademarks in Switzerland, the Group has the right to use the Kenwood trademark in the small appliance market in all major countries.

Design and development

Most of the products sold under the Kenwood brand name are designed and developed by the Group. The design process i- closely coordinated, with detailed consultation between the engineering, manufacturing and marketing departments, and is supplemented by the workin relationship which Kenwood enjoys with Pentagram, its independent design consultants.

Kenwood has worked with Pentagram for over 20 years. Pentagram's designs have contributed to the distinctive Kenwood design approach and the Pentagram and Kenwooc designers work as an integrated team on new product development. Kenwood has a royalty agreement with Pentagram which provides Pentagram with an incentive to design commercially attractive products.

The directors believe that the Group has established a reputation for the quality of it designs and its design strategy has resulted in a range of products with a distinctive style whicl are attractive and easy to use. Kenwood has won the annual UK small appliance industry desig award, which is awarded by an independent panel of judges on the basis of design excellence, i: two out of the last three years.

The Group has an extensive new product programme, ensuring that new products ar developed in response to opportunities in the market which are appropriate to the Kenwoo brand name and that existing products are redesigned to adapt to changing trends an technological developments. All products are designed for ease of manufacture and th component designs and sourcing arrangements are periodically reviewed in order to enhanc cost efficiency. The rate of new product introductions has significantly increased over the la five years and the Group now launches around 25 new or updated models each year.

The Kenwood engineering department employs 26 people and is divided into three area the design and development of Kenwood products, the analysis of technological developmen in the small appliance market, and the approval and monitoring of externally sourced produc marketed under the Kenwood name. The engineering department works closely with the desig and development functions of Kenwood's specialist suppliers.

Manufacturing

Kenwood has three facilities in the UK. The principal operation is at Havant, in Hampshire, wit two supporting facilities, at Freshwater, Isle of Wight, and Print 4 at Hilsea, in Portsmouth. Tl Group's main manufacturing operations include plastic moulding, motor manufacture, turne parts and assembly.

(a) Havant

The Havant operation occupies approximately 4.9 hectares. Within this, the manufacturi facility occupies approximately 25,600 square metres and is located adjacent to the Grou administrative offices. The site has been occupied by the Group since 1962. It is w situated to distribute products both in the UK and to Continental European marke Products manufactured at Havant include Chefs, food processors, hand mixers, blende juice extractors, kettles and kettle jugs.

In recent years the Group has invested significantly in plastic-moulding facilities, a: today has a well-equipped and modern unit. Havant also has an automat motor-assembly line with output exceeding 800,000 motors annually. The prod assembly operations are, the directors believe, flexible and efficient, and accommodate t Group's requirement to satisfy rapidly changing demands. The directors also believe strengthens the Group's competitive position to have Group expertise in key value-added manufacturing activities.

Production planning is monitored centrally and emphasis is placed on the flexibility of the facility to produce rapidly a range of models to a large number of specifications to supply different international markets. The Group operates a material requirements planning system and achieves an annual stock turn of eight times.

Kenwood has a low level of unionisation, with union membership below 15 per cent of plant employees. Labour relations are good and there is a low level of permanent employee turnover. In order to maintain flexibility, the Group has a policy of employing temporary labour to accommodate peak levels of demand. This flexibility is further enhanced by an annualised hours system for permanent employees, adapting weekly hours worked during the year to meet the seasonal demands of the business. Achieving this degree of production flexibility against a background of seasonal demand has helped the control of stocks of finished goods and has reduced labour costs.

A significant amount of management time is invested in sales forecasting, with input from UK customers, distributors and overseas sales and marketing operations. Forecasts are reviewed and updated monthly and form the basis of the orders placed for Group manufactured and externally sourced products.

The directors believe that overall the Group is able to maintain a cost-competitive manufacturing operation with carefully controlled overheads. Kenwood has significant manufacturing expertise in its core area of quality food preparation appliances and is able competitively to produce higher volume products such as kettles and blenders. Recently the Group's manufacturing facilities at Havant received ISO 9001 quality standard certification.

The directors believe that the Group has sufficient flexibility to expand its operations to accommodate its current and currently foreseeable manufacturing plans.

(b) Freshwater

The Freshwater operation occupies approximately 2.7 hectares outside Freshwater on the Isle of Wight. The business operates from two premises, an auto machine shop, including offices, and a general machine shop. Together these occupy an area of approximately 3,400 square metres.

At the Freshwater site, the Group manufactures turned and machined parts for use in components for its own products and for sale to third parties. The Group operates 45 multi and single spindle automatic lathes in the auto machine shop and the general machine shop provides services such as centreless grinding, thread rolling and milling.

Recently the Freshwater facility was approved to the ISO 9002 quality standard and it now has a number of third party customers.

(c) **Print 4**

Print 4, the Group's printing operation, is located at Hilsea, in Portsmouth, and operates six presses from premises with an area of approximately 850 square metres. It prepares and prints most of the brochures and customer instruction manuals for Kenwood products and, in addition, provides printing services to third party customers.

Directors and staff

Directors

Harold Mourgue, FCA, aged 64, is the non-executive chairman. He joined the board of Kenwood at the time of the Buy-out in 1989. He is also a non-executive director of Rolls Royce plc, Rothschild Asset Management, T&N plc and Thames Television plc.

Tim Parker, aged 36, is the chief executive. He was appointed managing director of Kenwood in 1986, having joined Thorn EMI in 1981. Prior to this appointment, he was managing director of two other Thorn EMI subsidiaries and previously served for two years in HM Treasury. In September 1989 he led the Buy-out of the Group from Thorn EMI and was appointed chief executive in May 1992.

Tim Beech, FCA, aged 36, is the Group finance director. He joined Kenwood in March 1990, following the Buy-out, having previously been a corporate finance and investigations partner at Grant Thornton, Chartered Accountants.

George Fridlington, aged 51, is the manufacturing director. He is a chartered engineer, who joined Kenwood, as a director, in 1985, having previously worked with Fisher Price Toys and Stanley Power Tools.

Peter Hotston, aged 45, is the marketing director. He joined the Group in 1985, as UK sales director, and was promoted to marketing director in 1986. He previously worked with Tefal UK, Colgate Palmolive and Pedigree Pet Foods.

Mike Lapham, aged 42, is the engineering director. Having qualified with an HNC in Electrical Engineering, he joined Kenwood in 1974 as a section engineer before being promoted to product manager. He became engineering director in 1988 and is responsible for engineering, including design, at Havant, and for the purchase of externally sourced products.

Peter Taylor, aged 48, is the international director. He joined Kenwood in 1975 as an export area manager, having previously worked with Normand Electrical, and subsequently became export sales manager, before joining the board as international director in 1986. He is responsible for the control of the international distributors and related marketing activities.

Doug Fairservice, aged 45, is a non-executive director and was appointed to the board in September 1989. He is deputy chief executive of Candover Investments and is a non-executive director of a number of unquoted companies.

Fiona Harrison, aged 41, is a non-executive director and was appointed to the board in April 1992. She is chief executive of the Jaeger Group, a division of Coats Viyella plc.

Company secretary

Martin Eastwood, FCMA, aged 46, is the company secretary. He joined Kenwood in 1986 as financial controller, having previously worked with Crest Nicholson plc and Air Products and was appointed company secretary in April 1991.

Employees

As at 31st March 1992, the Group had 1,235 employees, including executive directors. The breakdown by location was as follows:

Location	Number
Havant	916
Overseas sales and marketing operations	166
Freshwater	125
Print 4	28
	1,235

The operations at Havant employ a substantial number of temporary employees to accommodate peak levels of demand and 193 are included in the table shown above. At peak production levels, Kenwood may have in total more than 250 temporary employees.

Pension scheme

The main pension scheme operated by the Group is the Kenwood Pension Scheme which provides pension and other related benefits to employees based on final pensionable pay. The assets of the Kenwood Pension Scheme are independent from the Group's finances. Further details on the Kenwood Pension Scheme, including details of the latest actuarial valuation, are set out in section 13 of Part 5.

Employee Incentive Schemes

Following the Buy-out, a share option scheme was introduced for senior managers which now has 33 participants. The options granted under this scheme have been exercised prior to the flotation, conditional on Admission. The directors believe that the commitment of Kenwood's employees has made a major contribution to the Group's development. They wish to encourage this by making further shares available to employees both in the Offer and subsequently.

The Company has recently established two executive share option schemes (the "Executive Share Schemes"). The No. 1 Scheme has been submitted for approval by the Inland Revenue, and the No. 2 Scheme is not designed for Inland Revenue approval. The Company is issuing invitations to executives under the Executive Share Schemes which it is expected will result in options being granted over 733,639 shares at not less than the Offer price.

The Company has also established a sharesave scheme which has been submitted for approval by the Inland Revenue. The Company is issuing invitations to employees to participate in the sharesave scheme. Employees who take up the invitation will receive options to acquire shares at a discount of 20 per cent to the Offer price. The number of shares under option will depend on the amount employees are willing to save each month out of their salary over five years.

A Share Participation Scheme has also been established by the Company which may be operated at some time after the Offer. This scheme has been submitted for approval by the Inland Revenue.

The Company has also established an employee share ownership plan ("the ESOP") which has an independent corporate trustee. The ESOP has entered into arrangements with National

Westminster Bank Plc (the "Bank") under which the Bank is purchasing a total of 1,399,218 shares from existing shareholders. These shares will be the subject of a call option in favour of the ESOP and a put option in favour of the Bank. The liabilities of the ESOP are guaranteed by the Company and certain of its UK subsidiaries.

The ESOP can supply shares for use in conjunction with any of the above schemes and can also benefit employees in other ways.

Further details of the above schemes, which comply with institutional guidelines, are given in section 6 of Part 5.

Special arrangements for employees in the Public offer

Special arrangements have been made to enable eligible employees, non-executive directors and certain retirees of the Group to acquire under the Offer, in priority to public applications, up to a total of 1,161,319 shares, representing 10 per cent of the shares which are subject to the Public offer. Further details of these arrangements are set out in section 7 of Part 5.

Financial information

Financial summary

The trading record of the Group for the five years ended 31st March 1992 is set out in full in the Accountants' report in Part 4, from which the following table has been extracted:

Kenwood turnover and operating profit

	Year ended 31st March				
	1988	1989	1990	1991	1992
	£000	£000	£000	£000	£000
Turnover					
Turnover by destination					
United Kingdom	20,834	19,010	20,701	26,606	32,707
Continental Europe	28,258	25,967	27,695	28,095	31,206
Rest of the World	16,074	17,461	18,344	21,308	28,143
	65,166	62,438	66,740	76,009	92,056

	Year ended 31st March				
	1988	1989	1990	1991	1992
	£000	£000	£000	£000	£000
Operating profit*	1,402	4,000	4,229	6,559	9,511
Operating margin	2.2%	6.4%	6.3%	8.6%	10.3%

*Operating profit before exceptional items, interest and other payments to Thorn EMI

The Group achieved significant growth in sales, margins and operating profits in the two years ended 31st March 1992, primarily as a result of the implementation of its strategy of introducing new products and improving existing products in the previous two years.

The reduction in the sale of microwaves and other white goods following Thorn EMI's sale of its large domestic appliance operations resulted in sales for the year ended 31st March 1989 being slightly below those for the previous year. Margins, however, improved significantly, reflecting the success of the 1987/88 cost reduction programme, including the closure of the New Zealand manufacturing operations.

In the year ended 31st March 1990, sales improved with the growth of the overseas sales and marketing operations and an initial contribution from new externally sourced products. The Group continued its cost reduction programme, particularly in relation to stock levels and indirect labour costs, although the benefits of this rationalisation programme were not fully reflected in 1990's performance. Margins were also adversely affected by certain costs associated with the Buy-out.

Sales have increased significantly in the last two years, especially in the UK, despite worldwide recessionary conditions. New products have been introduced, in particular new ranges of toasters and fryers. Despite much of the growth having come from generally lower margin externally sourced products, gross margins have been maintained over the three years to 31st March 1992 at levels at or in excess of 34 per cent. This has been achieved through a combination of increases in prices, control of overhead costs, productivity improvements and the effects of Kenwood's ongoing policy of product enhancement and cost reduction.

Summary pro forma profit and loss account

Set out below is a summary pro forma consolidated profit and loss account of the Group for the year ended 31st March 1992, details of which are shown in note 6(x) of the Accountants' report in Part 4. This has been derived from the detailed audited consolidated profit and loss account contained in note 3 of the Accountants' report set out in Part 4:

	Year ended 31st March 1992	
	Audited	Pro forma
	£000	£000
Operating profit	9,511	9,511
Net interest payable		(5,177)
Adjustment to net interest payable to reflect net proceeds of the Offer		4,955
Net interest payable	(5,177)	(222)
Profit before taxation	4,334	9,289
Taxation	(732)	(732)
Adjustment to taxation to reflect the above adjustment to net interest payable		(1,635)
		(2,367)
Profit attributable to members of the Company	3,602	6,922
Pro forma number of shares in issue		36,681,962
Pro forma earnings per share		18.9p
Price-earnings ratio at the Offer price		15.1 times

Adjustments have been made assuming the following:

(a) the capital reorganisation described in sections 1(h) and 1(i) of Part 5 had been effected on 1st April 1991;

(b) the 14,736,842 Subscription Shares included in the 23,226,386 shares which are the subject of the Offer had been in issue throughout the year ended 31st March 1992;

(c) the estimated net proceeds of the Offer receivable by the Company of £39.5 million had been available at 1st April 1991 and were applied in reducing the Group's indebtedness and working capital requirement; and

(d) a rate of corporation tax of 33 per cent had been applicable in the year ended 31st March 1992 on the interest saved as a result of the items referred to in sub-paragraphs (a) to (c) above.

The Group's actual interest cover amounted to 1.8 times in the year ended 31st March 1992, including interest on the Buy-out related finance. Based on the pro forma profit and loss account above, the pro forma interest cover of the Group for the year ended 31st March 1992 would have been 42.8 times. Details of the pro forma consolidated profit and loss account are shown in note 6(x) to the Accountants' report in Part 4.

The Group's effective tax charge during the five years ended 31st March 1992 has fluctuated primarily due to: tax losses reported by the overseas operations not being available to relieve taxable profits of other members of the Group; the effect of expenses incurred in connection with the Buy-out; and the release of the UK deferred tax provision in the year ended 31st March 1992 in respect of accelerated capital allowances, following a review of budgeted future expenditure on plant and machinery.

The Group's tax charge is expected by the directors to be close to the UK standard rate of corporation tax in respect of the current year.

Pro forma net tangible assets

The pro forma net tangible assets of the Group, based on the consolidated balance sheet at 31st March 1992 and adjusted to reflect the Offer, amounted to £35.0 million. At the same date the pro forma net cash of the Group amounted to £4.9 million. Details of the pro forma consolidated balance sheet are shown in Part 3.

Dividends

The shares which are the subject of the Offer rank in full for all dividends and other distributions declared, made or paid on the ordinary share capital of the Company after Admission. If Kenwood's shares had been listed on the London Stock Exchange for the whole of the year ended 31st March 1992 with the capital structure of the Company following the Offer, the directors would have recommended a dividend of 7.5p per share (10.0p inclusive of a notional related tax credit) in respect of that year. This would represent a notional gross dividend yield of 3.5 per cent at the Offer price of 285p per share and would have been covered 2.5 times by pro forma earnings per share of 18.9p.

It is intended to pay dividends outstanding at 31st March 1992 of £1,061,300 referred to in note (xxiv) of the Accountants' report set out in Part 4, in the current financial year.

It is intended that interim dividends will be paid in February and final dividends in August, in the approximate proportions of one-third and two-thirds respectively of the total annual dividend. The first interim dividend will be payable in February 1993 and it is expected that this will reflect the Company having been listed for only part of the six month period to 30th September 1992, to which the dividend will relate.

Reasons for the Offer

It has been the intention of the executive directors and the shareholders of Kenwood since the Buy-out in 1989 that the Company should seek a listing at an appropriate time.

The Offer will raise approximately £39.5 million (net of expenses) for the Company. This will be used principally to repay £33.4 million of outstanding bank loans. The listing of the Company's shares will allow the Group greater flexibility in taking advantage of opportunities for expansion by both acquisition and capital investment and will reduce the likelihood of constraints on future product development. The Offer will provide certain investors and members of the management who participated in the Buy-out with an opportunity to realise a proportion of their investment. Other than in respect of these realisations, the providers of capital at the time of the Buy-out are retaining their shares in Kenwood. The Offer arrangements are described in section 12 of Part 5.

The directors believe that a listing of the Company's shares, combined with the implementation of the Employee priority offer and the Employee Incentive Schemes, will give a significantly greater number of employees the opportunity to participate directly in the future of the Group.

A listing is also expected to enhance the profile of the Group as a whole and to strengthen its relationship with both suppliers and customers.

Current trading and prospects

The directors believe that there is significant potential to use the Kenwood brand name on other products, which provides scope to increase the Group's share of the small appliance market. There are a number of countries in which the Group currently has only a modest market share, which is being expanded.

The directors are confident that the current year will provide further growth. In the UK, despite the conditions in the UK economy, the Group has made an encouraging start to the year. The directors consider that there is significant potential to benefit from any increase in the level of retail sales. In addition, Kenwood has recently launched the "Ultrascreen" electronic water filter and a range of hair care products in the UK.

Overseas, the Group will benefit from extending its product range, as a number of newer products, already successfully sold in the UK, are now being launched for the first time in other countries. Kenwood will continue to benefit from an extensive new product programme, an expanded geographical presence and its current tight control of costs. The Group is developing its sales in particular in the USA, Germany and Italy, which are key markets where its current market share is low. The directors believe that the Group can achieve growth through expanding its presence in other markets and that, in the longer term, markets where it currently only has a small presence, such as Eastern Europe, South America and South-East Asia, have considerable potential.

Kenwood's improved capital base following the Offer will enable the Group to finance the development of more new products and to continue to broaden its geographical spread. Whilst no audited results are available for the first two months, management accounts show that the year has opened well. The directors consider that the prospects for the Group are excellent.

Part 3 – Pro forma consolidated balance sheet

An unaudited pro forma consolidated balance sheet as at 31st March 1992 derived from the Accountants' report in Part 4 is set out below for illustrative purposes only. The pro forma consolidated balance sheet has been adjusted to show the net effect of the capital reorganisation of the Group and the estimated proceeds of the Offer.

	Actual as at 31st March 1992 per Accountants' report £000	Adjustments £000	Note	Pro forma as at 31st March 1992 £000
Fixed assets				
Tangible fixed assets	16,370			16,370
Current assets				
Stocks	15,100			15,100
Debtors	15,247			15,247
Cash at bank and in hand	4,578	19	(a)	9,608
		6,072	(d)	
		(1,061)	(e)	
	34,925			39,955
Creditors: amounts falling due within one year	(22,479)	2,500	(d)	(19,979)
Net current assets	12,446			19,976
Total assets less current liabilities	28,816			36,346
Creditors: amounts falling due after more than one year	(30,900)	30,900	(d)	—
Provisions for liabilities and charges				
Deferred tax	(227)			(227)
Other provisions	(1,149)			(1,149)
	(3,460)			34,970
Capital and reserves				
Called up share capital	20,139	19	(a)	3,668
		(20,012)	(b)	
		2,048	(c)	
		1,474	(d)	
Share premium account	—	37,998	(d)	37,998
Profit and loss account	401	(1,061)	(e)	(660)
Capital redemption reserve	—	20,012	(b)	17,964
		(2,048)	(c)	
Goodwill written off	(24,000)			(24,000)
	(3,460)			34,970

Notes:

The following adjustments have been made to reflect the capital reorganisation of the Group as detailed in note 6(xxv) of the Accountants' report in Part 4 and the estimated net proceeds of the Offer:

(a) the exercise of the options and warrants, the conversion of the convertible 'A' ordinary shares of 10p each, the convertible cumulative participating preferred ordinary shares of 10p each and the cumulative redeemable preference shares of £1 each;

(b) the purchase of all of the issued deferred shares of 10p each and all of the 'A' deferred shares of £1 each arising on the conversion of the cumulative redeemable preference shares of £1 each, both for the total consideration of one penny and the creation of the capital redemption reserve;

(c) the scrip issue of 14 new shares for each existing share;

(d) the £42.0 million proceeds of the issue of 14,736,842 new shares at a price of £2.85 each net of the estimated costs of £2.5 million; and

(e) the payment of £1,061,300 in respect of the dividends referred to in note 6(xxiv) of the Accountants' report in Part 4.

The directors intend, during the current financial year, to make an application to the Court for approval of a further reorganisation of the Company's capital, whereby goodwill of £24.0 million would be eliminated and distributable profits would be increased by means of the elimination of all or part of the capital redemption reserve arising from the capital reorganisation summarised in notes (a) to (c) above and the share premium account arising from the Offer, as appropriate. Implementation of these proposals will require the approval of the Company's shareholders by special resolution, in addition to Court approval.

Part 4 – Accountants' report

The following is a copy of a report by Ernst & Young, Auditors and Reporting Accountants to the Company

ERNST & YOUNG
Chartered Accountants
Wessex House
19 Threefield Lane
Southampton SO1 1TW

17th June 1992

The Directors
Kenwood Appliances plc
New Lane
Havant
Hampshire PO9 2NH

and

The Directors
J. Henry Schroder Wagg & Co. Limited
120 Cheapside
London EC2V 6DS

Gentlemen

1. Introduction

We report in connection with the Placing and Public offer (the "Offer") by J. Henry Schroder Wagg & Co. Limited of 23,226,386 ordinary shares of 10p each ("shares" or "ordinary shares") in Kenwood Appliances plc (the "Company") referred to in the listing particulars dated 17th June 1992 of which 14,736,842 are new ordinary shares (the "Listing Particulars").

The Company was incorporated on 30th May 1989 under the name of Cabinhope Limited. On 20th December 1989 it changed its name to Kenwood Appliances Limited, and on 28th May 1992 the Company adopted its present name and was re-registered as a public limited company.

On 7th September 1989 the Company acquired the worldwide Kenwood domestic appliances division (the "Kenwood division") of THORN EMI plc ("Thorn EMI") by means of a management buy-out (the "Buy-out"). The Kenwood division comprised a number of Thorn EMI subsidiary undertakings and branches operating in the United Kingdom and throughout the world, together with certain other assets (principally land and buildings). The Kenwood division, the Company and its subsidiary undertakings are collectively referred to herein as the "Group".

The financial information set out in this report has been based on audited consolidated financial statements of the Group for the five years ended 31st March 1992, after making such adjustments as we consider necessary. Our work has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

No statutory audited financial statements of the Kenwood division have been prepared, but its financial statements for the two years ended 31st March 1989 were audited by ourselves for the purpose of enabling us to form an opinion on the financial statements of Thorn EMI. We have performed additional audit procedures on the consolidated financial statements of the Group for the two years ended 31st March 1989 in order to enable us to express a separate audit opinion thereon.

The Group changed its year end, after the Buy-out on 7th September 1989, to 30th September and statutory consolidated financial statements for the period to 30th September 1990 and the year ended 30th September 1991 have been prepared. On 13th December 1991 the Group changed its year end back to 31st March, and statutory consolidated financial statements for the six months ended 31st March 1992 were prepared. We performed audits of those financial statements in order to enable us to express an audit opinion thereon.

In addition to the audit procedures performed on the statutory consolidated financial statements of the Group, we have performed additional audit procedures on the consolidated financial statements of the Group for the three years ended 31st March 1992, including procedures in respect of verifying the carrying value of stocks at year ends which had not previously been audited, in order to enable us to express an audit opinion thereon.

For the purposes of this report we have included a separate line item in the consolidated profit and loss account relating to other payments to Thorn EMI in order to reflect the financial effect of Thorn EMI making substantial central charges to the Group during the period to September 1989 but no corresponding expenditure being incurred after the Buy-out

Audited statutory consolidated financial statements have not been prepared in respect of the Group for any period subsequent to 31st March 1992. We have acted as auditors of the Company for all accounting periods since its incorporation

In our opinion, the financial information set out below gives a true and fair view of the results and cash flows of the Group for each of the five years ended 31st March 1992 and of the state of affairs of the Group at the end of each of those years

2. Accounting policies

We set out below the principal accounting policies adopted consistently by the Group in each of the five years ended 31st March 1992 in respect of the preparation of the financial information set out in this report.

(i) Accounting convention

The financial information is prepared under the historical cost convention and in accordance with currently applicable accounting standards.

(ii) Basis of consolidation

The financial information set out in this report has been prepared on the basis that the existing legal structure of the Group was in place throughout the whole period under review, irrespective of past legal ownership. In particular, the trading results reflect the trading of each of the existing members of the Group and their predecessor operations where applicable. However, ownership of the assets previously owned directly by Thorn EMI (principally land and buildings) have only been reflected from the date of acquisition by the Company, ie 7th September 1989.

(iii) Goodwill

Goodwill arising on the acquisition of subsidiary and associated companies is written off directly to reserves in the year of acquisition.

(iv) Depreciation

Freehold land is not depreciated. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	at 2 per cent per annum
Leasehold land and buildings	over the lease term
Plant, equipment, tooling and motor vehicles	at rates ranging from 10 per cent to 33⅓ per cent per annum

(v) Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items. Cost comprises direct materials, direct labour plus attributable overheads based on the normal level of activity.

(vi) Guarantee provisions

Many of the Group's products carry formal guarantees of satisfactory performance for varying periods following purchase by customers. Provision is made for the estimated cost of honouring unexpired guarantees.

(vii) Research and development expenditure

Research and development expenditure, and the expense of establishing and protecting patent rights in respect of inventions derived therefrom, is wholly written off as incurred.

(viii) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the foreseeable future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

(ix) Foreign currencies

The accounts of overseas subsidiary undertakings are translated into sterling on the following basis:

(a) assets and liabilities at the rate of exchange ruling at the balance sheet date; and
(b) profit and loss account items at the average rate of exchange ruling during the year.

The exchange differences arising on the retranslation of opening net assets and the difference between the profit and loss account translated at the average rate and at the closing rate are taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowing to the extent that they are used to finance or provide a hedge against group equity investment in foreign enterprises, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

(x) Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income as incurred over the lease term.

(xi) Pensions

The Group operates two defined benefit pension schemes (UK and South Africa) which require contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in equal instalments taking account of interest on the remaining unamortised amount carried forward in the balance sheet. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

In addition, the Group operates some defined contribution pension schemes in overseas subsidiary undertakings. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

3. Profit and loss accounts

The consolidated profit and loss accounts of the Group for the five years ended 31st March 1988 to 31st March 1992 inclusive are set out below:

		Year ended 31st March				
	Note	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Turnover	(i)	65,166	62 438	66,740	76,009	92,056
Cost of sales		(42,411)	(38,573)	(42,296)	(48,541)	(59,955)
Gross profit		22,755	23,865	24,444	27,468	32,101
Distribution costs		(12,770)	(12,528)	(12,542)	(13,291)	(14,972)
Administrative expenses		(8,510)	(7,774)	(8,004)	(7,703)	(7,909)
Other operating (expenditure)/income	(ii)	(73)	437	331	85	291
		(21,353)	(19,865)	(20,215)	(20,909)	(22,590)
Operating profit before exceptional items and other payments to Thorn EMI		1,402	4,000	4,229	6,559	9,511
Exceptional items	(iii)	(972)	—	(509)	(836)	—
Other payments to Thorn EMI	(iv)	(1,000)	(1,228)	(827)	—	—
Operating profit/(loss)	(v)(a)	(570)	2,772	2,893	5,723	9,511
Net interest payable	(vii)	(682)	(587)	(4,380)	(6,483)	(5,177)
Profit/(loss) before taxation	(i)	(1,252)	2,185	(1,487)	(760)	4,334
Taxation	(viii)	(187)	(888)	840	(565)	(732)
Profit/(loss) attributable to members of the Company		(1,439)	1,297	(647)	(1,325)	3,602
Dividends	(ix)	(378)	(619)	(624)	(540)	(1,120)
Retained profit/(loss)		(1,817)	678	(1,271)	(1,865)	2,482
Earnings/(loss) per ordinary share	(x)	(6.6p)	5.9p	(2.9p)	(6.0p)	16.4p
Pro forma earnings per ordinary share	(x)					18.9p

4. Cash flow statements

	Note	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
		Year ended 31st March				
Net cash inflow from operating activities	(v)(b)	2,574	2,608	4,185	8,828	12,661
Returns on investments and servicing of finance						
Interest received		105	68	277	207	58
Interest paid		(762)	(683)	(4,214)	(6,566)	(5,499)
Dividends paid		—	(295)	(1,295)	(537)	(1,120)
Net cash outflow from returns on investments and servicing of finance		(657)	(910)	(5,232)	(6,896)	(6,561)
Taxation						
UK corporation tax paid		—	—	—	—	(389)
Overseas tax paid		(285)	(271)	(14)	(508)	(446)
Tax paid		(285)	(271)	(14)	(508)	(835)
Investing activities						
Acquisition of the Kenwood division	(xxi)	—	—	(54,911)	—	—
Payments to acquire tangible fixed assets		(3,194)	(4,191)	(2,221)	(1,455)	(2,141)
Receipts from sales of tangible fixed assets		751	125	1,310	254	231
Net cash inflow/(outflow) from investing activities		(2,443)	(4,066)	(55,822)	(1,201)	(1,910)
Net cash inflow/(outflow) before financing		(811)	(2,639)	(56,883)	223	3,355
Financing						
New long term loans	(xvii)	—	—	(45,000)	—	—
Repayment of long term loans	(xvii)	—	—	6,000	5,750	1,750
Issue of share capital		—	—	(16,500)	(5,000)	—
Costs of share issues		—	—	2,000	229	—
Net (introduction)/repayment of divisional capital account		4,133	(8,656)	(3,662)	—	—
Other financing items (net)		(1,344)	1,243	—	—	—
		2,789	(7,413)	(57,162)	979	1,750
Increase/(decrease) in cash and cash equivalents	(xiv)	(3,600)	4,774	279	(756)	1,605
		(811)	(2,639)	(56,883)	223	3,355

5. Balance sheets

The consolidated balance sheets of the Group at each 31st March from 1988 to 1992 inclusive are set out below

	Note	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
		At 31st March				
Fixed assets						
Tangible fixed assets	(xi)	9,931	11,713	18,212	16,924	16,370
Current assets						
Stocks	(xii)	14,072	15,292	12,521	15,999	15,100
Debtors	(xiii)	12,561	11,720	14,123	13,724	15,247
Cash at bank and in hand	(xiv)	113	1,159	1,157	3,217	4,578
		26,746	28,171	27,801	32,940	34,925
Creditors: amounts falling due within one year	(xv)	(18,750)	(13,387)	(12,867)	(20,228)	(22,479)
Net current assets		7,996	14,784	14,934	12,712	12,446
Total assets less current liabilities		17,927	26,497	33,146	29,636	28,816
Creditors: amounts falling due after more than one year	(xvi)	—	(206)	(39,584)	(33,507)	(30,900)
Provisions for liabilities and charges						
Deferred tax	(xviii)	(1,695)	(1,729)	(718)	(778)	(227)
Other provisions	(xix)	(1,469)	(661)	(1,335)	(1,222)	(1,149)
		14,763	23,901	(8,491)	(5,871)	(3,460)
Capital and reserves						
Called up share capital	(xx)	—	—	15,137	20,139	20,139
Profit and loss account	(xxi)	—	—	372	(2,010)	401
Divisional capital account	(xxi)	14,763	23,901	—	—	—
Goodwill written off	(xxi)	—	—	(24,000)	(24,000)	(24,000)
		14,763	23,901	(8,491)	(5,871)	(3,460)

6. Notes

(i) Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax. The turnover and profit before taxation are attributable to one activity: the manufacture and distribution of domestic appliances.

Turnover, profit before taxation and net assets are analysed by geographical area as follows:

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Turnover					
Turnover by destination:					
Sales to third parties:					
United Kingdom	20,834	19,010	20,701	26,606	32,707
Continental Europe	28,258	25,967	27,695	28,095	31,206
Rest of the World	16,074	17,461	18,344	21,308	28,143
	65,166	62,438	66,740	76,009	92,056
Turnover by origin:					
Total sales:					
United Kingdom	43,946	44,515	44,636	55,059	64,108
Continental Europe	17,870	16,268	18,315	16,732	19,841
Rest of the World	12,125	13,852	15,100	17,717	21,922
	73,941	74,635	78,051	89,508	105,871
Inter-segment sales:					
United Kingdom	—	—	—	—	—
Continental Europe	(5,926)	(7,021)	(6,984)	(7,986)	(7,231)
Rest of the World	(2,849)	(5,176)	(4,327)	(5,513)	(6,584)
	(8,775)	(12,197)	(11,311)	(13,499)	(13,815)
Sales to third parties:					
United Kingdom	43,946	44,515	44,636	55,059	64,108
Continental Europe	11,944	9,247	11,331	8,746	12,610
Rest of the World	9,276	8,676	10,773	12,204	15,338
	65,166	62,438	66,740	76,009	92,056
Profit/(loss) before taxation					
Segment profit by origin:					
United Kingdom	311	2,670	2,442	6,853	8,742
Continental Europe	1,135	308	1,260	643	1,278
Rest of the World	(968)	815	21	(459)	1,066
	478	3,793	3,723	7,037	11,086
Common costs	(1,048)	(1,021)	(830)	(1,314)	(1,575)
Net interest payable	(682)	(587)	(4,380)	(6,483)	(5,177)
	(1,252)	2,185	(1,487)	(760)	4,334
Net assets/(liabilities)					
Net assets by segment:					
United Kingdom	10,497	18,304	20,497	21,478	20,685
Continental Europe	3,534	3,532	4,084	1,059	1,586
Rest of the World	732	2,065	5,549	4,491	5,446
	14,763	23,901	30,130	27,028	27,717
Unallocated net assets/(liabilities)	—	—	(38,621)	(32,899)	(31,177)
	14,763	23,901	(8,491)	(5,871)	(3,460)

Unallocated net assets/(liabilities) comprise the head office leasehold property and loans.

(ii) Other operating (expenditure)/income

Other operating (expenditure)/income comprises

	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
	Year ended 31st March				
Profit/(loss) on fixed asset disposals	(21)	64	25	20	46
Exchange gains/(losses)	(12)	356	281	(6)	187
Other income/(expenditure)	(40)	17	25	71	58
	(73)	437	331	85	291

(iii) Exceptional items

Exceptional items comprise:

	Note	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
		Year ended 31st March				
Closure of New Zealand manufacturing operations	(a)	(839)	—	—	—	—
Other relocation, reorganisation and rationalisation costs	(b)/(d)	(133)	—	—	(217)	—
Losses arising from discontinued products	(c)	—	—	(509)	—	—
Closure of Australian sales operations	(e)	—	—	—	(619)	—
		(972)	—	(509)	(836)	—

(a) In June 1987 the New Zealand manufacturing facility was closed.

(b) In March 1988 a cost reduction programme was implemented in the UK resulting in redundancy costs of £133,000.

(c) In August 1989 the 'System K' product range was discontinued due to poor market demand

(d) In June 1990 the sales and warehouse operations in New Zealand were substantially reorganised, resulting in rationalisation costs of £217,000.

(e) The Australian sales operations were reorganised in March 1991 and the distribution of Kenwood products now takes place through a distributor.

(iv) *Other payments to Thorn EMI*

Other payments to Thorn EMI may be analysed as follows:

	Note	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
		Year ended 31st March				
Management and other general charges levied by Thorn EMI	(a)	(496)	(74)	(126)	—	—
Interest on divisional capital account	(b)	(269)	(840)	(534)	—	—
Economic rent charges	(c)	(235)	(314)	(167)	—	—
		(1,000)	(1,228)	(827)	—	—

These payments represent items arising prior to the Buy-out as a direct result of the ownership of the Kenwood division by Thorn EMI. These items fall into the following categories:

(a) management and other general charges levied by Thorn EMI for which no specific services were rendered;

(b) financing costs on that part of the divisional capital account which was interest-bearing; and

(c) economic rent charges levied by Thorn EMI on the Kenwood division to reflect a market rental on leasehold properties leased from third parties on which rents payable were less than market rental.

(v) Operating profit/(loss)

(a) Operating profit/(loss) is stated after charging.

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Directors' emoluments	326	276	494	601	629
Auditors' remuneration	64	54	48	80	94
Depreciation	1,532	2,320	2,407	2,479	2,529
Hire of plant and machinery	346	261	217	109	152
Research and development	1,377	926	713	676	1,007

(b) Reconciliation of operating profit/(loss) to net cash inflow from operating activities:

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Operating profit/(loss)	(570)	2,772	2,893	5,723	9,511
Depreciation	1,532	2,320	2,407	2,479	2,529
Loss/(profit) on disposal of fixed assets	21	(64)	(25)	(20)	(46)
(Increase)/decrease in debtors	(711)	(125)	(2,077)	259	(1,754)
(Increase)/decrease in stocks	(2,225)	(1,747)	2,997	(3,827)	861
Increase/(decrease) in creditors	4,527	(548)	(333)	4,729	1,344
Costs incurred arising from the Buy-out	—	—	(1,254)	(666)	—
Pension prepayment	—	—	(423)	151	216
	2,574	2,608	4,185	8,828	12,661

(vi) Staff costs

The analysis of staff costs is as follows:

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Wages and salaries	11,682	11,782	13,124	14,291	14,912
Social security costs	1,209	1,276	1,221	1,468	1,626
Other pension costs	99	106	310	257	370
	12,990	13,164	14,655	16,016	16,908

The average number of employees employed for each year was as follows:

	Year ended 31st March				
	1988	1989	1990	1991	1992
Office management and administration	195	162	142	130	128
Manufacturing and distribution	1,367	1,230	1,118	1,158	1,152
	1,562	1,392	1,260	1,288	1,280

(vii) Net interest payable

The composition of net interest payable was:

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Bank loans not wholly repayable within five years	—	—	(1,423)	(2,728)	(2,102)
Bank loans and overdrafts wholly repayable within five years	(787)	(653)	(3,234)	(3,962)	(3,133)
Interest receivable	105	66	277	207	58
	(682)	(587)	(4,380)	(6,483)	(5,177)

(viii) Taxation

The taxation charge/(credit), based on the results for each year comprised

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
UK corporation tax charge/(credit)	(217)	463	—	—	893
UK deferred taxation charge/(credit)	(26)	80	(971)	227	(518)
Overseas taxation	430	345	131	338	357
	187	888	(840)	565	732

UK corporation tax payable has been provided at the following rates:

Year ended 31st March				
1988	1989	1990	1991	1992
35%	35%	35%	34%	33%

The Group's effective rate of taxation in each of the five years ended 31st March 1992 has been significantly affected by a number of factors. The principal factors were:

(a) tax losses reported by overseas subsidiary undertakings not being available to relieve taxable profits of other members of the Group;

(b) the benefit of tax relief on certain expenses incurred in connection with the Buy-out which were applied to eliminate the share premium arising in the year ended 31st March 1990;

(c) the impact of taxation rates overseas being higher than standard UK corporation tax rates; and

(d) the release of the UK deferred tax provision in the year ended 31st March 1992 in respect of accelerated capital allowances following a review of budgeted future expenditure on plant and machinery (see note (xviii) below).

(ix) Dividends

Dividends paid and proposed in the five years ended 31st March 1992 are analysed below. At 31st March 1990 cumulative redeemable preference dividend arrears amounting to £591,164 were waived. At 31st March 1991 cumulative redeemable preference dividend arrears amounting to £525,000 and cumulative convertible participating preferred ordinary share dividend arrears of £50,000 were waived. At 31st March 1992 there were unprovided cumulative redeemable preference dividend arrears of £1,000,000 and unprovided cumulative convertible participating preferred ordinary dividend arrears of £61,300. The directors intend to pay these arrears, together with dividends in respect of the period from 31st March 1992 to 1st July 1992 of £24,932 in respect of the cumulative convertible participating preferred ordinary shares and £498,630 in respect of the cumulative redeemable preference shares and interest of £25,000, in the current financial year.

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Ordinary shares of 10p each	—	—	—	—	—
Convertible 'A' ordinary shares of 10p each	—	—	—	—	—
Cumulative convertible participating preferred ordinary shares of 10p each	—	—	—	51	54
Cumulative redeemable preference shares of £1 each	—	—	—	489	1,066
Dividends paid to Thorn EMI	378	619	624	—	—
	378	619	624	540	1,120

(x) Earnings/(loss) per ordinary share

Earnings/(loss) per ordinary share for the five years ended 31st March 1992 have been calculated on the profit/(loss) after taxation and on the basis of 21,945,120 ordinary shares in issue, the number of ordinary shares that will be in issue following the transactions referred to under note (xxv) below, but excluding 14,736,842 ordinary shares which are to be issued to raise new capital under the Offer:

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Profit/(loss) after taxation	(1,439)	1,297	(647)	(1,325)	3,602
Earnings/(loss) per ordinary share	(6.6p)	5.9p	(2.9p)	(6.0p)	16.4p

Note: Because of the changing nature of the Group's ownership, financing and levels of capital employed throughout the five years ended 31st March 1992 certain items of expenditure, principally net interest payable and charges levied by Thorn EMI have not arisen consistently throughout the period under review. We have not made any adjustment to the historical earnings per share figures shown above to reflect these variations in expenditure levels.

Pro forma earnings per ordinary share for the year ended 31st March 1992 has been calculated on the following assumptions

(a) the capital reorganisation referred to in note (xxv) below had been effected on 1st April 1991

(b) the 14,736,842 new ordinary shares which are included in the 23,226,386 ordinary shares which are the subject of the Offer had been in issue throughout the year ended 31st March 1992,

(c) the estimated net proceeds of the Offer receivable by the Company of £39.5 million had been available at 1st April 1991 and were applied in reducing the Group's indebtedness and working capital requirement, and

(d) a rate of corporation tax of 33 per cent had been applicable in the year ended 31st March 1992 on the interest saved as a result of the items referred to in sub-paragraphs (a) to (c) above.

	Pro forma year ended 31st March 1992 £000
Operating profit	9,511
Net interest payable	(5,177)
Adjustment to net interest payable to reflect net proceeds of the Offer	4,955
Net interest payable	(222)
Pro forma profit before taxation	9,289
Taxation	(732)
Adjustment to taxation to reflect the above adjustment to net interest payable	(1,635)
	(2,367)
Pro forma profit attributable to members of the Company	6,922
Pro forma number of ordinary shares in issue	36,681,962
Pro forma earnings per ordinary share	18.9p

(xi) Tangible fixed assets

At 31st March 1991 and 31st March 1992 tangible fixed assets comprised:

	31st March 1992			31st March 1991
	Cost £000	Aggregate depreciation £000	Net book amount £000	Net book amount £000
Freehold land and buildings	4,705	146	4,559	4,615
Long leasehold land and buildings	2,295	72	2,223	2,251
Short leasehold land and buildings	45	15	30	40
Plant, equipment, tooling and motor vehicles	23,855	14,297	9,558	10,018
	30,900	14,530	16,370	16,924

(xii) Stocks

At 31st March 1991 and 31st March 1992 stocks comprised:

	1991 £000	1992 £000
Raw materials and components	2,815	2,499
Work in progress	1,162	968
Finished goods and goods for resale	12,022	11,633
	15,999	15,100

The difference between purchase price or production cost of stocks and their replacement cost is not material.

(xiii) Debtors

At 31st March 1991 and 31st March 1992 debtors comprised:

	1991 £000	1992 £000
Trade debtors	12,040	13,452
Other debtors	803	342
Advance corporation taxation recoverable	179	—
Overseas corporation tax recoverable	—	80
Pension prepayment	499	283
Prepayments and accrued income	203	1,090
	13,724	15,247

The pension prepayment is in respect of payments made in advance of their recognition in the profit and loss account as outlined in note ([illegible]) below, £249,000 of which falls due after more than one year (1991 £263,000)

(xiv) **Cash and cash equivalents**

An analysis of amounts shown in the balance sheet and changes during each year is as follows

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Balances:					
Cash at bank and in hand	113	1,159	1,157	3,217	4,578
Bank overdrafts	(7,226)	(2,820)	(1,519)	(4,060)	(3,745)
	(7,113)	(1,661)	(362)	(843)	833

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Change in year:					
Cash at bank and in hand	(380)	1,046	(2)	2,060	1,361
Bank overdrafts	(2,877)	4,406	1,301	(2,541)	315
	(3,257)	5,452	1,299	(481)	1,676

The movement in cash and cash equivalents during the year comprises:

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
At 1st April	(3,856)	(7,113)	(1,661)	(362)	(843)
Net cash outflow/(inflow) before adjustments for the effect of foreign exchange rate changes	(3,600)	4,774	279	(756)	1,605
Effect of foreign exchange rate changes	343	678	1,020	275	71
At 31st March	(7,113)	(1,661)	(362)	(843)	833

(xv) **Creditors: amounts falling due within one year**

At 31st March 1991 and 31st March 1992 these comprised:

	1991 £000	1992 £000
Current instalments due on bank loans (see note (xvii) below)	1,750	2,500
Bank overdrafts	4,060	3,745
Bills of exchange payable	912	997
Trade creditors	8,692	11,123
Current corporation taxation	264	310
Other taxation and social security costs	674	792
Other creditors	727	836
Accruals	3,149	2,176
	20,228	22,479

The bank overdrafts are secured by first fixed and floating charges over the Group's assets.

(xvi) **Creditors: amounts falling due after more than one year**

At 31st March 1991 and 31st March 1992 these comprised:

	1991 £000	1992 £000
Overseas taxation	107	—
Loans (see note (xvii) below)	33,400	30,900
	33,507	30,900

(xvii) Loans

At 31st March 1991 and 31st March 1992 loans comprised

	1991 £000	1992 £000
Not wholly repayable within five years:		
Bank loan at three per cent above LIBOR per annum, repayable in two instalments of £7.5 million on 12th September 1997 and 12th September 1998	15,000	15,000
Thorn EMI unsecured subordinated loan note 1998, interest free until 7th September 1992, then at two per cent above LIBOR, repayable on 1st October 1998 or on repayment of the bank loans if earlier	1,900	1,900
Wholly repayable within five years:		
Bank loan at 1.5 per cent above LIBOR per annum, repayable in two instalments per annum until 31st July 1996	18,250	16,500
	35,150	33,400
Less: Amounts due within one year	(1,750)	(2,500)
	33,400	30,900

The bank loans are secured by fixed and floating charges over the Group's assets.

Amounts due at 31st March 1991 and 31st March 1992 are repayable as follows:

	1991 £000	1992 £000
Bank loans:		
After five years	17,500	15,000
Between two and five years	11,500	10,750
Between one and two years	2,500	3,250
	31,500	29,000
Within one year	1,750	2,500
	33,250	31,500
Other loans: after five years	1,900	1,900
	35,150	33,400

An analysis of changes in Group loan financing during the three years ended 31st March 1992 is set out below:

	1990 £000	1991 £000	1992 £000
At 1st April	—	40,900	35,150
New bank loans	45,000	—	—
Thorn EMI unsecured subordinated loan note	1,900	—	—
Repayment of loans	(6,000)	(5,750)	(1,750)
At 31st March	40,900	35,150	33,400

(xviii) Deferred taxation

Deferred taxation at 31st March 1991 and at 31st March 1992 may be analysed as follows:

	Provided 1991 £000	Provided 1992 £000	Not provided 1991 £000	Not provided 1992 £000
Deferred taxation:				
Accelerated capital allowances	1,444	131	—	1,162
Other timing differences	(7)	109	—	(93)
	1,437	240	—	1,069
Less: losses carried forward	(659)	(13)	—	—
	778	227	—	1,069

(xix) Other provisions

Other provisions at 31st March 1991 and 31st March 1992 comprised

	1991 £000	1992 £000
Guarantee provisions	516	690
Other provisions	706	459
	1,222	1,149

(xx) Called-up share capital

At 31st March 1991 and 31st March 1992 the share capital of the Company comprised:

	Authorised		Allotted, called up and fully paid	
	1991 £000	1992 £000	1991 £000	1992 £000
Ordinary shares	47	47	28	28
Convertible 'A' ordinary shares of 10p each	8	8	8	8
Cumulative convertible participating preferred ordinary shares of 10p each	54	54	44	44
Cumulative redeemable preference shares of £1 each	20,000	20,000	20,000	20,000
Deferred shares of 10p each	59	59	59	59
	20,168	20,168	20,139	20,139

Changes to called-up share capital since 31st March 1992 are set out in note (xxv) below.

(xxi) Movements on reserves

Movements on the divisional capital account and on the profit and loss account of the Group are as follows:

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Balance brought forward	21,318	14,763	23,901	372	(2,010)
Movements on the divisional capital account	(4,457)	8,583	2,263	—	—
Repayment of the divisional capital account arising on the Buy-out of the Kenwood division by the Company from Thorn EMI	—	—	(25,499)	—	—
Fair value adjustments arising at the time of the Buy-out	—	—	1,046	—	—
Cost of share issues	—	—	(628)	(229)	—
Exchange rate movements	(281)	(123)	560	(288)	(71)
Profit/(loss) for the year	(1,817)	678	(1,271)	(1,865)	2,482
	14,763	23,901	372	(2,010)	401

The cost of the Buy-out of the Kenwood division comprised:

	£000
Net assets acquired:	
Already vested in the ownership of the Group	
Tangible fixed assets	11,144
Stocks	16,128
Debtors	14,136
Creditors	(15,168)
Deferred taxation	(741)
	25,499
Owned by other Thorn EMI companies:	
Land and buildings	7,000
Motor vehicles	323
	7,323
	32,822
Goodwill	24,000
	56,822
Satisfied by:	
Shares allotted	11
Loan note issued	1,900
Cash	54,911
	56,822

(xxii) Capital commitments

Amounts contracted for but not provided in the accounts amounted to £1,100,000 (1991: £442,000). Amounts authorised by the directors but not contracted for were £251,000 (1991: £479,000).

(xxiii) Pension commitments

The Group operates a number of pension schemes throughout the World. The major scheme (which is operated in the UK) covers the majority of scheme members and is of the defined benefit type. The assets of the main scheme are held in separate trustee administered funds.

The pension cost relating to the UK scheme is assessed in accordance with the advice of a qualified actuary using the projected unit credit method on the basis of triennial valuations. The scheme commenced on 1st April 1990. In the period before 1st April 1990 contributions in respect of members were paid to the Thorn EMI fund and in April 1990 the assets and actual liabilities were transferred to the new scheme.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. A preliminary actuarial valuation was conducted as at 1st April 1990, using the following principal assumptions:

(a) rate of return on investments of 10 per cent per annum;
(b) rate of salary increases of 7.5 per cent per annum;
(c) future pensions will be increased at 4 per cent per annum; and
(d) dividends will increase by 5.5 per cent per annum.

The market value of the assets at 1st April 1990 transferred from the Thorn EMI fund to the UK scheme was £3,221,004. The preliminary valuation as at 1st April 1990 disclosed an actuarial surplus of £650,000 arising on the asset transfer. This has been incorporated in the balance sheet as a pension scheme prepayment and has been reduced by a contribution holiday in the period to 1st January 1992. At 31st March 1992 the prepayment had reduced to £283,000.

The most recent actuarial valuation at 30th September 1991, which used the same principal assumptions as the preliminary actuarial valuation, showed the scheme was, on the basis of the actuarial assumptions used, fully funded with a market value of the fund assets being £3,454,272.

The introduction of the Social Security Act 1990 means that all defined benefit pension schemes will have to provide pensions that increase by the lesser of the change in the retail prices index and five per cent per annum. This legislative change is expected to take effect in the near future. The additional cost to the Group of complying with the expected changes to the legislation would be approximately £30,000 per annum.

(xxiv) Contingent liabilities

The Group has issued guarantees to overseas banks against Group companies' overdrafts and advances totalling £5,738,236 (1991 £5,720,691)

The Group has issued guarantees to HM Customs & Excise for sums due totalling £200,000 at 31st March 1992 (1991 £200,000).

The Group has a maximum potential liability of £250,000 concerning an early termination payment to a distributor. Provision has been made for £100,000 of this maximum potential liability at 31st March 1992, being the amount of this liability which the directors believe will crystallise.

There is a contingent liability relating to a lease assigned to a third party which may revert to a group company. The directors believe that the likelihood of this is remote and therefore no provision has been made in the accounts.

As referred to in note 6(ix) above, at 31st March 1992 there were unprovided cumulative dividend arrears of £1,061,300.

(xxv) Subsequent events

On 16th June 1992 pursuant to resolutions of, as appropriate: the shareholders of the Company; the directors; the option holders under the Kenwood Buy-out Share Option Scheme; and the warrant holders; all as referred to in sections 1(h) and (i) of Part 5, conditionally upon the London Stock Exchange agreeing to admit the whole of the ordinary share capital of the Company, issued and to be issued, to the Official List and such admission becoming effective on or before 9th July 1992:

(a) the warrant holders exercised their warrants to acquire 164,252 ordinary shares at par;

(b) the option holders exercised their options to acquire 28,985 ordinary shares at par;

(c) each convertible 'A' ordinary share of 10p each and each cumulative convertible participating preferred ordinary share of 10p each was converted into ordinary shares;

(d) all of the issued 20,000,000 cumulative redeemable preference shares of £1 each were converted into 467,840 ordinary shares of 10p each and 19,953,216 'A' deferred shares of £1 each;

(e) all of the issued 586,956 deferred shares of 10p each and all of the 19,953,216 'A' deferred shares of £1 each arising on conversion of the cumulative redeemable preference shares of £1 each were purchased by the Company, both for the total consideration of one penny, the nominal value of such shares, £20,011,912, being transferred to a capital redemption reserve; and

(f) it was resolved to undertake a 14 for 1 scrip issue of ordinary shares by utilising an amount of £2,048,211 of the capital redemption reserve.

Immediately after Admission, the authorised and issued share capital of the Company will be as follows:

	Authorised £	Allotted, called up and fully paid £
Ordinary shares	20,167,874	3,668,196

Yours faithfully

Ernst & Young
Chartered Accountants

Part 5 – Additional information

In this Part 5 the following definitions apply:

"shares" or "ordinary shares"	the ordinary shares of 10p each in the capital of the Company both issued and to be issued
" 'A' ordinary shares"	the convertible 'A' Ordinary shares of 10p each in the capital of the Company
"preference shares"	the Cumulative Redeemable Preference shares of £1 each in the capital of the Company
"preferred shares"	the Cumulative Convertible Participating Preferred Ordinary shares of 10p each in the capital of the Company
"deferred shares"	the Deferred shares of 10p each in the capital of the Company
" 'A' deferred shares"	the 'A' Deferred shares of £1 each in the capital of the Company arising on the conversion of the preference shares
"Admission"	admission on or before 9th July 1992 of the whole of the ordinary share capital of the Company issued, and now being issued, to the Official List of the London Stock Exchange by the making of an announcement by the London Stock Exchange in accordance with Rule 520 of the Rules thereof
the "Buy-out Scheme"	the Kenwood Buy-out Share Option Scheme adopted by a resolution of the directors on 2nd November 1990 (as amended)
the "Executive Share Schemes"	the executive share option schemes described in section 6(c) below
the "Kenwood Pension Scheme"	the pension scheme described in section 13 below
the "Sharesave Scheme"	the employee save-as-you-earn share scheme described in section 6(b) below
the "Act"	the Companies Act 1985 (as amended)
"Pink Application Form"	the application form for use in connection with the special arrangements for employees described in section 7 below

1. The Company

(a) The Company was incorporated in England and Wales on 30th May 1989 with registered number 2390006 under the Act as a private limited company with the name Cabinhope Limited. On 20th December 1989 the name of the Company was changed to Kenwood Appliances Limited. The Company was re-registered as a public company on 28th May 1992 with the name Kenwood Appliances plc. The Company's registered office and principal place of business is at New Lane, Havant, Hampshire PO9 2NH.

(b) The Company was incorporated with an authorised share capital of £100 divided into 100 ordinary shares of £1 each of which two were issued at par.

(c) By resolutions passed on 31st August 1989 the authorised share capital of the Company was increased by £49,900 to £50,000 by the creation of 499,000 ordinary shares and the 100 ordinary shares of £1 each were sub-divided into 1,000 ordinary shares. On 31st August 1989, 198,392 ordinary shares were allotted at a premium of £1.70 each. The issued share capital then consisted of 198,412 ordinary shares.

(d) By a special resolution passed on 7th September 1989 the authorised share capital of the Company was increased from £50,000 to £15,155,486 by the creation of 15,000,000 preference shares, 1,000,000 preferred shares and 54,860 'A' ordinary shares. 56,250 of the unissued ordinary shares were re-classified as 'A' ordinary shares. On the same date 15,000,000 preference shares and 111,110 'A' ordinary shares were allotted at par, 1,000,000 preferred shares were allotted at a premium of 90p each and 55,556 ordinary shares were allotted at a premium of £1.70 each. The issued share capital then consisted of 15,000,000 preference shares, 1,000,000 preferred shares, 253,968 ordinary shares and 111,110 'A' ordinary shares.

(e) On 19th March 1990, 6th April 1990 and 8th June 1990 a further 19,840, one and 3,969 ordinary shares respectively were issued at a premium of £1.70 each.

(f) By a written resolution signed on 19th March 1991 the authorised share capital was increased by £5,012,388.30 to £20,167,874.30 by the creation of 5,000,000 preference shares, 96,618 preferred shares and 27,265 ordinary shares. 560,386 preferred shares and 26,570 'A' ordinary shares were converted into 586,956 deferred shares. On the same date 5,000,000 preference shares were allotted at par. The issued share capital then consisted of 20,000,000 preference shares, 439,614 preferred shares, 84,540 'A' ordinary shares, 277,778 ordinary shares and 586,956 deferred shares.

(g) Pursuant to a resolution of the directors passed on 29th May 1992, the Company adopted the Employee Incentive Schemes described in section 6(a) to (d) below.

(h) Pursuant to a resolution of the directors passed on 16th June 1992:

(i) in satisfaction of the exercise of options granted under the Buy-out Scheme, the directors allotted 28,985 ordinary shares conditionally upon Admission;

(ii) in satisfaction of the subscription by warrant holders for ordinary shares in accordance with the terms of a share warrant instrument dated 7th September 1989 (as amended) and a share warrant instrument dated 19th March 1992 (as amended), the directors allotted 67,633 and 96,618 ordinary shares conditionally upon Admission

(i) Pursuant to a special resolution of the Company passed on 16th June 1992 it was resolved, conditionally upon Admission

(i) to redesignate 19,953,216 of the preference shares as 19,953,216 'A' deferred shares, having the same rights and restrictions as the existing deferred shares, and to sub-divide and redesignate 46,784 of the preference shares as 467,840 ordinary shares;

(ii) to authorise the Company to enter into conditional purchase agreements in accordance with section 164 of the Act for the off market purchase of 586,956 deferred shares each from Candover Investments and others and Thorn EMI for one penny and a maximum of 20,000,000 'A' deferred shares from Candover Investments and others for one penny on the terms of the purchase agreements, the nominal value of such purchased shares being transferred to a capital redemption reserve. The authority conferred is to expire on 9th July 1992;

(iii) immediately following the implementation of the matters in paragraphs (i) and (ii) above, to subdivide and re-designate all of the authorised 'A' deferred shares and to redesignate all of the authorised deferred shares as ordinary shares to rank *pari passu* with the existing ordinary shares in the capital of the Company;

(iv) to redesignate the 439,614 preferred shares as 439,614 ordinary shares;

(v) to redesignate the 84,540 'A' ordinary shares as 84,540 ordinary shares;

(vi) to capitalise the sum of £2,048,211.20 standing to the credit of the Company's capital redemption reserve by paying up in full 20,482,112 unissued ordinary shares to be allotted credited as fully paid on the basis of 14 new ordinary shares for each existing ordinary share held by the ordinary shareholders on the register on 16th June 1992 or which would be held immediately after implementation of those matters referred to in paragraphs (i), (ii), (iii), (iv) and (v) above and the exercise of the options issued under the Buy-out Scheme and the subscription for ordinary shares by warrant holders in accordance with the terms of the share warrant instruments dated 7th September 1989 (as amended) and 19th March 1991 (as amended) having become unconditional;

(vii) to amend the memorandum and adopt new articles of association of the Company;

(viii) to authorise the directors generally and unconditionally to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £4,761,052.50, such authority to be limited to the allotment of 164,251 ordinary shares to the warrant holders referred to in section 1(h) above; 20,482,112 ordinary shares pursuant to paragraph (vi) above; 14,736,842 ordinary shares to Schroders pursuant to the terms of the Offer Agreement referred to in section 12 below and further ordinary shares up to a maximum nominal amount of £1,222,732, such authority to expire on the earlier of 15th June 1993 or the conclusion of the annual general meeting of the Company to be held in 1993, but so as to enable the directors to allot relevant securities (as defined in the Act) after such date in pursuance of an offer or agreement entered into prior to such date, such authority to be in substitution for all existing authorities granted to the directors in respect of the allotment of relevant securities; and

(ix) to empower the directors to allot, in pursuance of the authority referred to in paragraph (viii) above, equity securities (within the meaning of section 94 of the Act) for cash in respect of rights issues to deal with fractions and overseas restrictions; the allotment of ordinary shares on the exercise of the warrants, the capitalisation issue and the allotment of shares to Schroders referred to in paragraph (viii) above and the allotment of a further nominal amount of £183,409 ordinary shares otherwise than in accordance with section 89 of the Act, such authority to expire on earlier of 15th June 1993 or the conclusion of the annual general meeting of the Company to be held in 1993, but so as to enable the directors to allot equity securities after such date in pursuance of an offer or agreement entered into prior to such date.

(j) Immediately following the Offer, the authorised share capital of the Company will be £20,167,874.30 divided into 201,678,743 ordinary shares, of which 36,681,962 will be issued and fully paid. A maximum of 1,834,098 ordinary shares (representing 5 per cent of the issued share capital of the Company immediately following Admission) will be reserved for issue in respect of options granted or to be granted under the Employee Incentive Schemes during the next five years. 163,162,683 ordinary shares, representing 80.9 per cent of the authorised share capital, will remain unissued and unreserved. No issue of shares will be made by the Company which would effectively alter its control or the nature of its business without the approval of the Company in general meeting.

(k) Except pursuant to the Offer, or in connection with the Employee Incentive Schemes, no material issue of shares (other than to shareholders *pro rata* to their shareholdings) will be made by the Company within one year of the date of this document without the prior approval of the Company in general meeting

(l) Save as disclosed in this document, no share or loan capital of the Company or any of its subsidiaries has, within the three years before the date of this document (or the date of incorporation of the relevant company if later) been issued or agreed to be issued or is now proposed to be issued (in any such case other than by way of intra-Group issues by wholly owned subsidiaries) fully or partly paid either for cash or for a consideration other than cash and, save as disclosed in section 12 below in connection with the Offer, no commissions, discounts, brokerages or other special terms have been granted by the Company or by any of its subsidiaries in connection with the sale or issue of any share or loan capital of any such company.

(m) Except pursuant to the Offer, or in connection with the Employee Incentive Schemes no share or loan capital of the Company or any subsidiary is proposed to be issued or is under option or has been agreed conditionally or unconditionally, to be put under option

(n) The ordinary shares in issue are, and those to be issued will be, in registered form

(o) The provisions of section 89(1) of the Act which, (to the extent not disapplied pursuant to section 95 of the Act), confer on shareholders rights of pre-emption in respect of the allotment of equity securities (within the meaning of section 94(2) of the Act) which are, or are to be, wholly or partly paid up in cash, apply to the balance of the authorised but unissued share capital of the Company. As set out in paragraph (i)(ix) above, a special resolution granting a disapplication pursuant to section 95 of the Act was passed at an extraordinary general meeting of the Company held on 16th June 1992 and will become effective upon Admission in respect of the allotment of a nominal amount of £183,409 ordinary shares (representing five per cent of the Company's issued shares); the allotment of shares pursuant to the capital reorganisation and the Offer and in respect of rights issues to deal with fractions and overseas restrictions

2. The Group's activities

The Company is a holding company and its subsidiaries are set out in the table below. Each of them is unless otherwise stated, wholly owned.

Name	Activity	Issued share capital (fully paid)	Country of incorporation
Kenwood Limited	Manufacturing and sales	£50,000	England & Wales
Kenwood International Limited	Intermediate holding company	£2	England & Wales
Kenwood Marks Limited	Licensor of intellectual property	£2	England & Wales
Kenwood Appliances (Australia) PTY Ltd	Sales and marketing	Aus$1,450,002	Australia
Kenwood ApS Limited	Sales and marketing	DKK1,000,000	Denmark
Kenwood Holdings SA*	Intermediate holding company	FFr 16,825,200	France
Kenwood France SA*	Sales and marketing	FFr 500,000	France
Newlane Holdings Limited	Intermediate holding company	NZ$10	New Zealand
Kenwood Appliances Limited	Sales and marketing	NZ$1,000,000	New Zealand
Sodaflo Drinks Limited	Dormant	NZ$65,000	New Zealand
Kenwood Appliances (Singapore) PTE Limited	Sales and marketing	S$2	Singapore
Kenwood Home Appliances PTY Limited	Sales and marketing	R40,000	South Africa
Kenwood Appliances Inc.	Sales and marketing	US$25,000	USA
Kenwood Manufacturing GmbH	Sales and marketing	A.Sch 500,000	Austria
Kenwood Appliances (Ireland) Limited	Sales and marketing	IR£2	Ireland
Kenwood Appliances (HK) Limited	Sales and marketing	HK$1,000	Hong Kong
Kenwood Trustees Limited	Trustee company	£2	England & Wales

* The Company owns, through intermediate holding companies, 99.6 per cent of the issued share capital of Kenwood France SA and over 99.9 per cent of the issued share capital of Kenwood Holdings SA.

† The above list of subsidiaries, with the exception of Kenwood Trustees Limited, are those which are consolidated in the Accountants' report in Part 4.

Save for the companies listed below, all subsidiary undertakings have their registered address at New Lane, Havant, Hampshire PO9 2NH. The registered address of Kenwood Holdings SA and Kenwood France SA is 13 Rue du Pont des Halles, 94150 Rungis; the registered address of Newlane Holdings Limited, Kenwood Appliances Limited and Sodaflo Drinks Limited is 560 Rosebank Road, Avondale, Auckland 7; the registered office of Kenwood Appliances (Australia) PTY Ltd is Level 24, 135 King Street, Sydney, New South Wales 2000; the registered office of Kenwood ApS Limited is Brogrenen 8, 2635 Ishoj; the registered office of Kenwood Appliances (Singapore) PTE Limited is 66 Tannery Lane, 03-07 Sindo Building, Singapore 0617; the registered office of Kenwood Home Appliances PTY Limited is 28 Blumberg Street, Industria West, Johannesburg; the registered office of Kenwood Manufacturing GmbH is 2355 Wr. Neudorf, 12 No-Sud, Strasse 2a; the registered office of Kenwood Appliances (Ireland) Limited is Unit 37, Carman Hall Road, Sandyford Industrial Estate, Dublin 18; and the registered office of Kenwood Appliances (HK) Limited is Room 701, Golden Gate Commercial Building, 136-138 Austin Road, Tsimhatsui, Kowloon. The principal place of business of Kenwood Appliances Inc. is 156 Halsey Road, Parsippany, New Jersey 07054.

3. Memorandum and articles of association

(a) The memorandum of association of the Company provides that the Company's principal object is to carry on business as a holding company. The objects of the Company are set out in full in clause 4 of the memorandum of association.

(b) The articles of association of the Company contain provisions, inter alia, to the following effect

(i) Voting

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure of beneficial ownership and subject to any special terms as to voting on which any shares may be held (no such shares currently being in issue), every member present in person at a general meeting shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for every share of which he is the holder

(ii) Variation of rights

Subject to any rights attached to the existing shares, any new shares in the Company may be issued with such special rights or restrictions as the Company may from time to time by ordinary resolution determine, or if no such determination is made, as the board of directors of the Company (the "Board") shall determine. All or any of the rights attached to any class of shares in the Company may be varied or abrogated in such manner as may be provided by such rights, or in the absence of any such provision, either with the consent in writing of the holders of at least three-quarters of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the provisions of the articles. Any such separate meeting shall be convened and conducted in all respects as nearly as possible in the same way as a general meeting of the Company, except that the quorum shall be two persons present in person holding or representing by proxy at least one-third in nominal value of the issued shares of the class (the quorum at any adjourned meeting is two persons holding shares of the class who are present in person or by proxy) and a poll may be demanded by any member present in person or by proxy and entitled to vote at the meeting

(iii) Alteration of capital

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, sub-divide its shares or any of them into shares of a smaller amount, or cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person. The Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, in any way. The Company may by ordinary resolution convert any fully paid shares into stock and re-convert any stock into fully paid shares of any denomination.

(iv) Transfer of shares

The instrument of transfer of a share shall be in writing in any usual form or such other form approved by the directors executed by or on behalf of the transferor and, in the case of a transfer of a share which is not fully paid, by or on behalf of the transferee. The directors may, in their absolute discretion, and without assigning any reason therefor, refuse to register any transfer which is (a) in respect of a share which is not fully paid, (b) in respect of a share on which the Company has a lien, (c) in respect of more than one class of shares (d) in favour of more than four joint transferees, (e) which is not duly stamped (if so required), (f) is not delivered for registration to the registered office or such other place as the directors may determine accompanied by the share certificate for the shares to which it relates (or such other evidence as the directors may reasonably require to prove the title of the transferor) or (g) in respect of shares held by a member who has failed to comply, in accordance with the articles, with a statutory notice requiring disclosure as to the beneficial ownership of such shares.

(v) Directors

(aa) The remuneration of the directors for their services as such shall be determined from time to time by the directors but shall not exceed the sum of £100,000 per annum or such greater sum as the Company may by ordinary resolution from time to time determine. In addition, the directors are entitled to be reimbursed for all reasonable expenses incurred in connection with their duties as directors, including attendance at the directors' meetings, meetings of committees of the directors and general meetings of the Company. Any director who, by request, goes or resides abroad or performs special services for the Company may receive such reasonable additional remuneration therefor as the directors may determine. A director may be appointed by the directors to hold any employment or executive office with the Company for such period (subject to the provisions of any relevant legislation), upon such terms and at such remuneration (which may be in addition to or in lieu of his remuneration as a director) as the directors may determine

(bb) A director shall be capable of being appointed or re-elected a director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his having attained any particular age and section 293 of the Act (relating to the appointment and retirement as directors of persons who are aged 70 or over) shall not apply.

(cc) The directors may, on behalf of the Company, exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for any person who is or has at any time been a director of the Company or any company which is a subsidiary of or allied to or associated with the Company or any such subsidiary or of any predecessor in business of the Company and for any member of his family (including a spouse or former spouse or dependant or any person who is or was dependent on him).

(dd) Provided the directors are notified of his interest in any such arrangement

(1) a director may enter into or otherwise be interested in any contract, arrangement transaction or proposal with the Company or in which the Company is otherwise interested either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise,

(2) a director may hold any other office or place of profit under the Company (except that of auditor or auditor of any subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company, and in any such case on such terms as to remuneration and otherwise as the directors may arrange, either in addition to or in lieu of any remuneration provided for by any other article; and

(3) a director shall not be liable to account to the Company for any profit, remuneration or any other benefit realised by any such office, employment, contract, arrangement, transaction or proposal and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

(ee) A director shall not vote and shall not be counted in the quorum at a meeting of the directors on any resolution concerning any contract, arrangement, transaction or proposal to which the Company is or is to be party and in which the director is materially interested directly or indirectly (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company). The prohibition does not apply to any resolution which relates to:

(1) the giving to him of a guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(2) the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(3) any contract, arrangement, transaction or proposal concerning an offer of shares or debentures or other securities of the Company or of any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(4) any contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning any other company in which he is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, provided that he is not, directly or indirectly, the holder of or beneficially interested in (subject to certain exemptions) one per cent or more of any class of equity share capital or of the voting rights of any such company and provided he cannot cause one per cent or more of such voting rights to be cast at his discretion;

(5) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension fund, retirement, death or disability benefits scheme or a personal pension scheme under which he may benefit and which either has been approved by or is subject to and conditional upon approval by the Inland Revenue for taxation purposes or which relates both to employees and directors of the Company or any of its subsidiaries and does not accord to any director as such any privilege or advantage not accorded to the employees to whom such fund or scheme relates;

(6) any contract arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom it relates; and

(7) any contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.

(ff) A director shall not vote or be counted in the quorum on any resolution of the directors concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested or any variation in terms of such appointment. Where proposals are under consideration concerning the appointment of two or more directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each director and in such case each of the directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment, unless otherwise debarred by the articles.

(gg) If any question shall arise at any meeting as to the materiality of the interest of a director (other than the chairman's interest) or as to the entitlement of any director (other than the chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to the director concerned shall be final and conclusive. In the event of any such question relating to the chairman not being resolved by the chairman voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by resolution of the directors present at the meeting (excluding the chairman), whose majority vote shall be final and conclusive.

(hh) The Company may by ordinary resolution suspend or relax the provisions referred to in paragraphs (dd) to (gg) above to any extent or ratify any transaction not duly authorised by reason of a contravention of the same.

(ii) There is no shareholding qualification for directors

(jj) At each annual general meeting, one-third of the directors who are subject to retirement by rotation (or if their number is not three or a multiple of three the number nearest to but not exceeding one-third but in any event one) shall retire from office by rotation. The chairman, any deputy chairman, any managing director and any other director for the time being holding executive office pursuant to Article 74 are not subject to retirement by rotation.

(kk) Unless otherwise determined by the Company by ordinary resolution, the number of directors of the Company shall not be less than two but shall not be subject to any maximum.

(vi) Borrowing powers

The Company may borrow or raise by any means (including but not limited to the issue of securities) money for the purposes of or in connection with the Company's business. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property, assets and uncalled capital. Subject to certain provisions it may also issue debentures and other securities. The Board shall restrict the borrowings of the Company and shall, insofar as it can, exercise all voting and other rights or powers of control in relation to the Company's subsidiaries so that the aggregate principal amount outstanding of moneys borrowed by the Group (excluding inter company borrowing and cash deposited) shall not, without sanction of an ordinary resolution, exceed a sum equal to two times the adjusted total of capital and reserves (as calculated in the manner set out in the Company's articles of association).

(vii) Provision for employees

The directors can exercise any power conferred on the Company by the Act to provide for the benefit of any person employed or formerly employed by the Company or any of its subsidiaries (or any member of his family, including spouse or former spouse or person who is or was dependent on him) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

(viii) Untraced shareholders

Subject to various notice requirements, the Company may sell any shares in the Company of a member who is untraceable if, during a period of not less than 12 years, no cheque, order or warrant (relating to at least three dividends) addressed to such person (or other person entitled) has been cashed and no communication has been received from that person in his capacity as member or person entitled by transmission or other person entitled.

(ix) Dividends

The Company may from time to time by ordinary resolution declare a dividend to be paid to the members, according to their respective rights and interests, of the profits of the Company, but no dividend shall exceed the amount recommended by the directors. The directors may declare or pay such interim dividends (including any dividend payable at a fixed rate) as appears to be justified by the profits of the Company available for distribution. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of a call shall be treated as paid up on the share, and all dividends shall be apportioned and paid proportionally to the amounts paid up on the shares during any period in respect of which the dividend is paid. All dividends unclaimed for a period 12 years after having been declared are forfeited and cease to remain owing by the Company.

(x) Distribution of assets on a winding up

On a voluntary winding up of the Company, the liquidator may, subject to obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind and for such purpose may set such value as he thinks fair upon any one or more class or classes of property and may determine on the basis of such valuation and in accordance with the then existing rights of members how such division shall be carried out as between members or classes of members. The liquidator shall not, however, (save with the consent of the member concerned) distribute to a member any asset to which there is attached a liability or potential liability for the owner.

4. Directors' and other interests

(a) Disregarding any allocation of ordinary shares which may be made to directors pursuant to applications made by them under the Public offer, the interests of the directors in the shares (all of which will appear in the register maintained under section 325 of the Act) will, immediately following the Offer, be:

Director	Number of shares		Percentage of share capital
	Beneficial	Non-beneficial	
T.P. Beech	238,080	—	0.6
G.D. Fairservice	—	—	—
G.E. Fridlington	380,952	—	1.0
F.M. Harrison	—	—	—
P.R. Hotston	380,952	—	1.0
M.J. Lapham	380,952	—	1.0
H.G. Mourgue	—	—	—
T.C. Parker	761,904	—	2.1
P.R. Taylor	380 952	—	1.0

The number of shares shown above does not include shares in which G D Fairservice will become interested as a result of the distribution that Candover Partners Limited will make to limited partners of a limited partnership of which it is the general partner Under the terms of the limited partnership, such distribution must take place within three months of Admission. G.D. Fairservice is one of the beneficiaries of trusts which hold 19.5 per cent of the units in a unit trust which will, following the above distribution, itself hold approximately 457,433 shares in its portfolio

H. G. Mourgue intends to apply for 3,500 ordinary shares and F. M. Harrison intends to apply for 700 ordinary shares in the Employee priority offer.

T. P. Beech is being invited to apply for the grant of options under the Executive Share Schemes which it is expected will result in him being granted options over 140,350 ordinary shares at an exercise price of not less than the Offer price

In respect of Kenwood France SA and Kenwood Holdings SA, certain of the directors of the Company and certain employees beneficially own shares representing an aggregate of less than one per cent of the issued share capital of each company.

Save as referred to above, no director has any interest in the share capital of the Company, or of any of its subsidiaries.

(b) Save as disclosed below, the directors are not aware of any person who, directly or indirectly, has an interest in the Company which will represent three per cent or more of the issued ordinary share capital of the Company immediately following the Offer:

Shareholder	Number of ordinary shares	Percentage of ordinary share capital
Candover Partners Limited	7,026,816	19.2
National Westminster Bank Plc*	1,399,218	3.8

*These ordinary shares are subject to the put and call options with the ESOP Trustee, as described in section 6(e) below.

The number of ordinary shares shown above in respect of Candover Partners Limited reflects the holding at the time of Admission, that is before the distribution that Candover Partners Limited will make to limited partners of limited partnerships of which it is the general partner. Under the terms of the limited partnerships, such distribution must take place within three months of Admission.

(c) There are no outstanding loans granted by any member of the Group to any of the directors, nor any guarantees provided by any member of the Group for the benefit of any director.

(d) Since 31st March 1991 no director has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by any member of the Group either in the financial period since 31st March 1991 or during an earlier period and which remains in any respect outstanding or unperformed.

5. Directors

(a) The names of the directors and their respective functions within the Group are set out in Part 2.

(b) The following directors have entered into service agreements with the Company, the principal terms of which are as follows:

(i) Agreement dated 7th September 1989, as amended by a letter of variation dated 16th June 1992, between T.C. Parker and the Company pursuant to which T.C. Parker is employed as chief executive of the Company for an initial term of two years from 7th September 1989 and thereafter subject to termination either by the Company giving T.C. Parker two years' written notice of termination or by T.C. Parker giving the Company one year's written notice of termination. T.C. Parker's current salary is £135,000, subject to review each July and the next review will be in July 1993. T.C. Parker is also entitled to an annual bonus at the discretion of the remuneration committee of the board of directors.

(ii) Agreement dated 7th September 1989, as amended by a letter of variation dated 16th June 1992, between G.E. Fridlington and the Company pursuant to which G.E. Fridlington is employed for an initial term of two years from 7th September 1989 and thereafter subject to termination either by the Company giving G.E. Fridlington two years' written notice of termination or by G E. Fridlington giving the Company one year's written notice of termination. G.E. Fridlington's current salary is £85.000, subject to review each July and the next review will be in July 1993. G.E. Fridlington is also entitled to an annual bonus at the discretion of the remuneration committee of the board of directors.

(iii) Agreement dated 7th September 1989, as amended by a letter of variation dated 16th June 1992, between P R. Taylor and the Company pursuant to which P.R. Taylor is employed for an initial period of two years from 7th September 1989 and thereafter subject to termination by the Company giving P.R. Taylor two years' written notice of termination or by P.R. Taylor giving the Company one year's written notice of termination P.R. Taylor's current salary is £85,000, subject to review each July and the next review will be in July 1993. P.R Taylor is also entitled to an annual bonus at the discretion of the remuneration committee of the board of directors.

(iv) Agreement dated 7th September 1989, as amended by a letter of variation dated 16th June 1992, between P.R. Hotston and the Company pursuant to which P.R. Hotston is employed for an initial period of two years from 7th September 1989 and thereafter subject to termination either by the Company giving P.R. Hotston two years' written notice of termination or by P.R. Hotston giving the Company one year's written notice of termination. P.R. Hotston's current salary is £85,000, subject to review each July and the next review will be in July 1993. P.R. Hotston is also entitled to an annual bonus at the discretion of the remuneration committee of the board of directors.

(v) Agreement dated 7th September 1989, as amended by a letter of variation dated 16th June 1992, between M.J. Lapham and the Company pursuant to which M.J. Lapham is employed for an initial period of two years from 7th September 1989 and thereafter subject to termination either by the Company giving M.J. Lapham two years' written notice of termination by the Company or by M.J. Lapham giving the Company one year's written notice of termination. M.J. Lapham's current salary is £85,000, subject to review each July and the next review will be in July 1993. M.J. Lapham is also entitled to an annual bonus at the discretion of the remuneration committee of the board of directors.

(vi) Agreement dated 4th May 1990, as amended by a letter of variation dated 16th June 1992, between T.P. Beech and the Company pursuant to which T.P. Beech is employed for an initial period of two years from 4th May 1990 and thereafter subject to termination either by the Company giving T.P. Beech two years' written notice of termination or by T.P. Beech giving the Company one year's written notice of termination. T.P. Beech's current salary is £85,000, subject to review each July and the next review will be in July 1993. T.P. Beech is also entitled to an annual bonus at the discretion of the remuneration committee of the board of directors.

Further details relating to the directors' pension entitlements are set out in section 13 below.

(c) Save as disclosed above, except for contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one year, there are no existing or proposed service agreements between any of the directors and the Company or any of its subsidiaries.

(d) The aggregate remuneration paid, including pension fund contributions made and benefits in kind granted, to the directors during the twelve months ending 31st March 1992 was approximately £629,000. The estimated aggregate remuneration to be paid including pension fund contributions and benefits in kind to be made or granted, to the directors by the Company in the current financial year will be approximately £810,000.

6. Employee Incentive Schemes

(a) The Share Participation Scheme

(i) General

The Share Participation Scheme may be operated after the Offer. If the directors of the Company decide that the Share Participation Scheme, which has been submitted to the Inland Revenue for approval, will be operated in any year, the Company and each participating subsidiary will make payments to the trustee of the Share Participation Scheme (the "Trustee") who will use the funds either to buy shares in the market or to subscribe for them. The subscription price, provided that the shares are listed on the London Stock Exchange, will be the greater of the nominal value of a share on the date of subscription and the middle market quotation of a share derived from the London Stock Exchange Daily Official List for the dealing day immediately preceding that date.

(ii) Operation

The directors of the Company will decide whether the Share Participation Scheme is to be operated in any year and, if so, the proportion of the Company's profits of the relevant accounting period to be allocated to it. This may not exceed five per cent of the profits of the Company and its participating subsidiaries (before tax and extraordinary items). The Share Participation Scheme may normally be operated only once in respect of any accounting period and only after the announcement by the Company of its results for that period.

(iii) Eligibility

Full-time (16 hours per week) UK employees who have been employed by the Company or a participating subsidiary since the beginning of the accounting period preceding an allocation of shares will be entitled to participate. The directors may (within limits set by the relevant legislation) amend these eligibility conditions and may additionally allow other employees who do not meet these conditions to participate in the Share Participation Scheme.

(iv) Allocation

The Share Participation Scheme provides various bases of allocation of shares amongst employees. The directors can decide to allocate shares equally, or in accordance with the relative salary, length of service or any other formula approved by the Inland Revenue. The maximum value of free shares allocated to any participant under the Share Participation Scheme in any tax year may not currently exceed the greater of £3,000 and 10 per cent of salary (subject to a maximum of £8,000).

(v) Restrictions

The Income and Corporation Taxes Act 1988 requires that free shares allocated pursuant to the Share Participation Scheme must be held by the Trustee for a minimum period of two years after allocation, during which they may not be dealt with in any way except in certain circumstances such as upon a take-over or certain reconstructions, or upon death, reaching the age of 60 or leaving employment because of injury, disability or redundancy. For the period of five years after allocation the Trustee must retain the shares unless a participant instructs otherwise. At the end of that period, the shares will be transferred to the participant automatically.

(vi) Shares

Whilst a participant's shares remain held by the Trustee, he will be the beneficial owner of his shares and he will be entitled to receive dividends and, through the Trustee, to vote and to participate in rights and capitalisation issues in substantially the same way as other shareholders.

(b) The Sharesave Scheme

(i) General

The Sharesave Scheme is a save-as-you-earn share option scheme and has been submitted for approval to the Inland Revenue. To join the Sharesave Scheme, an eligible employee must enter into a save-as-you-earn contract (the "Savings Contract") with an appropriate savings body approved by the Company, thereby agreeing to make monthly contributions of between £10 and (currently) £250 for a period of five years.

(ii) Eligibility

All full-time (16 hours per week) UK employees of the Company and its participating subsidiaries who were so employed on 1st October 1991 are entitled to be granted options if the Sharesave Scheme is operated at the time of the Offer. Thereafter, if the Sharesave Scheme is also operated in future years, full-time UK employees who have been employed by the Company or a participating subsidiary since the beginning of the accounting period preceding a grant of options will be entitled to participate. As with the Share Participation Scheme, the directors may (within limits set by the relevant legislation) amend these eligibility conditions and may additionally allow other employees who do not meet these conditions to be granted options under the Sharesave Scheme.

(iii) Price of shares

Each eligible employee who enters into a Savings Contract as described above will be entitled in consideration thereof to apply for an option to acquire shares at a price determined by the directors, being not less than the greater of: (1) 80 per cent of the Offer price if options are granted on the first day on which shares are listed on the London Stock Exchange and prior to the commencement of dealings and thereafter, if the shares are listed on the London Stock Exchange when invitations to apply for options are issued to employees, 80 per cent of the middle market quotation (or the average of the middle market quotations) for such shares as derived from the London Stock Exchange Daily Official List for the dealing day immediately preceding the period of five days ending with the date on which invitations to apply for options are issued to employees or, in the case of options granted at any other time, 80 per cent of the market value (as agreed with the Inland Revenue) of the shares on the date such invitations are issued; and (2) in the case of an option to subscribe for shares, their nominal amount. The number of shares over which options may be granted must be limited to that number which may be purchased out of the repayment proceeds (including bonus) of the relevant Savings Contract.

(iv) Operation

Options may be granted under the Sharesave Scheme during the six week periods following its adoption, its approval by the Inland Revenue or Admission. Thereafter, further options may normally only be granted under the Sharesave Scheme within six weeks after the announcement by the Company of its results for any period. No options may be granted more than ten years after the adoption of the Sharesave Scheme.

(v) Exercise of options

Options will normally only be exercisable for a period of six months commencing on the fifth anniversary of the starting date of the related Savings Contract (although the Company may choose to grant options which are normally exercisable on or after the seventh anniversary of the starting date of the related Savings Contract) and if not exercised by the end of that period will lapse. Options may, however, be exercised earlier than this in certain specified circumstances, including death, ceasing employment on account of injury, disability or redundancy, retirement on reaching the age of 60, the sale of the business or subsidiary for which the employee works, (with the permission of the directors) ceasing employment (other than by reason of dismissal for misconduct) where the option has been held for at least three years, and on reaching 60 without retiring. Early exercise is also allowed in the event of an amalgamation, reconstruction or take-over of the Company; alternatively, options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company. Options may also be exercised in the event of the voluntary winding up of the Company. Options are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives. Shares will be allotted or transferred within 30 days after the exercise of an option.

(vi) Variation of options

In the event of any capitalisation or rights issue by the Company, or any consolidation, sub-division or reduction of its share capital, the number of shares subject to any option and the exercise price may be adjusted by the directors with the approval of the Inland Revenue, subject to the auditors confirming in writing (except in the case of a capitalisation issue) that such adjustment is, in their opinion, fair and reasonable.

(c) The Executive Share Schemes

(i) General

The Executive Share Schemes are discretionary share option schemes under which the directors can grant options over shares in the Company to selected employees and directors. The No. 1 Scheme has been submitted for approval by the Inland Revenue, whereas the No. 2 Scheme is an unapproved scheme for the purposes of UK taxation and is primarily designed for non-UK employees.

(ii) Eligibility

All directors and employees who are required to work for the whole or substantially the whole of their working time (and in any event for at least 25 hours and 20 hours respectively per week in the case of the No. 1 Scheme) for the Company and its participating subsidiaries are eligible to be nominated for participation in the Executive Share Schemes by the directors, but directors and employees, who are within two years (or four years in the case of discounted options or FT-SE Options, see below) of retirement, cannot participate.

(iii) Price of shares

Options granted under the Executive Share Schemes (which will be granted under seal) will be exercisable within a period of ten years and will entitle participants to acquire shares at a price determined by the directors being normally not less than the greater of: (1) the Offer price if options are granted on the first day on which shares are listed on the London Stock Exchange and prior to the commencement of dealings and thereafter, if the shares are listed on the London Stock Exchange, the middle market quotation for such shares as derived from the London Stock Exchange Daily Official List, for the dealing day immediately preceding the date of grant or, in the case of options granted at any other time under the No. 1 Scheme, the market value (as agreed with the Inland Revenue) of the shares as at the date of grant of the options; and (2) in the case of an option to subscribe for shares, their nominal amount. Options may only be granted at a discount (not exceeding 15 per cent) to the middle market quotation (or market value as appropriate) if such options cannot be exercised unless there is a growth in the earnings per share of the Company over a five year period sufficient to exceed the growth in the Retail Price Index plus an average of 2 per cent per annum over that period and certain other conditions are satisfied. Such options are "discounted options" for the purposes of the Executive Share Schemes. An individual cannot be granted discounted options in excess of 25 per cent of all options granted to him.

(iv) Individual participation

Each individual's participation will be limited so that the aggregate market value (judged at the date of grant of options) of shares subject to options granted to him under the Executive Share Schemes in any ten year period will not exceed four times his annual remuneration. However, options over shares having an aggregate market value of up to a further four times an individual's annual remuneration may be granted to him but those options cannot be exercised unless there is a growth in the earnings per share of the Company over a five year period sufficient to place the Company in the upper quartile of the FT-SE 100 index by reference to earnings per share. Such options are "FT-SE Options" for the purposes of the Executive Share Schemes.

(v) Operation

Options may be granted under the Executive Share Schemes during the six week periods following the adoption of the Executive Share Schemes, Admission or, in the case of the No. 1 Scheme, the date of approval by the Inland Revenue. Thereafter, further options may normally only be granted under the Executive Share Schemes within six weeks after the announcement by the Company of its results for any period. No options may be granted more than ten years after the adoption of the Executive Share Schemes.

(vi) Exercise of options

Options will normally only be exercisable after the expiry of three years (or five years in the case of FT-SE Options or discounted options) from the date of their grant and by a person who remains a director or employee. Options may, however, be exercised earlier than this in certain specified circumstances, including death, ceasing employment on account of injury, disability or redundancy, retirement, the sale of the business or subsidiary for which the employee works or (with the permission of the directors) if the employee ceases to be employed in other circumstances. Early exercise is also allowed in the event of an amalgamation, reconstruction or take-over of the Company; alternatively, options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company. Options may also be exercised in the event of the voluntary winding up of the Company. The exercise of options may also depend upon certain performance targets being met. Options are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives. Shares will be allotted or transferred within 30 days of the exercise of an option.

(vii) Variation of options

In the event of any capitalisation or rights issue by the Company, or of any consolidation, sub-division or reduction of its share capital, the number of shares subject to any option and the exercise price may be adjusted by the directors (with the approval of the Inland Revenue in the case of the No. 1 Scheme) subject to the auditors confirming in writing that such adjustment is, in their opinion, fair and reasonable.

(d) *Overall Employee Incentive Scheme limits*

In addition to limits on an individual's participation in the above schemes, the following overall limits apply to the number of shares which may be acquired under the above schemes by way of subscription:

(i) not more than the number of shares representing ten per cent in aggregate of the issued ordinary share capital of the Company on the date of Admission;

(ii) in any year not more than one per cent of the issued ordinary share capital for the time being of the Company may be subscribed by the Trustee for the allocation of shares under the Share Participation Scheme;

(iii) either in any five year period not more than five per cent of the issued ordinary share capital or in any three year period not more than three per cent of the issued ordinary share capital for the time being of the Company may in aggregate be subscribed by the Trustee or placed under option under the Sharesave Scheme and the Executive Share Schemes;

(iv) within the five per cent limit described in sub-paragraph (iii) not more than three per cent of the issued share capital may be placed under option under the Executive Share Schemes;

(v) in any ten year period not more than ten per cent of the issued ordinary share capital for the time being of the Company may in aggregate be subscribed by the Trustee or placed under option under the Sharesave Scheme and the Executive Share Schemes; and

(vi) in any ten year period not more than five per cent of the issued ordinary share capital for the time being of the Company may be placed under option under the Executive Share Schemes, but this figure excludes FT-SE Options.

For the purposes of the limits described in sub-paragraphs (iii), (iv), (v) and (vi) above, options which lapse in accordance with the rules of the relevant scheme cease to count. The three per cent limit described in sub-paragraph (iii) above is increased to four per cent for any date occurring before the third anniversary of the first day on which options are granted under the Sharesave Scheme. The limit in sub-paragraph (i) above may be adjusted to take account of rights and capitalisation issues and any sub-division, consolidation or reduction of the Company's share capital. The above limits include shares issued or options granted under any other employee share schemes adopted by the Company but exclude any shares issued or options granted under such schemes prior to the date of Admission.

The provisions of the above schemes may be altered by the directors (where appropriate, with the prior approval of the Inland Revenue), but their basic structure (and in particular the limitations on each individual's participation and the number of shares that can be issued under these schemes) cannot be altered without the prior sanction of the Company in general meeting.

(e) The ESOP

The Company has established the ESOP, the trustee of which is Mourant & Co. Trustees Limited (the "ESOP Trustee"). The ESOP is a discretionary trust for the benefit of employees of the Company and its subsidiaries. On 12th June 1992, conditionally, *inter alia*, upon Admission the Company entered into an agreement with National Westminster Bank Plc (the "Bank") under which the Bank has entered into put and call option arrangements with the ESOP Trustee enabling the ESOP Trustee to require the Bank to sell to it any or all of the shares held by the Bank subject to the option at any time during the next five years, and enabling the Bank to require the ESOP Trustee to purchase from it all or any of such shares on the occurrence of pre-agreed occasions. The Bank is purchasing a total of 1,399,216 shares from existing shareholders in order to make those shares available under these ESOP options.

The price payable by the ESOP Trustee under the options referred to above will be a formula price reflecting the Offer price of the shares and the interest which the Bank would have received if it had deposited a sum equivalent to the aggregate Offer price of the shares at an agreed percentage above Libor, less the dividends and tax credits received by the Bank on the shares pending a future sale of shares to the ESOP.

The Company and various of its UK subsidiaries have guaranteed the ESOP Trustee's obligations under the options mentioned above.

The ESOP Trustee can distribute shares to employees under the Sharesave Scheme and/or the Executive Share Schemes and can transfer shares to the Trustee of the Share Participation Scheme. The ESOP Trustee can also distribute shares to employees in other ways and/or provide other benefits to employees. The ESOP Trustee cannot acquire shares if such acquisition would of itself cause the ESOP Trustee to have more than a five per cent shareholding in the Company.

Funding for the ESOP Trustee to enable it to acquire shares from the Bank under the put and call options and by way of purchases in the market may be provided from the following sources:

(i) dividends it receives on the shares it holds;

(ii) voluntary contributions from the Company and its subsidiaries (which will not amount to an excessive proportion of pre-tax profits);

(iii) loans from the Company and its subsidiaries; and

(iv) proceeds of sales of shares to employees.

(f) The Corporate PEPs

The Company has established a general PEP and a single Company PEP (collectively the "Corporate PEPs") for the purposes of investing in shares of the Company. Employees and shareholders will be able to invest up to a maximum of £9,000 in the Corporate PEPs each year, £6,000 under the general PEP and £3,000 under the single Company PEP. These individual limits represent the current statutory maxima and may be varied for future years. Dividends received on shares held by the Corporate PEPs are free of income tax and any capital gains realised on the sale of such shares are also exempt from capital gains tax. Employees and shareholders will be able to invest in the Corporate PEPs by:

(1) transferring shares acquired under the Offer; and

(2) investing cash to be used by the PEP manager to purchase shares of the Company in the open market.

Employees will also be able to invest in the single Company PEP (but not in the general PEP) by transferring shares acquired by them under the Share Participation Scheme or the Sharesave Scheme.

7. Special arrangements for employees in the Public offer

As stated under "Special arrangements for employees in the Public offer" in Part 2 above, up to 10 per cent of the shares which are the subject of the Public offer are reserved in the first instance for applications at the Offer price for the benefit of full and part-time employees of the Group in the UK employed on 16th June 1992, non-executive directors and certain retirees of the Group made pursuant to the Employee priority offer. Those retirees are pensioners receiving pensions from the Kenwood Pension Scheme and former employees of the Group who are receiving pensions from the Thorn EMI pension scheme. Such applications must be made on the Pink Application Forms which are being made available to such persons.

8. The Buy-out

(a) By a Sale and Purchase Agreement and various ancillary agreements (the "Acquisition Agreement") dated 7th September 1989 between Thorn EMI (1) and the Company (2), the Company acquired the domestic appliances division from Thorn EMI comprising Kenwood Limited, a number of Thorn EMI subsidiary undertakings and branches operating in the UK and throughout the World, together with certain other related assets (principally land and buildings) (the "Kenwood division") for a consideration of £56.8 million. As part of this consideration for the Kenwood division the Company issued to Thorn EMI a loan note for £1.9 million. In addition, the Company issued to Thorn EMI 111,110 fully paid 'A' ordinary shares and entered into an option agreement giving Thorn EMI the right to subscribe for ordinary shares representing two per cent of the converted capital of the Company. The right to subscribe was subsequently released by Thorn EMI under the terms of a deed dated 19th March 1991.

(b) By an agreement (the "Subscription Agreement") dated 7th September 1989 (as amended by a supplemental subscription agreement) between the Company (1), T.C. Parker and others (the "managers") (2), and Candover Investments and others (the "investors") (3), the investors subscribed in aggregate for 15,000,000 preference shares issued for cash at par and 1,000,000 preferred shares issued for cash at £1 each in the capital of the Company. The Subscription Agreement was conditional upon certain events taking place including the managers and certain shareholders subscribing for 253,969 ordinary shares issued for cash at £1.80 each. The Subscription Agreement contained provisions relating to the conduct of the business of the Company, the establishment of a share option scheme and certain other matters including the managers giving certain warranties and undertakings in favour of the investors.

(c) On 7th September 1989, the Company executed a share warrant instrument (amended by Deed Polls dated 19th March 1991 and 29th May 1992) by which the Company issued warrants conferring the right on the holders to subscribe for 15,000 ordinary shares at par in the capital of the Company subject to the terms of the instrument. On 19th March 1991 further warrants were issued giving the right to subscribe for in aggregate 67,633 ordinary shares.

(d) By a senior loan agreement (the "Senior Loan Agreement") dated 7th September 1989 (as subsequently amended) between the Company as borrower (1), Kenwood International Limited and Kenwood Marks Limited (2), certain banks and National Westminster Bank Plc (3) and National Westminster Bank Plc as agent and overdraft bank (4), term loan and working capital facilities of £30,000,000 and £5,000,000 respectively were made available to the Company and certain companies in the Group who executed a group guarantee and debenture in favour of National Westminster Bank Plc (as agent to the Senior Loan Agreement). The term loan facility was made available to acquire the Kenwood division in accordance with the Acquisition Agreement and to discharge certain intra group indebtedness. The obligations under the term loan and working capital facilities were guaranteed and secured by the Company, Kenwood Limited, Kenwood International Limited and Kenwood Marks Limited.

(e) By a mezzanine loan agreement (the "Mezzanine Loan Agreement") dated 7th September 1989 (as subsequently amended) between the Company as borrower (1), Kenwood International Limited and Kenwood Marks Limited (2), certain institutions and National Westminster Bank Plc (3) and National Westminster Bank Plc as agent and security trustee (4), a loan facility of £15,000,000 was made available to the Company for the purpose of acquiring the Kenwood division under the Acquisition Agreement and to discharge certain inter company indebtedness owing to Thorn EMI. The obligations under the loan facility were guaranteed and secured by the Company, Kenwood Limited, Kenwood International Limited and Kenwood Marks Limited.

(f) By an agreement (the "Third Subscription Agreement") made on 19th March 1991 between the Company (1), T.C. Parker & others (the "managers") (2), T.A. Le Sueur & others (3) and Candover Investments & others (the "investors") (4), the investors subscribed in cash for a further 5,000,000 preference shares at par. In addition, the Company agreed to issue and allot to the investors new warrants created by the Company under an instrument dated 19th March 1991 giving the investors the right to subscribe for up to 96,618 preferred or ordinary shares subject to the terms of the instrument. The Third Subscription Agreement was conditional upon certain events taking place including (i) the managers taking the necessary steps to convert 560,386 existing preferred shares and 26,570 'A' ordinary shares into deferred shares, (ii) the adoption by the Company of new articles of association which amongst other things altered the conversion rights of the 'A' ordinary shares (all of which are held by Thorn EMI) so that upon a sale or listing each such share would convert into one ordinary share and (iii) the cancellation of Thorn EMI's option (referred to in paragraph (a) above). Under the Third Subscription Agreement the managers gave certain warranties and undertakings in relation to the Company to the investors.

9. Premises

The major properties owned or occupied by the Group are as follows

Property	Description	Area sq. m.	Tenure	Current annual rent	Review date	Expiry date
New Lane, Havant, Hampshire	Site area factory 2	21,853	Freehold	n/a	n/a	n/a
New Lane, Havant, Hampshire	Main offices and factory 1	26,629	Leasehold*	£29,808	30/3/94	2060
Hilsea Industrial Estate, Limberline Road, Portsmouth	Print shop	1,428	Leasehold	£13,427	n/a	30/3/93
Heathfield Road, Freshwater, Isle of Wight	Factory and canteen	27,317	Freehold	n/a	n/a	n/a
13 Rue du Pont des Halles, 94150 Rungis, France	Part of first floor offices	480	Leasehold	Ffr 414,600	1/1/93	31/1/99

* The Group has reached agreement in principle to acquire the freehold for approximately £2 million.

10. Taxation

(a) Under current legislation, no tax will be withheld by the Company when it pays a dividend. However, when paying a dividend, the Company is obliged to account to the Inland Revenue for Advance Corporation Tax ("ACT"). The rate of ACT is fixed by reference to the basic rate of income tax, and at present equals 25 per cent of the aggregate of the dividend and of the related ACT. An individual who is resident for tax purposes in the UK and who receives a dividend from the Company will be entitled to a tax credit for an amount equal to the related ACT. An individual so resident will be taxable upon the total of the dividend received and the tax credit, but the tax credit will discharge his liability to basic rate income tax and, to the extent his total tax credits exceed his overall liability to income tax, he will be able to claim payments of the excess from the Inland Revenue. A company resident in the UK will be able to treat any dividend received and the related tax credit as franked investment income.

Whether a holder of shares resident in a country other than the UK is entitled to a payment from the Inland Revenue of an amount equal to any, all or part of the ACT in respect of dividends on such shares depends in general on the provisions of any double tax convention or agreement which exists between such country and the UK. A person who is not resident for tax purposes in the UK should consult his or her own professional adviser on the possible application of such provisions, the procedure for claiming payment, and what relief or credit may be claimed in the jurisdiction in which he or she is resident.

The above statements are intended as a general guide to current UK law and practice. Any person who is in any doubt as to his or her particular position should consult his or her professional adviser.

(b) The directors have been advised that the Company is not a close company at the date of this document.

(c) The directors have been advised that no material liability for inheritance tax is likely to fall upon the Group.

11. Working capital

The directors consider that, having regard to the banking facilities available and the net proceeds of the Offer, the Group has sufficient working capital for its present requirements.

12. Offer arrangements

(a) By an agreement (the "Offer Agreement") dated 16th June 1992 between the Company (1), the directors (2), the selling shareholders referred to below (the "Sellers") (3), the executive directors and trustees of certain related family trusts (the "Covenantors") (4), and Schroders (5), Schroders has agreed (conditionally upon, *inter alia*, Admission on or before 9th July 1992) to:

(i) subscribe for 14,736,842 shares at the Offer price (such shares to be issued on a nil-paid renounceable allotment letter) (the "Subscription Shares") and to purchase 8,489,544 shares at the Offer price from the Sellers (the "Sale Shares");

(ii) procure placees for all of the Sale Shares and 3,123,649 of the Subscription Shares at the Offer price; and

(iii) offer 11,613,193 of the Subscription Shares for sale to the public, with preferential application rights to employees, on the terms set out in this document and the Application Form.

(b) Under the Offer Agreement:

(i) In relation to the shares which are being offered for sale to the public, the Company will pay Schroders a commission of 2.0 per cent of the value (at the Offer price) of the Subscription Shares being offered to the public. Out of such commission, Schroders will pay a commission to the sub-underwriters of 1.25 per cent of the value (at the Offer price) of the shares sub-underwritten by them and a commission to Rowe & Pitman Ltd., brokers to the Offer, of 0.25 per cent of the value (at the Offer price) of the shares for which they have procured sub-underwriters.

(ii) In relation to the shares which are being placed, the Company will pay Schroders a commission of 0.75 per cent of the value (at the Offer price) of the Subscription Shares being placed and the Sellers will pay Schroders a commission of 0.75 per cent of the value (at the Offer price) of the Sale Shares (which shall be payable by the Sellers pro rata to the number of Sale Shares sold by each of them). Out of such commissions, Schroders will pay a commission to Rowe & Pitman Ltd. of 0.25 per cent of the aggregate value (at the Offer price) of the shares for which they have procured placees.

(iii) Schroders will, in addition, receive a fee of £150,000 from the Company in connection with its services.

Value Added Tax will, where appropriate, be paid on the commissions and fee.

(c) The number of shares being sold by or on behalf of the Sellers is as follows:

Name	Number of shares
Candover Investments plc	473,730
Candover Realisations Limited	47,025
Candover Partners Limited	7,039,779
T.P. Beech	59,520
G.E. Fridlington	95,238
P.R. Hotston	95,238
M.J. Lapham	95,238
T.C. Parker	190,476
P.R. Taylor	95,238
Other individual shareholders	298,062
	8,489,544

(d) The Company will pay all other costs, charges and expenses connected with the Offer, including all fees and expenses payable in connection with Admission, expenses of the receiving bankers and registrars, printing and advertising expenses, postage and all legal, accounting and other professional fees and expenses, except that the Sellers will be responsible for the stamp duty and any stamp duty reserve tax liabilities arising in respect of the Sale Shares sold by them to Schroders or persons purchasing shares from Schroders as described above.

(e) The Offer Agreement contains representations and warranties given by the directors, the Company and the Covenantors in favour of Schroders. In addition, the executive directors and the Company have given indemnities to Schroders and the Covenantors have given indemnities to the Company (on behalf of the Group) in respect of certain taxation matters.

(f) The Offer Agreement may be terminated by Schroders before Admission in certain circumstances.

(g) Under the Offer Agreement 8,489,544 shares are being sold by the Sellers. In addition, arrangements are in place whereby, conditional on Admission, shares are transferred at the Offer price between: certain limited partners who will receive distributions from the limited partnerships (of which Candover Partners Limited is general partner), National Westminster Bank Plc; and National Westminster Bank Plc pursuant to the ESOP.

(h) The directors, trustees of certain related family trusts and those employees of the Group holding or entitled to shares have agreed that they (and persons associated with them) will not, without Schroders' prior written consent, dispose of any interest in any shares owned by them before the date of announcement of the results of the Group for the year ending 31st March 1993 (the "Announcement Date").

(i) Thorn EMI has agreed not to dispose of any interest in shares owned by it before 31st December 1992 and has further agreed, during the period from 1st January 1993 to the Announcement Date, to consult with Schroders, and to effect any disposal of shares through the Company's brokers. Thorn EMI has also undertaken to Schroders that it does not anticipate disposing of any interest in shares before the Announcement Date.

(j) Institutional shareholders of the Company, including the limited partners of the limited partnerships (of which Candover Partners Limited is the general partner) to whom distributions of shares will be made following Admission, and Intermediate Capital Investments Limited have, save in respect of less than one per cent of the shares in issue after the Offer, confirmed to Schroders that following Admission they do not anticipate disposing of any interest in shares owned by them before the Announcement Date and have further undertaken, before the Announcement Date, to consult with Schroders, and to effect any disposal of shares through the Company's brokers.

(k) The shares have not been and will not be registered under the US Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States. In addition, until 40 days after the commencement of the offering, an offer or sale of shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act of 1933.

13. Pensions

The Kenwood Pension Scheme is a funded contributory final salary scheme designed to be approved by the Inland Revenue and is contracted-out of the State Earnings Related Pension Scheme. The Kenwood Pension Scheme was established in April 1990 following the purchase of the business from Thorn EMI. Members of the Thorn EMI Pension

Scheme ("the Thorn Scheme") were invited to join the Kenwood Pension Scheme on the same terms and conditions as applied in the Thorn Scheme at that time The most recent actuarial valuation at 30th September 1991 showed that the Kenwood Pension Scheme had 241 members in service six pensioners and four deferred pensioners

The Kenwood Pension Scheme provides for a pension of 1/60th of pensionable pay for each year of service to normal retirement at age 65 for both men and women. On early retirement due to ill health, an immediate pension based on pensionable service to normal retirement date and final pensionable pay at the date of retirement is payable Early retirement is available from age 60 (without reduction). Additionally, women who were members of the Thorn Scheme before November 1988 are entitled to enhanced early retirement benefits. On the death of a member in service a lump sum of 2½ times pensionable pay together with a spouse's or dependant's pension plus children's allowances is payable The lump sum benefit payable on a member's death while in service is insured. Pensions in payment in excess of the guaranteed minimum pension are indexed up to four per cent per annum.

In addition to the death benefits payable under the Kenwood Pension Scheme, all employees who have completed more than two years' service are provided with life assurance cover of six months' earnings (whether or not they are contributing members of the Kenwood Pension Scheme). This life assurance cover is insured

The Company has agreed to provide the executive directors with a higher level of pension and death benefits under the Kenwood Pension Scheme. The definitive trust deed referred to below, which governs the Kenwood Pension Scheme, contains a power of augmentation to permit the trustees of the Kenwood Pension Scheme to effect this. The cost of providing the higher level of benefits will be met by the Company by payment of additional contributions to the Kenwood Pension Scheme. The estimated aggregate amount of the additional contributions to be paid by the Company to the Kenwood Pensions Scheme in the current financial year will be approximately £47,000. This amount has been included in the figure for the estimated aggregate remuneration to be paid to the directors set out in section 5(d) above. On retirement at age 65 a pension of 2/3rds of basic earnings (subject to Inland Revenue limits) is payable. In the event of death in service a lump sum of three times basic earnings is payable, together with a spouse's pension equal to 1/3rd of basic earnings at the date of the executive director's death. On early retirement due to ill health an immediate pension of 2/3rds of basic earnings at the date of retirement is payable. Early retirement is available from age 60 on the basis of service actually completed but without reduction.

The pension and death benefits which can be provided under the Kenwood Pension Scheme for the only executive director who was recruited after 1st June 1989 are restricted by the provisions of the Finance Act 1989. The Company has agreed to provide an unfunded unapproved top-up arrangement for him, which is designed to ensure that his total pension benefits are the same as for the other executive directors.

The assets of the Kenwood Pension Scheme are held in trust separately from those of the Group. The Kenwood Pension Scheme was established by an interim trust deed dated 2nd April 1990 and is now governed by a definitive trust deed dated 3rd June 1992. The Kenwood Pension Scheme has, pending submission of the definitive trust deed, been granted provisional approval by the Inland Revenue. It is not thought that there is any reason why full approval should not be obtained in due course and the definitive trust deed has been submitted to the Inland Revenue for this purpose. The sole investment of the Kenwood Pension Scheme is mixed fund units with Pensions Management (SWF) Limited (Scottish Widows).

Members contribute to the Kenwood Pension Scheme at the rate of five per cent of contribution pay and the balance of the cost of providing benefits is met by the Company and other participating employers. The Group currently makes annual contributions at the rate of ten per cent of contribution pay. This rate will be reviewed when the next actuarial valuation is carried out in 1994. The additional cost of providing the unfunded unapproved top-up arrangement for the executive director who is subject to the Finance Act 1989 restrictions will be met by the Company as and when his benefits come into payment, although the cost of providing these benefits will be reflected in the Company's accounts in accordance with the requirements of SSAP 24. The estimated cost to be provided for in the Company's accounts for the current financial year amounts to 8.7 per cent of the executive director's salary. This cost has been included in the figure for the estimated aggregate remuneration to be paid to the directors set out in section 5(d) above.

The latest valuation of the Kenwood Pension Scheme, as at 30th September 1991, was carried out by its actuary, who confirmed that on the assumptions made (which included the annual rate of pension increases, the rate of future increases in pay and the investment return on the assets) the assets of the Kenwood Pension Scheme, together with future contributions by members and the Group at the current percentage rates, should be sufficient to provide benefits to members as they fall due.

The Group operates a defined benefit pension scheme in South Africa and a number of money purchase arrangements overseas.

14. Litigation

There is no litigation in which members of the Group are engaged, or which is pending or threatened against members of the Group, which may have or has had during the 12 months prior to the date of this document a significant effect on the Group's financial position

15. Material contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group within (except where otherwise stated) the two years immediately preceding the date of this document and are, or may be, material:

(a) Worldwide Agreement dated 1st December 1986 as novated by the deed of novation dated 7th September 1989 made between Kenwood Marks Limited ("KM") (1) and Kabushiki Kaisha Kenwood (also trading as Kenwood Corporation ("KC")) (2). KM and KC each have rights in the Kenwood trade mark in respect of different goods. KM covenants (i) not to assert its rights against KC anywhere in the World in respect of specified defined goods (including hi-fi, television satellite receivers, computers, telephones and video cassette recorders), (ii) not to seek further trade mark registrations covering these goods (iii) to ensure that its use of the Kenwood mark in respect of other goods is not similar to KC's use of the Kenwood trade mark (iv) not to trade in Japan under the Kenwood mark without specific permission of KC (v) to give KC first option to buy the Kenwood mark in any territory if KM stops using the mark in that territory for any goods and proposes to dispose of the mark and, (vi) to grant KC an exclusive licence in the UK for the defined goods. KC covenants (i) not to assert its rights against KM in respect of any goods other than the defined goods, (ii) not to seek further trade mark registrations other than for the defined goods and (iii) to ensure that its use of the Kenwood mark on the defined goods is not similar to the use of the Kenwood mark by KM. In consideration of KM agreeing to grant the trade mark licence to KC, KC paid to Thorn EMI, KM's predecessor in title, £2 million, part of which sum may be refundable if KM terminates the Trade Mark Licence Agreement. The Worldwide Agreement is for an initial term of 20 years and then continues for successive periods of 10 years unless terminated by either party. It will also terminate if KM terminates the Trade Mark Licence Agreement for a reason which affects this Agreement. The Agreement is governed by English law.

(b) Trade Mark Licence Agreement dated 1st December 1986 as novated by the deed of novation dated 7th September 1989 between KM (1) and KC (2). KM grants KC an exclusive licence to use the Kenwood trade mark in the United Kingdom, the Isle of Man and the Channel Islands in relation to the licensed goods (including hi-fi, television satellite receivers, computers, telephones and video cassette recorders). KC agrees to limit its use of the trade mark to the licensed goods. KC is given an option to purchase the trade mark if KM ceases using the trade mark in the licensed territory and proposes to dispose of it. Either party may terminate the Agreement in the event of a change in the controlling equity interests of the other. If the Company ceases to be the parent company of KM, KC will have the right to terminate the Agreement upon written notice. The Agreement is for an initial term of 20 years from 1st December 1986 with an automatic continuance of 10 years unless KC gives KM three months' prior written notice. For each further 10 year period, KC shall pay a renewal fee of three per cent of sales of the defined goods in the UK. The Agreement is governed by English law.

(c) Business Names Agreement dated 12th April 1988 as novated by the deed of novation dated 7th September 1989 between KM (1) and KC (2). The Agreement regulates the way in which the parties use the company names, trading names and trading style which incorporate the Kenwood name. Throughout the World except the UK, Isle of Man, Channel Islands and Japan, KM and its associated companies can use and trade under the name Kenwood Appliances and KC and its associated companies can use and trade under the name Kenwood Electronics. In the UK, Isle of Man, Channel Islands and Japan each party agrees to recognise the special Kenwood business name of the other party in its home territory. With certain exceptions neither party shall alter the name of the existing companies or establish new companies with a Kenwood business name without the consent of the other party. If either party wishes to change a Kenwood business name or establish a new company with such a name (depending upon the territory involved) either (i) the consent of the other party is required or (ii) the decision of the local company registry is binding and the applicant shall not seek to reverse the decision.

(d) Agreement dated 21st May 1990 between Kenwood Appliances Incorporated ("KAI") (1) and Global Marketing Corporation ("Global") (2) under which Global is appointed KAI's agent for certain management functions and services in relation to importing, marketing and selling Kenwood products in the USA. KAI has granted Global a non-exclusive right and sub-licence to use certain intellectual property rights in the USA. The agreement provides for KAI to pay to Global a variable fee, based on a percentage of monthly net sales, in addition to fixed monthly fees. In the event of termination by KAI after giving 12 months' notice, Global will receive the higher of US$195,000 and four per cent of the previous 12 months' US turnover at the date of termination. If KAI terminates the agreement on a change of ownership of KAI, KAI will pay to Global the higher of 10 per cent of the sale price of KAI and four per cent of the average annual US turnover for the previous 12 months. If Global terminates the agreement by 12 months' notice after achieving US$8 million turnover in any financial year KAI will pay Global four per cent of the average annual US turnover for the previous two years. Either party may terminate the Agreement on 12 months' notice or after certain other events.

(e) Agreement dated 20th June 1990 between Electrolux Associated Companies Limited ("Electrolux") (1), A.B. Electrolux ("A.B. Electrolux") (2), the Company (3) and KM (4). The Agreement provides that the Company will pay Electrolux a royalty of 2.5 per cent of the net sale value of all major domestic appliances such as refrigerators, freezers, cookers, washing machines and dishwashers, which the Company or an affiliated company sells under the Kenwood trade mark. The Company will not, during the term of the Agreement, sell or license the Kenwood trade mark for major domestic appliances, subject to (i) existing licences and (ii) licences to wholly owned subsidiaries of the Company. The Company undertakes that neither it nor any affiliated company will dispose of any interest in the major domestic appliance business or of any company comprising part of such business except to a party who enters an agreement with Electrolux in the terms therein. The Agreement expires on 31st March 1997 after which time KM and the Company will be free to use the Kenwood trade mark on major domestic appliances as they deem fit. Prior to that date, Electrolux can terminate the Agreement (i) if the Company commits any breach of the Agreement, (ii) on the winding up or insolvency of KM or the Company, (iii) if at any time control of the Company is acquired by a person or group of persons not having control of the Company at the signing date or (iv) if the Group's major domestic appliance business or a controlling interest in any company carrying out such business is sold or disposed of by the Group to a person who is engaged in the production and/or sale of major domestic appliances. Upon termination of the Agreement for any of these reasons the Company and KM undertake not to use or licence others to use the Kenwood trade mark for major domestic appliances before 31st March 1997. The Company can terminate the Agreement if A.B. Electrolux applies the Kenwood trade mark to products manufactured, distributed or sold by it except where it does so under licence. The Agreement is governed by English law.

(f) Supplemental Subscription Agreement dated 12th October 1990 between the Company (1) T C Parker and others (2) and Candover Investments and others (3) being supplemental to the Subscription Agreements referred to in section 8(b) above. This agreement varied the terms of the Subscription Agreement to permit Candover Investments to send representatives to board meetings of the Company

(g) The Third Subscription Agreement details of which are set out in section 8(f) above

(h) Agreement dated 19th March 1991 made between the Company, as borrower (1), Kenwood International Limited (2), KM (3), certain banks (4) and National Westminster Bank Plc as agent and security trustee for the banks (5), National Westminster Bank Plc as overdraft bank (6), Intermediate Capital Group Limited as mezzanine agent (7) and National Westminster Bank Plc as security trustee for the mezzanine lenders (8). This agreement amends the terms of the Senior Loan Agreement, details of which are set out in section 8(d).

(i) Agreement dated 19th March 1991 made between the Company as borrower (1), Kenwood International Limited (2), KM (3), certain banks with National Westminster Bank Plc as senior agent (4), Intermediate Capital Group Limited as agent for the mezzanine lenders (5) and National Westminster Bank Plc as security trustee (6). This agreement amends the terms of the Mezzanine Loan Agreement, details of which are set out in section 8(e) above.

(j) Deed Poll executed on 19th March 1991 by the Company amending an earlier share warrant instrument (the "1989 Instrument") dated 7th September 1989 and executed by the Company, referred to in section 8(c). The Deed Poll provides that the number of shares to be issued under the terms of the 1989 Instrument is fixed at 67,633 ordinary shares.

(k) Share Warrant Instrument dated 19th March 1991, as amended on 29th May 1992, executed by the Company and creating the right for certain warrant holders to subscribe, subject to the satisfaction of certain conditions, for 96,618 ordinary or preferred shares.

(l) Deed dated 19th March 1991 between the Company and Thorn EMI whereby Thorn EMI released its option to subscribe for shares in the Company under an option agreement dated 7th September 1989.

(m) Deed dated 16th June 1992 between the Company (1), T.C. Parker and others (2), T.A. Le Sueur and others (3) and Candover Investments and others (4) under which the parties to the Subscription Agreements referred to in section 8 above (or persons who have acquired shares of the Company from them) agree to waive any claims and rights which have accrued under such agreements and agree that any further rights and obligations under the agreements shall cease and determine.

(n) Agreement dated 12th June 1992 made between National Westminster Bank Plc (1), the Company (2), certain UK subsidiaries of the Company named therein as guarantors (3), and Mourant & Co. Trustees Limited as Trustee (4). This Agreement is an option agreement details of which are set out in section 6(e) above.

(o) The Offer Agreement details of which are set out in section 12 above.

16. General

(a) Ernst & Young has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and name and the references to them in the form and context in which they appear.

(b) The financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Full statutory consolidated financial statements of the Company for each financial period since incorporation to which the financial information relates and on which the auditors gave unqualified reports have been delivered to the Registrar of Companies.

(c) Save as disclosed in Parts 1 and 2 above, there has been no significant change in the financial or trading position of the Group since 31st March 1992.

(d) The Offer has been underwritten in full by Schroders. Schroders is registered in England with the registered number 532081 and has its registered office at 120 Cheapside, London EC2V 6DS.

(e) It is estimated that the total expenses payable by Kenwood in connection with the Offer will amount to approximately £2.5 million (excluding VAT), including underwriting commissions of approximately £0.7 million.

(f) The price per share payable on acceptance of the Offer amounts to a premium of 275p per share over the nominal value of 10p per share.

17. Documents available for inspection

Copies of the following documents may be inspected at the offices of Clifford Chance, Royex House, Aldermanbury Square, London EC2V 7LD during usual business hours on any weekday (Saturdays, Sundays and Public Holidays excepted) for a period of 14 days following the date of this document:

(a) memorandum and articles of association of the Company;

(b) the audited statutory consolidated accounts of the Company and its subsidiaries for the period 10th May 1989 to 30th September 1990, the financial year ended 30th September 1991 and the period 1st October 1991 to 31st March 1992;

(c) the Accountants' report and the statements of adjustments relating thereto;

(d) the service agreements of the executive directors referred to in section 5 above;

(e) the rules of the Share Participation Scheme, the Sharesave Scheme and the Executive Share Schemes;

(f) the material contracts referred to in section 15 above; and

(g) the written consent referred to in section 16 above.

Dated 17th June 1992

Terms and conditions of application – Public offer

1. The contracts arising from acceptance of applications will be conditional on the admission of the ordinary share capital of the Company, issued and now being issued, to the Official List of the London Stock Exchange becoming effective by the making of an announcement in accordance with Rule 520 of the Rules thereof by the London Stock Exchange on or before 9th July 1992 and on the Offer Agreement referred to in section 12 of Part 5 of the Prospectus becoming wholly unconditional and not being terminated before such announcement. Cheques or banker's drafts for amounts payable on application may be presented for payment before such conditions are satisfied and the application moneys will be kept in a separate bank account and, if such conditions are not satisfied, will be returned (without interest) by crossed cheque in favour of the applicant(s) through the post at the risk of the applicant(s) to the address of the first-named applicant. It is expected that admission of the ordinary share capital of the Company to the Official List will become effective on 1st July 1992.

2. Subject to these terms and conditions, Schroders reserves the right to reject in whole or in part or to scale down any applications including, in particular, multiple or suspected multiple applications, and to present any cheques or banker's drafts for payment on receipt. The right is reserved to reject any application in respect of which the applicant's cheque or banker's draft has not been cleared by 5.00 p.m. on 29th June 1992. If any application is not accepted, or is accepted for fewer shares than the number applied for, the application moneys, or, as the case may be, the balance of the application moneys, will be returned (without interest) by sending the applicant's cheque or banker's draft or a crossed cheque in favour of the applicant(s) through the post to the address of the first-named applicant at the risk of the person(s) entitled to it. Schroders further reserves the right to treat as valid and binding upon the applicant(s) any application, even if the accompanying Application Form is not completed in all respects in accordance with the instructions or is not accompanied by a power of attorney where necessary.

3. Applications (other than those under the terms of the Employee priority offer referred to in paragraph 5 below) must be made on the accompanying Application Form. By completing and delivering an Application Form you as the applicant(s) (and if you sign the Application Form on behalf of somebody else or a corporation that person or corporation):

(i) offer to purchase the number of shares specified in your Application Form (or such smaller number for which the application is accepted) on the terms and subject to the conditions set out in this form (of which the Procedure for application forms part) and subject to the Prospectus and the memorandum and articles of association of the Company;

(ii) authorise Lloyds Bank Plc to send on behalf of Schroders a letter of acceptance for the number of shares for which your application is accepted and/or a crossed cheque for any moneys returnable, by post (without interest), at the risk of the person(s) entitled to it, to your address (or, in the case of joint applicants, to that of the first-named applicant as set out in your Application Form) and to do all things necessary to procure that your name (together with the name(s) of any other joint applicant(s)) is/are placed on the register of members of the Company in respect of such shares the entitlement to which has not been duly renounced;

(iii) agree that, in consideration of Schroders agreeing that it will not prior to 9th July 1992 sell any of the shares offered to any person other than by means of the procedures referred to in the Prospectus, your application may not be revoked until after 9th July 1992 and that this paragraph shall constitute a collateral contract between you and Schroders which will become binding on despatch by post to or, in the case of applications delivered by hand, receipt by Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE of the Application Form;

(iv) warrant that your remittance will be honoured on first presentation and agree that, if such cheque or banker's draft is not so honoured, you will not be entitled to receive a letter of acceptance in respect of the shares applied for or any rights or distributions in respect of such shares unless and until you make payment in cleared funds for such shares and such payment is accepted by Schroders, which acceptance shall be in its absolute discretion and on the basis that you indemnify both the Company and Schroders against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation and that at any time prior to unconditional acceptance of such late payment Schroders may (without prejudice to other rights) avoid the agreement to sell such shares without liability to you and may sell such shares to some other person;

(v) agree that any letter of acceptance to which you may become entitled and moneys returnable to you may be retained pending clearance of your remittance and such moneys retained will bear no interest;

(vi) agree that in respect of those shares for which your application has been received and is not rejected, allocation of such shares to you shall be constituted, at the election of Schroders, either by notification to the London Stock Exchange of the basis of allocation (in which case allocation shall be on that basis) or by the determination of the number of shares to be allocated pursuant to the arrangements made between Schroders and Lloyds Bank Plc;

(vii) agree that all applications, acceptances of applications and contracts resulting from them under the Offer shall be governed by, and construed in accordance with, English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of Schroders or the Company to bring any action or proceedings in connection with any such applications, acceptances or contracts in any other manner permitted by law or in any court of competent jurisdiction;

(viii) agree, on request by Schroders, to disclose promptly in writing to it any information which it may request in connection with your application;

(ix) if the laws of any place outside the UK are applicable to your application, warrant that you have complied with all such laws and none of the Company, Schroders or any of their respective agents will infringe any laws outside the UK as a result of their acceptance of your application;

(x) warrant that, if you sign an Application Form on behalf of somebody else or a corporation, you have the authority to do so and that such other person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application;

(xi) confirm that in making this application neither you nor any person on whose behalf you are applying is relying on any information or representation in relation to the Company or to any other member of the Group other than such as may be contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for that document, or any part of it, shall have any liability for any such information or representation.

(xii) warrant that no other application (not being an application under the terms of the Employee priority offer) is being made by you for your own account or by another on your behalf or for your benefit and with your knowledge for such purpose or, if you are applying as agent or nominee of another, no other application is being made by you (not being an application as aforesaid) as an agent or nominee for that other person and that other person is not, to your knowledge, acting in concert with any person or persons as aforesaid;

(xiii) warrant that you are not a person in the United States as provided in Rule 903 under the US Securities Act of 1933 and are not applying on behalf of, or with a view to re-offer, sale, renunciation, transfer or delivery to, or for the benefit of, any such person;

(xiv) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company or any other member of the Group contained therein;

(xv) except to the extent that you delete points (i), (ii) and (iii) set out below Box 7 on the Application Form, warrant that you are not any such person as there referred to. This is for stamp duty purposes; and

(xvi) warrant that you are not, and are not applying on behalf of a person who is, under 18 years of age on the date of your application other than for the benefit of a minor as described in the procedure for application.

4. The basis of allocation in respect of applications made on the accompanying Application Form will be determined by Schroders in its absolute discretion

5. In accordance with the arrangements described under "Special arrangements for employees in the Public offer" in section 7 of Part 5 of the Prospectus, up to 10 per cent of the ordinary shares which are the subject of the Public offer are reserved in the first instance for applications for the benefit of full and part-time employees of the Group in the UK employed on 16th June 1992, non-executive directors and certain retirees of the Group made pursuant to the Employee priority offer. Such applications must be made on the Pink Application Forms which are being made available to such persons. The persons eligible to apply on Pink Application Forms are specified in section 7 of Part 5 of the Prospectus and in the Pink Application Form. Persons eligible to apply on such forms may also make a single application on the Application Form. Excess applications under the Employee priority offer will be treated as having been made under the Public offer, unless the directors have, in their absolute discretion, after consultation with Schroders, rejected the application.

6. No person receiving a copy of the Prospectus or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other regulatory or legal requirements. It is a condition of any application by any person outside the UK that he has satisfied himself as to full observance of the laws of any relevant territory in connection with the application, including obtaining any requisite governmental or other consents which may be required and compliance with any other requisite formalities, and paying any issue, transfer or other taxes due in any such territory. The Prospectus and the other documents relating to the Offer have not been submitted to the clearance procedures of any European or other authorities other than relevant authorities in the UK.

7. The shares which are being offered have not been, and will not be, registered under the US Securities Act of 1933, and, subject to certain exceptions, shares may not be offered or sold within the United States. The terms and conditions of application incorporate a warranty that the applicant is not in the United States, and is not applying on behalf of, or with a view to re-offer, sale, renunciation, transfer or delivery to, or for the benefit of, any person in the United States. Registration application forms on letters of acceptance will contain a warranty to the same effect by or on behalf of the person(s) in whose name(s) the shares are to be registered. In addition, until 40 days after the date of this document, an offer or sale of the shares within the United States by any dealer (as defined in the US Securities Act of 1933) (whether or not participating in the offering) may violate the registration requirements of the US Securities Act of 1933.

8. Words and expressions defined in the listing particulars relating to Kenwood dated 17th June 1992 (the "Prospectus") have the same meanings in these terms and conditions, unless the context requires otherwise.

Basis of acceptance and dealing arrangements

Applications must be received by 10.00 a.m. on 24th June 1992, by post or by hand to Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE. The application lists will open at 10.00 a.m. on 24th June 1992 and will close as soon thereafter as Schroders may determine. Acceptance of any application will be effected at the election of Schroders either by notification to the London Stock Exchange of the basis for allocation or by notification of such acceptance to Lloyds Bank Plc, Registrar s Department, Issue Section, PO Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE. The basis on which applications have been accepted will be announced as soon as possible after the application lists close. It is expected that temporary documents of title, in the form of renounceable letters of acceptance, will be posted to successful applicants on 30th June 1992 but will not be negotiable until 1st July 1992. Dealings in the shares are expected to commence on 1st July 1992. Dealings prior to receipt of renounceable letters of acceptance will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

A successful applicant may sell or otherwise dispose of some or all of the shares in respect of which his application has been accepted by execution of the form of renunciation on his letter of acceptance and delivery of the letter of acceptance to the transferee.

Persons who lodge letters of acceptance (duly completed in accordance with the instructions contained in them) for registration under the Offer by 3.00 p.m. on 6th August 1992 will not be required to pay any registration fees (or stamp duty or stamp duty reserve tax ("SDRT")) upon such registration. After this time, shares will be transferred by means of an instrument of transfer which will normally attract a charge to stamp duty. Share certificates will be despatched by first class post on or before 3rd September 1992.

Individual shareholders will also have the right to have shares up to a total value of £9,000 (including any shares purchased under the Employee priority offer) allotted or transferred into PEPs (including the Corporate PEPs) within 42 days after Admission.

Stamp duty and stamp duty reserve tax

The directors have been advised that in relation to the Public offer

(a) no charge to *ad valorem* stamp duty will arise on the transfer to applicants of shares represented by renounceable letters of acceptance;

(b) no SDRT will be payable on the registration of shares obtained pursuant to a letter of acceptance (whether or not they have been renounced prior to registration);

(c) the initial purchaser of rights to shares represented by a letter of acceptance will not be liable to SDRT except where sections 93 or 96 of the Finance Act 1986 apply (broadly these sections apply where the applicant is, or is a nominee for, either a person whose business is, or includes, issuing depositary receipts or a person whose business is, or includes, the provision of clearance services for the purchase or sale of chargeable securities). Any subsequent purchaser of rights to shares represented by a letter of acceptance will be liable to SDRT generally at the rate of 50p per £100 (or part thereof) of the consideration paid.

The above statements are intended as a general guide to the current position. Any person who has applied for shares in the Placing is referred to the placing letter for details of his stamp duty and SDRT position. Any person who is in any doubt as to his position should consult his professional adviser.

Copies of this document and the Application Form may be obtained from:

J. Henry Schroder Wagg & Co. Limited
120 Cheapside
London EC2V 6DS

Kenwood Appliances plc
New Lane
Havant
Hampshire PO9 2NH

Rowe & Pitman Ltd.
1 Finsbury Avenue
London EC2M 2PA

Lloyds Bank Plc
Registrar's Department
2nd Floor
Bolsa House
80 Cheapside
London EC2V 6EE

and from the following branches of Lloyds Bank Plc:

Birmingham
125 Colmore Row
Birmingham B3 3AD

Bristol
55 Corn Street
Bristol BS99 7LE

Edinburgh
113/115 George Street
Edinburgh EH2 4TF

Havant
4 West Street
Havant
Hampshire PO9 1PE

Leeds
6-7 Park Row
Leeds LS1 1NX

Liverpool
India Buildings
Water Street
Liverpool L69 2BT

London
132 Regent Street
London W1A 4BH

Manchester
53 King Street
Manchester M60 2ES

Newcastle Upon Tyne
102 Grey Street
Newcastle Upon Tyne
NE99 1SL

The procedure for application and
the Application Form follow

Procedure for application — Public offer

The following instructions should be read in conjunction with the Application Form

1 **Insert in Box 1 (in figures) the number of shares for which you are applying.** Applications must be for a minimum of 100 shares and in one of the following multiples:

- for more than 100 shares, but not more than 1,000 shares, in a multiple of 100 shares,
- for more than 1,000 shares, but not more than 5,000 shares, in a multiple of 500 shares;
- for more than 5,000 shares, but not more than 10,000 shares, in a multiple of 1,000 shares;
- for more than 10,000 shares, but not more than 50,000 shares, in a multiple of 5,000 shares; and
- for more than 50,000 shares, in a multiple of 10,000 shares.

An Application Form for any other number of shares may be rejected.

2 ***Insert in Box 2 (in figures)* the amount of your payment.**

The amount of your cheque or banker's draft should be 285p multiplied by the number of shares inserted in Box 1

3 **Sign and date the Application Form in Box 3.**

The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised by power of attorney to do so, but the power of attorney pursuant to which this is done (or a copy certified by a solicitor) must be enclosed for inspection.
A corporation should sign under the hand of a *duly authorised officer* whose representative capacity must be stated

4 **Insert your full name and address in BLOCK CAPITALS in Box 4.**

Applications may only be made by persons aged over 18. However, a parent, grandparent or guardian of a person under 18 may apply for the benefit of that minor. To apply for the benefit of a minor, you should put your own name in full in Box 4 and complete the minor's details box, within Box 4, with the full names of the minor and the minor's date of birth. You are not thereby precluded from making a single application for your own benefit. See notes 6 and 7 for joint applications.

5 **You must pin to the completed Application Form a single cheque or banker's draft for the full amount payable.** Your cheque or banker's draft must be payable to "Lloyds Bank Plc A/C Kenwood Appliances plc Offer" for the amount payable on application inserted in Box 2 and should be crossed "Not negotiable".

No receipt will be issued for this payment which must be solely for this application.

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the UK, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner.

Applications may be accompanied by a cheque or banker's draft drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person(s) named in Boxes 4 and 6 (if any).

If you are also applying on the *Pink Application Form*, you must pin a separate cheque or banker's draft to each completed Application Form.

6 **You may apply jointly with up to three other persons.**

If you do so, you must then arrange for the Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons, in addition to the first applicant). Their full names and addresses should be put in BLOCK CAPITALS in Box 6. Letters of acceptance in the names of joint applicants will be sent to the applicant named in Box 4.

IMPORTANT: If you make a joint application, you will not be able to transfer the shares into a PEP. If you are interested in transferring your shares into a PEP, you should apply in your name only.

7 Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should sign in Box 3 and complete Box 4).

If any *individual is signing* on behalf of any joint applicant(s), the power(s) of attorney (or a copy (copies) certified by a solicitor) must be enclosed for inspection.

8 **If you are unable to warrant in the terms of any of points (i), (ii) or (iii) set out below Box 7, you must delete the relevant warranty and give such further information as is requested.**
You must send the completed Application Form together with the cheque or banker's draft by post, or deliver it by hand, to Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE so as to be received not later than 10.00 a.m. on 24th June 1992.
If you post your Application Form, you are recommended to use first class post and allow at least two working days for delivery. Photostat copies of Application Forms will not be accepted. Multiple or suspected multiple applications may be rejected in their entirety

Appliances

plc

Public offer Application Form

...e making any application to acquire shares you are recommended to consult an independent financial adviser authorised under ...inancial Services Act 1986.

...e offer by Schroders of 11,613,193 ordinary shares of 10p each in Kenwood Appliances plc ("shares") at 285p per share, payable in ...a application

I/We offer to acquire [shares]

at the Offer price of 285p per share (or any smaller number of shares for which this application is accepted) payable in full on application on the terms and conditions set out in this Application Form and the Prospectus dated 17th June 1992 and subject to the memorandum and articles of association of Kenwood Appliances plc

and I/we attach a cheque or banker's draft for the amount payable to "Lloyds Bank Plc A/C Kenwood Appliances plc Offer" [£]

(285p multiplied by the number of shares inserted in Box 1).

Dated 1992	Signature

Please use BLOCK CAPITALS

Forename(s) (in full)
Mr, Mrs, Ms, Miss or title
Surname

Minor's forename(s) (in full)
Surname Date of birth

Address (in full)

Postcode

☐ Pin here your cheque or banker's draft made payable to "Lloyds Bank Plc A/C Kenwood Appliances plc Offer" and crossed "Not negotiable" for the amount in Box 2

FOR OFFICIAL USE ONLY

1 Form no

2 Acceptance n...

3 Shares allocat...

4 Amount rece... £

5. Amount pay... £

6 Amount ret... £

7. Cheque no

8. Splits regist...

...ll in Boxes 6 and 7 only when there is more than one applicant. The first or sole applicant should sign in Box 3 and complete Box 4. Insert ...e names and addresses of the second and subsequent applicants, each of whose signature is required in Box 7.
..B. If you make a joint application, you will not be able to transfer the shares into a PEP.

6 Please use BLOCK CAPITALS

Forename(s) (in full) Mr, Mrs, Ms, Miss or title Surname Address (in full) Postcode	Forename(s) (in full) Mr, Mrs, Ms, Miss or title Surname Address (in full) Postcode	Forename(s) (in full) Mr, Mrs, Ms, Miss or title Surname Address (in full) Postcode

7

Signature	Signature	Signature

Except to the extent that you delete any of the following, you warrant that:

(i) I/We am/are not applying as, or as (a) nominee(s) or agent(s) for, (a) person(s) who is/are or may be persons mentioned in section 93 or section 96 of t... Act 1986 (depositary receipts and clearance services).

(ii) I/We am/are not applying as, or as (a) nominee(s) or agent(s) for, (a) person(s) who is/are (a) market maker(s) in the shares of Kenwood Appliances pl... meaning of section 81 of the Finance Act 1986. If this warranty is deleted, please state the date on which application for registration as a market maker i... the shares was made to the London Stock Exchange.

(iii) I/We am/are not applying for registration as, or as (a) nominee(s) or trustee(s) for, a body of persons established for charitable purposes only. If this ... deleted, please state name of charity and registered number (where applicable).

Applications must be received by 10.00 a.m. on 24th June 1992. The completed Application Form together with a cheque or banker's draft for the amount pay... be posted, or delivered by hand, to Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London ... Any person signing this Application Form under a power of attorney must enclose the original power of attorney (or a copy certified by a solicitor) for ...