

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from a stockbroker, solicitor, accountant or other independent financial adviser who specialises in advising on shares or other transferable securities and who is duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Ordinary Shares prior to the date of this document, please forward this document together with the accompanying Application Form and Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. However such documents should not be forwarded or transmitted in or into the United States, Canada, Australia, Japan or the Republic of Ireland or their respective territories or possessions. If you have sold or transferred only part of your holding of Ordinary Shares you should consult your stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out on the Application Form.

A copy of this document, which comprises a prospectus relating to Deltron Electronics plc, has been prepared in accordance with the listing rules of the UK Listing Authority made under section 74 of the Financial Services and Markets Act 2000, and has been delivered for registration to the Registrar of Companies in England and Wales, in accordance with section 83 of that Act.

Evolution Beeson Gregory Limited, which is authorised and regulated by the Financial Services Authority, is acting exclusively for Deltron Electronics plc and no-one else in relation to the matters described in this document and will not be responsible to any other person for providing the protections afforded to customers of Evolution Beeson Gregory Limited nor for advising any such person on the contents of this document or any matter referred to herein.

DELTRON ELECTRONICS plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2614913)

Placing and Open Offer of 11,620,572 New Ordinary Shares

at 60 pence per New Ordinary Share

Notice of Extraordinary General Meeting

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List. Application has also been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will take place, and that dealings in the New Ordinary Shares will commence, on 26 November 2003. The existing Ordinary Shares of Deltron Electronics plc are listed on the Official List and traded on the London Stock Exchange.

Neither the existing Ordinary Shares nor the New Ordinary Shares have been or will be registered under the United States Securities Act of 1933 (as amended) or under the securities law of any state of the United States, any province or territory of Canada, Australia, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, neither the existing Ordinary Shares nor the New Ordinary Shares may be, directly or indirectly, offered, sold, taken up, delivered, resold, renounced or transferred in or into the United States, Canada, Australia, Japan or the Republic of Ireland or for the account or benefit of any resident of Canada, Australia, Japan or the Republic of Ireland or any US Person. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer, issue or solicitation is unlawful. Overseas Shareholders are referred to paragraph 7 of Part II of this document.

Notice of an Extraordinary General Meeting of Deltron Electronics plc, to be held at 11.00 a.m. on 25 November 2003 at Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA, is set out at the end of this document. The enclosed Form of Proxy for use in connection with the EGM should be completed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 23 November 2003.

The latest time for acceptance by Qualifying Shareholders and payment in full for the Open Offer Shares is expected to be 3.00 p.m. on 20 November 2003. The procedure for application and payment is set out in Part II of this document and the accompanying Application Form. If you are a Qualifying Shareholder and wish to apply for Open Offer Shares, you should complete the enclosed Application Form and return it, together with the appropriate payment, to Capita IRG Plc Corporate Department at the Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, to arrive no later than 3.00 p.m. on 20 November 2003.



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COMPANIES HOUSE

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2003

Record Date for the Open Offer	Close of business on 27 October
Application Forms and notice of EGM despatched	28 October
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 18 November
Latest time and date for receipt of completed Application Forms and payment in full in respect of the Open Offer	3.00 p.m. on 20 November
Latest time and date for receipt of Proxy Forms	11.00 a.m. on 23 November
Extraordinary General Meeting	11.00 a.m. on 25 November
Dealings expected to commence in New Ordinary Shares	8.00 a.m. on 26 November
Delivery in CREST of New Ordinary Shares to be held in uncertificated form	8.00 a.m. on 26 November
Definitive share certificates in respect of New Ordinary Shares to be held in certificated form expected to be despatched by	28 November
If you have any queries on the procedure for acceptance and payment or on the procedure for splitting Application Forms (to satisfy <i>bona fide</i> market claims only), you should contact Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH (telephone no: 0870-162-3100 or, if calling from outside the UK, + 44(0)20-8639-2157).	

ISSUE STATISTICS

Issue Price	60 pence
Net proceeds of the Placing and the Open Offer	£6.5 million
Number of New Ordinary Shares being issued	11,620,572
Number of Ordinary Shares in issue following the Placing and the Open Offer	41,067,454
Market capitalisation of Deltron at the Issue Price following completion of the Placing and the Open Offer	£24.6 million
New Ordinary Shares expressed as a percentage of the existing Ordinary Shares	39.5%

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Paul Rene Gourmand <i>Non-executive Chairman</i> Christopher John Sawyer <i>Group Chief Executive</i> Derek Patrick O'Neill <i>Group Finance Director</i> François Feldman <i>Executive Director</i> Niels Kristian Nielsen <i>Executive Director</i> Sir Ivor Harold Cohen <i>Non-executive Director</i> Pierre Romano <i>Non-executive Director</i> David Thomas Weir <i>Non-executive Director</i>
Secretary:	George Alexander Ralph
Registered Office and Headquarters:	Suffolk House Fordham Road Newmarket Suffolk CB8 7AA
Financial Adviser and Stockbroker:	Evolution Beeson Gregory Limited 100 Wood Street London EC2V 7AN
Auditors:	Deloitte & Touche LLP Leda House Station Road Cambridge CB1 5LU
Solicitors to the Company:	Jones Day Gouldens 10 Old Bailey London EC4M 7NG
Solicitors to the Placing:	KLegal 1-2 Dorset Rise London EC4Y 8EN
Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Receiving Agents:	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TH
Principal Bankers:	Barclays Bank plc Mortlock House Vision Park Histon Cambridge CB4 9DE

DEFINITIONS

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

"Act"	the Companies Act 1985 (as amended)
"Admission"	admission to the Official List of the UK Listing Authority and admission to trading on the listed securities market of the London Stock Exchange of the New Ordinary Shares becoming effective
"Application Form"	the application form(s) accompanying this document for use by Qualifying Shareholders in relation to the Open Offer
"Capita IRG" or "Capita"	Capita IRG Plc
"certificated" or "in certificated form"	an Ordinary Share which is not in uncertificated form
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the operator (as such is defined in the CREST Regulations) in accordance with which quoted securities may be held and transferred in uncertificated form
"CREST member"	a person who has been admitted to CRESTCo as a system member (as defined in the CREST Regulations)
"CREST Regulations"	The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
"Directors" or "Board"	the directors of the Company whose names are listed on page 4 of this document
"Evolution Beeson Gregory"	Evolution Beeson Gregory Limited
"Deltron" or "the Company"	Deltron Electronics plc
"Deltron Group" or "Group"	Deltron and its subsidiary undertakings
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company (or any adjournment thereof) which has been convened for 11.00 a.m. on 25 November 2003, notice of which is set out at the end of this document
"Firm Taken Shares"	the 698,663 Open Offer Shares in aggregate which Unicorn and David Weir have irrevocably undertaken to take up under the Open Offer
"Form of Proxy"	the form of proxy accompanying this document for use by Shareholders in connection with the Extraordinary General Meeting
"FSA"	the Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000 (as amended)
"Issue Price"	60 pence per New Ordinary Share
"London Stock Exchange"	London Stock Exchange plc
"Money Laundering Regulations"	The Money Laundering Regulations 1993 (SI 1993 No. 1933)
"New Ordinary Shares"	the 11,620,572 new Ordinary Shares to be issued pursuant to the Placing and the Open Offer
"Official List"	the Official List of the UK Listing Authority
"Open Offer"	the conditional invitation made by Evolution Beeson Gregory, on behalf of the Company, to Qualifying Shareholders to subscribe for New Ordinary Shares at the Issue Price on the terms, and subject to the conditions, set out in this document
"Open Offer Shares"	the 2,453,906 New Ordinary Shares which are being made available under the Open Offer

"Ordinary Resolution"	the ordinary resolution to be proposed at the EGM, as set out in the Notice of EGM at the end of this document
"Ordinary Shares"	ordinary shares of 5p each in the capital of Deltron
"Overseas Shareholders"	Shareholders who have registered addresses in, or who are citizens or residents of, countries other than the United Kingdom
"Placing"	the conditional placing by Evolution Beeson Gregory on behalf of the Company of the Placing Shares at the Issue Price pursuant to the Placing Agreement, subject, in the case of Open Offer Shares, to the right of Evolution Beeson Gregory to recall all or any such New Ordinary Shares to satisfy Valid Applications
"Placing Agreement"	the conditional agreement dated 28 October 2003 between the Company and Evolution Beeson Gregory relating to the Placing and Open Offer, further details of which are set out in paragraph 10 of Part VI of this document
"Placing Shares"	the New Ordinary Shares other than the Firm Taken Shares
"Qualifying Shareholders"	Shareholders on the register of members of the Company on the Record Date, other than certain Overseas Shareholders described in Part II of this document to whom the Open Offer is not being extended
"Record Date"	close of dealings on the listed securities market of the London Stock Exchange on 27 October 2003
"Resolutions"	the Ordinary Resolution and the Special Resolution
"Shareholders"	the persons who are registered as the holders of Ordinary Shares from time to time
"Share Option Schemes"	The 1993 Share Option Scheme, The 1996 Executive Share Option Scheme and The 1996 Employee Share Option Scheme of the Company, each as referred to in Part VI of this document
"Special Resolution"	the special resolution to be proposed at the EGM, as set out in the Notice of EGM at the end of this document
"UK Listing Authority" or "UKLA"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"uncertificated " or "in uncertificated form"	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Unicorn"	Unicorn Asset Management Limited, a significant institutional Shareholder
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions (including the District of Columbia)
"US Person"	any person resident in the United States or otherwise a US Person within the meaning of regulation S under the United States Securities Act of 1933, as amended
"Valid Applications"	applications from Qualifying Shareholders and other holders having <i>bona fide</i> market claims made in accordance with the terms and conditions of the Open Offer as set out in this document and the Application Form

Amounts in this document expressed in Danish Kroner ("DKK"), Euros ("€") and US Dollars ("S") have, except in Part III or unless otherwise stated, been calculated at the following rates:

£1 to DKK 10.66

£1 to € 1.43

£1 to \$ 1.67

PART I

LETTER FROM THE CHAIRMAN OF DELTRON ELECTRONICS plc

DELTRON ELECTRONICS plc

(Registered in England and Wales no. 2614913)

Directors:

Paul Rene Gourmand (*Non-executive Chairman*)
Christopher John Sawyer (*Group Chief Executive*)
Derek Patrick O'Neill (*Group Finance Director*)
François Feldman (*Executive Director*)
Niels Kristian Nielsen (*Executive Director*)
Sir Ivor Harold Cohen (*Non-executive Director*)
Pierre Romano (*Non-executive Director*)
David Thomas Weir (*Non-executive Director*)

Registered and Head Office

Suffolk House
Fordham Road
Newmarket
Suffolk
CB8 7AA

28 October 2003

To Shareholders and, for information only, to holders of options under the Share Option Schemes

Dear Shareholder,

Placing and Open Offer of 11,620,572 New Ordinary Shares at 60 pence per New Ordinary Share

1. Introduction

Your Board announced today that it proposes to raise approximately £6.5 million, net of expenses, by way of a Placing and an Open Offer of 11,620,572 New Ordinary Shares at 60p per share.

Qualifying Shareholders are invited to apply for 2,453,906 of the New Ordinary Shares under the Open Offer on the basis of 1 Open Offer Share for every 12 Ordinary Shares held on the Record Date. The balance of 9,166,666 New Ordinary Shares have been placed firm, primarily with institutional investors.

Of the 2,453,906 Open Offer Shares, 698,663 Open Offer Shares, being the Firm Taken Shares, are subject to irrevocable undertakings to take up entitlements under the Open Offer in full, 1,460,460 Open Offer Shares have been placed subject to clawback to satisfy Valid Applications and 294,783 Open Offer Shares, being those shares which the Directors have irrevocably undertaken not to take up, have been placed firm with institutions. As a result, a total of 10,160,112 New Ordinary Shares, being 87.4 per cent. of the New Ordinary Shares, are being placed firm, primarily with institutions, and are not subject to clawback.

The Placing and Open Offer have been fully underwritten by Evolution Beeson Gregory, save in respect of the Firm Taken Shares and the 2,604,392 New Ordinary Shares being placed with Unicorn pursuant to the Placing.

The purpose of the Placing and Open Offer is to enable the Group to continue its expansion both organically and through franchise expansion and to provide ongoing working capital resources to maintain an appropriate level of gearing.

The Placing and Open Offer are conditional upon the approval of Shareholders, which is to be sought at the Extraordinary General Meeting, notice of which is set out at the end of this document. The purpose of this document is to explain the background to and reasons for the Placing and Open Offer; to explain why the Board believes they are in the best interests of the Company; and to recommend that you vote in favour of the Resolutions.

An estimate of the Group's profit before interest, taxation, operating exceptional items and goodwill for the year ended 30 September 2003 is set out in paragraph 6 below.

In aggregate the Company has received irrevocable undertakings to vote in favour of the Special Resolution in respect of 11,921,374 Ordinary Shares, representing approximately 40.5 per cent. of Deltron's current issued share capital.

2. Information on the Group

Business

The Group is a pan-European specialist distributor of electromechanical components and solutions. These components include switches, connectors, audible alarms and magnetics. The Group is also a manufacturer of electromechanical components, sub-assemblies and related tools/production aids. These products and sub-assemblies include electromagnetic compatibility ("EMC") filters, a variety of connectors and other interconnect devices.

The products distributed by the Group are used in a range of equipment from medical systems to aeroplanes and motorcars, from telecoms equipment and mainframe computers to electronic point of sale equipment and automatic cash dispensers, and from professional broadcasting equipment to factory automation.

The majority of these components are incorporated within customers' products during the design stage of new products at the customer's location. Representatives from Deltron help customers select and incorporate the most suitable component into the design during product development; the component is then referred to as being "designed-in".

Deltron concentrates on markets where the Directors believe that the Group's depth of product knowledge and customer understanding, combined with its reputation for supplying specialist components for customised service, provide it with a competitive advantage.

Strategy

To date, the Group's strategy has been to develop as a pan-European specialist distributor of electromechanical components and solutions, with the objective of supplying a wide range of industrial customers in a variety of industries whilst limiting exposure to any particular market, product or supplier.

During the six month period ended on 31 March 2003, no customer represented more than 3.5 per cent. of the Group's turnover for that period and no supplier represented more than 15.5 per cent. of the Group's cost of sales for that period. The Group currently operates in the United Kingdom, Republic of Ireland, France, Italy, Netherlands, Sweden, Denmark, Germany, Austria, the Czech Republic, Poland, Slovakia and Hungary. The Directors believe that the Group currently has representation in territories covering over 80 per cent. of the European electromechanical components market. The Group also operates several pan-European franchise agreements with a range of component manufacturers.

Despite the downturn within the European electromechanical components market, the Directors' believe that this strategy has enabled Deltron to increase the Group's market share while maintaining gross margins exceeding 31.5 per cent.

For the time being, the Group's key strategic objectives in developing its business will concentrate on:

- maintaining a focus on its core expertise in electromechanical components and solutions, and utilising the strength of the brands that the Group supplies and its ability to provide customised support;
- growing the business from within existing geographical locations in Europe by capitalising on supplier support and investing appropriate resources to expand the distribution network;
- suitable business development opportunities; the Directors recognise there may be opportunistic 'market share' acquisitions available which will enable the Group to increase volume through its existing distribution network so as to gain further economies of scale and increase profitability; and
- increasing the number of franchises per territory; this will be pursued either by franchisees opting to distribute within the Deltron network or by Deltron directly acquiring franchises.

Recent developments

Acquisitions

The Group made six acquisitions in 2001 at a total cost to date to the Group of approximately £14.7 million. This has been financed through an equity fundraising which took place towards the end of 2000, internal cash flows and debt. These were:

- Camax Group in July 2001, made up of two Italian based electromechanical components and solutions businesses, C&K Components SPA and Euroind SRL, at a total cost to date of approximately £3.7 million;

- Hawnt Electronics Limited in June 2001, a UK electromechanical component distributor, at a total cost of approximately £7.3 million;
- Radikor in May 2001, a Netherlands-based specialist distributor of electromechanical components, at a total cost of approximately £0.2 million;
- Discomp Group in March 2001, a French based distributor of electromechanical components and solutions, at a total cost of approximately £1.1 million;
- Sensortech in January 2001, a Danish specialist distributor of sensor components, at a total cost to date of approximately £1.7 million; and
- C & K Austria GmbH in January 2001, an Austrian supplier of electromechanical components, at a total cost of approximately £0.7 million.

In addition to the aggregate cost to date of these acquisitions of approximately £14.7 million, the Directors currently estimate that around £1.9 million will be paid in the form of deferred consideration for the acquisitions of the Camax Group and Sensortech. These payments are expected to be made by July 2004. These acquisitions have formed a key part of the Group's stated strategy of becoming a leading European supplier and distributor to the electromechanical components market and have enabled the Group to continue its growth during difficult market conditions.

Franchises

Alongside the acquisitions detailed above, in developing its pan-European distribution network, the Group has continued to expand its franchise arrangements, increasing market share and product offering. This franchise expansion has included:

Harwin	a UK connector manufacturer which agreed a distribution agreement covering Deltron's European network;
Alps Electric	a Japanese component manufacturer which has awarded the Group a new franchise agreement in Sweden, alongside existing agreements the Group has with Alps Electric in the UK and France;
Toko	a Japanese component manufacturer which has awarded the Group new franchise agreements in Austria, Germany and Sweden, alongside existing agreements the Group has with Toko in the UK and France
Rafi	a German switching manufacturer, which has awarded the Group a new franchise agreement in Holland, alongside existing agreements the Group has with Rafi in the UK and France
Littelfuse	a US component manufacturer, which has awarded the Group a new franchise in France

The Board believes that Deltron's success in obtaining these new franchises has, in large part, been due to its ability to offer European coverage whilst providing a local service satisfying local needs.

After the acquisition of six businesses highlighted above, the Group has undertaken a rationalisation programme that has included the consolidation of UK manufacturing from two sites into one purpose-built site in Scunthorpe and the closing of a regional sales office, resulting in reduced costs and improved efficiency. Headcount has also been reduced from a peak of 515 employees in 2001, to approximately 380 employees at present. The Board intends to monitor Group staff levels and structure to ensure their continuing appropriateness for the Group's business as it develops.

3. The European electromechanical components market

The European electromechanical components market in 2002 was estimated to be worth \$8.6 billion (*source: M.E. Williams & Associates*) per annum with distribution within its principal territories representing approximately 20 per cent. of this. This market, while being large, is highly cyclical and has experienced approximately a 30 per cent. reduction in the last three years (*source: M.E. Williams & Associates*).

While the Directors do not anticipate that the components market will return in the short term to the levels experienced in 2000, the Semiconductor Industry Association recently announced that global microchip sales

have increased, which the Directors consider demonstrates a potential for recovery within Deltron's own target markets.

The Directors believe that, while it is too early to talk in terms of a turnaround within the industry, the rate of decline has substantially slowed, with the market at or near the bottom. Furthermore, the Directors have noticed a recent renewed willingness of customers to enter into long term contracts with the Group. The Board therefore considers that the Group is well placed to benefit financially from any upturn which may occur.

4. Competition

The Directors consider that the range of the Group's product portfolio and the volume of product carried, combined with its strong European presence, has contributed to the Group becoming a leader in the supply and distribution of electromechanical components in Europe.

The Directors also consider that the Group's designed-in offering, and the attention and support that the Group gives to this expertise, enhances its reputation in its chosen market and accentuates its competitive strengths. The Directors further believe that this approach fosters repeat business and encourages loyalty from its customers. Independent research carried out for the Directors in March 2003 indicated that Deltron was a supplier of "best of breed" components and this, coupled with its technical support, was recognised by many of Deltron's customers as its core positioning and competency within the market.

The Directors are not aware of any competitor which carries Deltron's range of products while catering for customers in the same way as it does. However, some distributors carry a part of some ranges or similar products, for instance, Arrow Electronics, Inc., Abacus Group plc and Acal plc. The Directors believe there is no other European competitor specialising wholly in electromechanical component distribution.

The Board currently estimates that the Group has approximately a five per cent. of market share in the principal European markets in which it operates, and it is focused on increasing this share.

5. Background to and reasons for the Placing and Open Offer

Since Deltron was floated on the London Stock Exchange in September 1996 it has strengthened its position in its United Kingdom market as well as significantly expanding its European presence both through organic growth and acquisitions.

The net proceeds of the Placing and Open Offer will strengthen the Group's balance sheet and will allow the Group to respond to the Directors' expectation of an upturn in the electromechanical components market. Specifically, the Directors anticipate that the funds raised will assist the Group in accelerating its organic growth, including the further development of its franchise network. The focus of the Group's efforts will be to continue to improve its gross margins whilst maintaining tight controls over its overheads.

In addition, the Group has agreed new term and revolving banking facilities with its existing bank to carry through to between 2008 and 2010. As a result the Group should be in a position upon Admission to continue to pursue its strategy of growth and development whilst maintaining an appropriate level of gearing.

6. Current trading and prospects

The results for the Group for the six months to 31 March 2003 were announced on 5 June 2003 and showed a profit before interest, taxation, operating exceptional items and goodwill amortisation of £0.9m (2002: £1.1m) on turnover of £31.7m (2002: £32.6m). The interim results are included in Part IV of this document.

Within recent challenging market conditions, in which there has been a decline of approximately 30 per cent. in total sales in the electromechanical components market during the last three years (*source: M.E. Williams & Associates*), Deltron's annual turnover has increased from £54 million in 2000 to at least £63 million for the year ended 30 September 2003.

The Group has achieved this increase while maintaining a tight control on costs and stringent internal targets to maximise the Group's trading performance. As a result of these actions during the year to 30 September 2003 the Group has achieved:

- an increase in gross margins from 31.7 per cent. in the first six months to at least 32 per cent. in the second six months;

- an annual stock turnover of approximately six times, which is twice the industry average as stated by AFDEC, the electronic distributor's trade association;
- order book levels of approximately 2.5 months sales; and
- a continuation of its investment in electronic trading, warehouse automation and the Group's IT platform.

The Directors estimate the Group's profit before interest, taxation, operating exceptional items and goodwill amortisation for the year ended 30 September 2003 to be at least £1.6 million. This estimate has been prepared on the basis set out in Part V of this Prospectus. Further to this, operating exceptional items are expected to be approximately £1.3 million for the same period, covering a business reorganisation and headcount reduction during the year. Goodwill amortisation for the period is estimated to be £0.9 million.

The growth in the market share of the Group, together with the recent indications that the decline in economic and industry conditions of the last two years may be beginning to slow, leads the Directors to remain positive on the prospects and outlook for the Group in the current financial year.

7. Details of the Placing and Open Offer

The Company is proposing to raise approximately £7 million (before expenses) by the issue of 11,620,572 New Ordinary Shares, in aggregate, at the Issue Price pursuant to the Placing and the Open Offer. The New Ordinary Shares will represent approximately 28.3 per cent. of the enlarged issue share capital of the Company on Admission. The New Ordinary Shares will be issued fully paid and will, on issue, rank *pari passu* with the Existing Ordinary Shares save that they will not rank for the proposed final dividend in respect of the Group's financial year ended 30 September 2003.

The Placing

Pursuant to the Placing, 9,166,666 New Ordinary Shares have been placed firm at the Issue Price with Unicorn and other institutional investors and are not subject to the Open Offer. In addition, 294,783 New Ordinary Shares (which are the subject of the irrevocable undertakings not to take up entitlements under the Open Offer referred to in paragraph 9 of this Part I) have been placed firm with institutional and certain other investors (including D.T. Weir and D.P. O'Neill). The remaining 1,460,460 New Ordinary Shares (other than the Firm Taken Shares) have been placed by Evolution Beeson Gregory at the Issue Price with institutional investors, subject to the right of clawback to satisfy Valid Applications.

The Open Offer

Pursuant to the Open Offer, Qualifying Shareholders are invited by Evolution Beeson Gregory, as agent for the Company, to apply to subscribe for the Open Offer Shares at the Issue Price in full on application and free of expenses, on the following basis:

1 Open Offer Share

for every 12 Ordinary Shares

held at the close of business on the Record Date and so in proportion for any greater number of Ordinary Shares then held. The amount due in respect of each application for Open Offer Shares will be payable in full on application.

Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares and fractional entitlements will not be allocated under the Open Offer but will be aggregated and placed under the Placing for the benefit of the Company. The maximum entitlement of each Qualifying Shareholder is indicated on the Application Form accompanying this document. Applications for Open Offer Shares in excess of such maximum entitlement will be deemed to be in respect of the lower of (a) that Qualifying Shareholder's maximum entitlement; and (b) such number of Open Offer Shares as is covered by the payment enclosed with the Application Form. Application Forms are personal to Qualifying Shareholders and may not be transferred, except to satisfy *bona fide* market claims. Qualifying Shareholders with holdings in both certificated form and uncertificated form will be treated as having separate entitlements under the Open Offer and should fill in a separate Application Form for each.

Further details of the Open Offer, including the procedure for application and payment, are set out in the letter from Evolution Beeson Gregory in Part II of this document, and in the accompanying Application Form. To be valid, Application Forms (duly completed) and payment in full for the Open Offer Shares applied for must be

received by the Company's receiving agent, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, no later than 3.00 p.m. on 20 November 2003.

Qualifying Shareholders should note that the Open Offer is not a "rights issue". The Application Form is not a document of title and cannot be traded. Qualifying Shareholders should be aware that, unlike a rights issue, any Open Offer Shares not applied for under the Open Offer will not be sold in the market or placed for the benefit of Qualifying Shareholders but will be taken up either under the Placing or by Evolution Beeson Gregory pursuant to its underwriting obligations contained in the Placing Agreement.

As referred to in paragraph 9 below, 698,663 Open Offer Shares, being the Firm Taken Shares, are the subject of irrevocable undertakings from D.T. Weir, a Director, and Unicorn to take up their respective entitlements in full under the Open Offer.

Placing and underwriting arrangements

Pursuant to the Placing Agreement, Evolution Beeson Gregory has agreed with the Company to use reasonable endeavours to procure subscribers for all the New Ordinary Shares other than the Firm Taken Shares subject, in the case of Open Offer Shares, to clawback to satisfy Valid Applications under the Open Offer. Evolution Beeson Gregory has further agreed to underwrite the entire issue of New Ordinary Shares, other than the Firm Taken Shares and the 2,604,392 New Ordinary Shares to be placed with Unicorn, to the extent that they are not subscribed for by institutional and other investors and Qualifying Shareholders pursuant to the Placing and the Open Offer. A summary of the principal terms of the Placing Agreement is set out in paragraph 10 of Part VI of this document.

Conditions

The Placing and Open Offer is conditional upon approval by Shareholders at the Extraordinary General Meeting to be held at 11.00 a.m. on 25 November 2003 and upon the Placing Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not being terminated in accordance with its terms and Admission occurring by no later than 8.00 a.m. on 26 November 2003, or such later date (being no later than 8.00 a.m. on 31 December 2003) as the Company and Evolution Beeson Gregory may decide.

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its market for listed securities. It is expected that Admission will occur, and dealings in the New Ordinary Shares will commence, on 26 November 2003.

8. Related party transaction

Owing to the size of its shareholding in the Company, Unicorn, who holds approximately 28.41 per cent. of the Company's current issued share capital, is a related party of the Company for the purposes of the Listing Rules. The issue of 2,604,392 New Ordinary Shares to Unicorn under the Placing will be a separate transaction with a related party for the purposes of the Listing Rules and will require the separate approval of Shareholders at the EGM. Unicorn has undertaken that it will not, and will take reasonable steps to ensure that its associates (as defined in the Listing Rules) will not, vote on the Ordinary Resolution relating to its related party transaction.

9. Irrevocable undertakings and Directors' intentions

Placing and Open Offer

P.R. Gourmand, C.J. Sawyer, N.K. Nielsen, F. Feldman, Sir I.H. Cohen and P. Romano, Directors of the Company, who currently hold between them interests in 12.07 per cent. of the issued share capital of the Company, have irrevocably undertaken that they will not take up their entitlements (or those in which they are interested) under the Open Offer. Accordingly their aggregate entitlement to 294,783 New Ordinary Shares under the Open Offer will be placed firm by Evolution Beeson Gregory under the Placing with institutional investors procured by Evolution Beeson Gregory and with D.P. O'Neill and D.T. Weir (who are both Directors of the Company).

D.T. Weir, a Director of the Company, and Unicorn have each irrevocably undertaken to take up their respective entitlements (or those in which they are interested) in full under the Open Offer and further to participate in the Placing in respect of, in aggregate in relation to both the Placing and the Open Offer, 3,333,055 New Ordinary Shares (representing 28.7 per cent. of the New Ordinary Shares in total).

In addition, D.P. O'Neill, a Director of the Company, has irrevocably undertaken to participate in the Placing in respect of 70,000 New Ordinary Shares (representing 0.6 per cent. of the New Ordinary Shares in total).

Voting

Those Directors who have an interest in existing Ordinary Shares have each irrevocably undertaken to the Company and Evolution Beeson Gregory that they, holding between them, in aggregate, approximately 12.07 per cent. of the existing Ordinary Shares, will vote in favour of the Resolutions. Unicorn, which holds 8,366,317 Ordinary Shares, has irrevocably undertaken to the Company and Evolution Beeson Gregory that it will: (i) vote in favour of the Special Resolution; and (ii) abstain from voting in respect of the Ordinary Resolution.

10. Extraordinary General Meeting

You will find at the end of this document a notice convening an Extraordinary General Meeting to be held at Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA at 11.00 a.m. on 25 November 2003. At the EGM resolutions will be proposed: (1) an ordinary resolution to approve the issue of New Ordinary Shares to Unicorn pursuant to the Placing as a related party transaction for the purposes of the Listing Rules; and (2) a special resolution (a) to increase the Company's authorised share capital, (b) to authorise the Directors to allot relevant securities under section 80 of the Act, and (c) to dis-apply the pre-emption rights set out in section 89 of the Act to enable the Directors, *inter alia*, to allot the New Ordinary Shares pursuant to the Placing and the Open Offer.

11. Overseas Shareholders

The attention of Overseas Shareholders and to those Qualifying Shareholders who are citizens, nationals or residents of countries other than the United Kingdom or who are incorporated or organised under the laws of a country other than the United Kingdom is drawn to the section headed "Overseas Shareholders" in Part II of this document.

12. CREST

Shareholders are able to hold shares in the Company either in the form of share certificates or in electronic form within CREST. The New Ordinary Shares will be issued in certificated form unless a Qualifying Shareholder holds existing Ordinary Shares in a CREST account, in which case he may elect to hold these shares in either certificated or uncertificated form by completing the appropriate box in his Application Form. It is expected that definitive share certificates will be dispatched to those Qualifying Shareholders who wish to hold New Ordinary Shares in certificated form by 28 November 2003. Pending receipt of certificates in respect of such shares, transfers will be certified against the register of members.

13. Taxation

Information on United Kingdom taxation as at the date of this document with regard to the Placing and Open Offer is set out in paragraph 14 of Part VI of this document. This information is intended only as a general guide to the current law and should not be relied upon. If Qualifying Shareholders are in any doubt as to their tax position they should consult their own independent professional advisers without delay.

14. Action to be taken

EGM

A Form of Proxy for use at the EGM is enclosed. Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it so as to reach Capita IRG as soon as possible and in any event no later than 11.00 a.m. on 23 November 2003. The completion and return of the Form of Proxy will not prevent Shareholders from attending the EGM and voting in person should they wish to do so.

Open Offer

Qualifying Shareholders wishing to apply for New Ordinary Shares under the Open Offer must complete the enclosed Application Form in accordance with the instructions contained in it and in the letter from Evolution Beeson Gregory in Part II of this document and return the Application Form with the appropriate payment by post or by hand, to Corporate Actions, Capita IRG Plc, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH so as to arrive no later than 3.00 p.m. on 20 November 2003. As more fully explained in Part II of this document and subject to the information contained in it, certain Overseas Shareholders will not be entitled to participate in the Open Offer and this document has been forwarded to them for the sole purpose of giving them notice of and information regarding the Extraordinary General Meeting referred to in this document.

15. Further information

Your attention is drawn to the further information set out in the remainder of this document set out in Parts II to VI and in the accompanying Form of Proxy and Application Form.

16. Directors' recommendation

The Board, which has been so advised by Evolution Beeson Gregory, considers both the Placing and Open Offer and the transaction with the related party as described in paragraph 8 above to be fair and reasonable so far as Shareholders are concerned and in the best interests of the Company and its Shareholders as a whole. In providing advice to the Board, Evolution Beeson Gregory has taken into consideration the Directors' commercial assessment of the Placing and the Open Offer.

Accordingly, the Directors unanimously recommend Shareholders (save for Unicorn and its associates (as defined in the Listing Rules) in respect of the Ordinary Resolution only) to vote in favour of the Resolutions, as they have irrevocably undertaken to do (if shareholders) in respect of their own shareholdings of 3,555,057 Ordinary Shares in aggregate, representing approximately 12.1 per cent. of the Company's issued ordinary share capital.

Yours faithfully,

P. R. Gourmand

Non-executive Chairman

PART II

LETTER FROM EVOLUTION BEESON GREGORY LIMITED



*Evolution Beeson Gregory Limited, registered in England with number 2316630
Registered address: 100 Wood Street, London EC2V 7AN*

28 October 2003

To Qualifying Shareholders and, for information only, to Shareholders who are not Qualifying Shareholders and holders of options under the Share Option Schemes.

Dear Sir or Madam,

1. Introduction

As explained in the letter from your Chairman set out in Part I of this document, the Company is proposing to raise approximately £7.0 million, before expenses, by way of a placing and an open offer of 11,620,572 New Ordinary Shares of which 2,453,906 New Ordinary Shares are being offered to Qualifying Shareholders under the Open Offer to raise approximately £1.5 million. Qualifying Shareholders are being offered the opportunity to acquire Open Offer Shares at 60 pence per share.

Unicorn and David Weir have irrevocably undertaken to take up 698,663 Open Offer Shares, which represent approximately 28.5 per cent. of the Open Offer Shares. Paul Gourmand, Christopher Sawyer, Niels Nielsen, François Feldman, Sir Ivor Cohen and Pierre Romano have undertaken not to take up their entitlements in respect of an aggregate of 294,783 Open Offer Shares. Of these shares, which represent approximately 12.0 per cent. of the Open Offer Shares, Evolution Beeson Gregory is placing firm 70,000 Open Offer Shares with Derek O'Neill (who is currently not a Shareholder), 30,000 Open Offer Shares with David Weir (in addition to his own entitlement to Open Offer Shares) and the remaining 194,783 Open Offer Shares with institutional investors at the Issue Price of 60p per share. The balance of the 1,460,460 Open Offer Shares (other than the 993,446 New Ordinary Shares mentioned above) are being placed by Evolution Beeson Gregory at the Issue Price with institutional investors, subject to recall to satisfy Valid Applications under the Open Offer.

This letter and the accompanying Application Form contain the formal terms and conditions of the Open Offer. Completion and return of the Application Form, together with the appropriate remittance in accordance with paragraph 3 below (or treated as such as described in such paragraph) shall constitute a valid and binding acceptance of the Open Offer, on and subject to the other terms and conditions thereof, and references in this document to applications under the Open Offer, and similar or related expressions, shall be construed accordingly.

Pursuant to the Placing Agreement, the Placing and Open Offer have been fully underwritten by Evolution Beeson Gregory, save in respect of the Firm Taken Shares and the 2,604,392 New Ordinary Shares being placed with Unicorn pursuant to the Placing.

2. The Open Offer

Subject to and on the terms and conditions set out below and in the accompanying Application Form, Evolution Beeson Gregory on behalf of the Company, hereby invites Qualifying Shareholders to apply for the Open Offer Shares, at the Issue Price on the following basis:

1 Open Offer Share for every 12 Ordinary Shares

held by them and registered in their names at the close of business on the Record Date and so in proportion for any greater number of Ordinary Shares then held. Qualifying Shareholders will have their entitlement rounded down to the nearest whole number of Open Offer Shares. Any resulting fractional entitlement of Qualifying Shareholders will not be allotted under the Open Offer but will be aggregated and allotted under the Placing for the benefit of the Company.

The Issue Price of 60 pence per Open Offer Share is payable in full on application and such subscription is free of all UK expenses and stamp duties.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum *pro rata* entitlement. No application in excess of the maximum entitlements will be met. Any Qualifying Shareholder so applying will be deemed to have applied only for the lower of (a) his maximum entitlement and (b) such number of Open Offer Shares as is covered by the payment enclosed with the Application Form; and any monies paid in excess of the amount due in respect of any application made will be returned to the applicant without interest. Completed Application Forms accompanied by payment in full must be received by 3.00 p.m. on 20 November 2003.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that Open Offer Shares will not be sold in the market for the benefit of those who do not apply under the Open Offer. The Application Form is not a document of title and cannot be traded. Any Open Offer Shares which are not applied for will be taken up by places in accordance with their commitments under the Placing or, failing which, by Evolution Beeson Gregory themselves under the terms of the Placing Agreement.

The Placing and the Open Offer are each conditional upon the passing (without amendment) of the Resolutions at the Extraordinary General Meeting to be held at 11.00 a.m. on 25 November 2003 and upon the Placing Agreement becoming unconditional in all respects (save in respect of any condition relating to Admission) and not having been terminated in accordance with its terms, and Admission occurring by no later than 8.00 a.m. on 26 November 2003, or such later date (being no later than 8.00 a.m. on 31 December 2003) as the Company and Evolution Beeson Gregory may decide.

Application has been made to the UK Listing Authority for admission of the New Ordinary Shares to the Official List and to the London Stock Exchange for their admission to trading on its listed securities market. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 26 November 2003.

In addition, the Open Offer is not being made to certain Overseas Shareholders. Accordingly, Open Offer Shares attributable to such Overseas Shareholders will be placed pursuant to the Placing for the benefit of the Company. Overseas Shareholders should read the section headed "Overseas Shareholders" below in this Part II for more information regarding the foregoing.

The New Ordinary Shares will, when issued, be fully paid and rank *pari passu* in all respects with the existing Ordinary Shares save that they will not rank for the proposed final dividend in respect of the Group's financial year ended 30 September 2003.

3. Procedure for application under the Open Offer

If you are in any doubt as to the action to be taken, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on shares or other transferable securities and who is duly authorised under FSMA.

The Application Form accompanying this document shows the number of Ordinary Shares registered in your name on the Record Date and also shows your maximum *pro rata* entitlement under the Open Offer. You may apply for any number of Open Offer Shares up to your *pro rata* entitlement or fewer such shares should you so wish. Valid Applications up to your *pro rata* entitlement will be accepted in full. The instructions and other terms set out in the accompanying Application Form are part of the terms of the Open Offer.

If you wish to apply for all or any of the Open Offer Shares to which your maximum *pro rata* entitlement relates, you should complete the accompanying Application Form in accordance with the instructions thereon and return it, together with your payment for the full amount in accordance with the instructions on the Application Form, by hand or by post, to the Receiving Agents, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, so as to arrive as soon as possible but in any event not later than 3.00 p.m. on 20 November 2003, after which time applications may not be valid. A reply paid addressed envelope is enclosed for your convenience. Applications, once made, will be irrevocable and will not be acknowledged. If you post your Application Form, you are recommended to allow at least four days for delivery. All documents and remittances sent by or to an applicant, or as the applicant may direct, will be sent through the post at the applicant's own risk.

Application may be made only on the accompanying Application Form, which represents a right (personal to the Qualifying Shareholder(s) named therein) to apply for Open Offer Shares. The Application Form is not a document of title and cannot be traded. It is transferable only to satisfy *bona fide* market claims in relation to purchases through the market of existing Ordinary Shares, pursuant to the rules of the London Stock Exchange, prior to their being marked "ex" the entitlement to participation in the Open Offer. If you have sold some only of your existing Ordinary Shares, split applications are required to be received by not later than 3.00 p.m. on 18 November 2003. Qualifying Shareholders who have recently sold all or part of their registered shareholding of existing Ordinary Shares are therefore advised to consult their stockbroker or other professional adviser authorised under FSMA as soon as possible, as the invitation to apply for Open Offer Shares may represent a benefit which can be claimed by purchasers under the rules of the London Stock Exchange. Your attention is drawn to paragraph 7 of this Part II regarding the forwarding of the Application Form to Overseas Shareholders.

Evolution Beeson Gregory and the Company reserve the right to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions or is not accompanied by the required remittance or a valid power of attorney (where required) or if it otherwise does not strictly comply with the terms and conditions set out in this document or on the Application Form (save that no Application Form will be treated as valid and binding where the "verification of identity requirements" referred to in paragraph 5 below have not been complied with in respect of the application to which such Application Form relates).

Evolution Beeson Gregory and the Company reserve the right, but shall not be obliged, to accept applications accompanied by the required remittance which are received after 3.00 p.m. on 20 November 2003 but not later than 8.00 a.m. on 22 November 2003, provided that the cover bears a legible post-mark not later than 3.00 p.m. on 20 November 2003. Evolution Beeson Gregory and the Company reserve the right, but shall not be obliged, to accept applications in respect of which remittances are received prior to 3.00 p.m. on 20 November 2003 from an authorised person (as that term is defined in FSMA) specifying the number of Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

If you do not wish to apply for Open Offer Shares please do not complete or return the Application Form. You are nevertheless requested to complete and return the Form of Proxy for use at the Extraordinary General Meeting. Completing and returning a Form of Proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

4. Procedure for payment

All payments must be made in pounds sterling by cheque or banker's draft made payable to "Capita IRG Plc A/C Deltron Electronics plc" and crossed "Account Payee". Cheques and banker's drafts must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or a member or either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by either of those companies or those committees (and must bear the appropriate sorting code number in the top right hand corner). An application may be rejected unless these requirements are fulfilled. Once submitted, applications cannot be withdrawn. Cheques and banker's drafts representing application monies will be presented for payment upon receipt and it is a term of the Open Offer that cheques shall be honoured on first presentation. If any cheque is not so honoured, the relevant application will be deemed invalid.

The Company and Evolution Beeson Gregory reserve the right to instruct Capita IRG to seek special clearance of cheques to allow to obtain full value for remittances at the earliest opportunity (provided always that the "verification of identity requirements" referred to in paragraph 5 below have been complied with in respect of the application to which such cheque relates. Any person returning an Application Form with a remittance in the form of a cheque warrants that the cheque will be honoured on first presentation. Deltron and Evolution Beeson Gregory may elect at their sole discretion to treat as invalid any acceptance in respect of which the remittance is notified to it as not having been so honoured.

All enquiries in relation to the Application Form should be addressed to Capita IRG, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, telephone number 0870-162-3100 or if calling from outside the UK +44 (0) 20-8639-2157.

Application monies will be held in a separate bank account pending fulfilment or waiver of the conditions of the Open Offer, with any interest on such monies being retained for the benefit of the Company until all conditions are met. If the conditions of the Open Offer are not fulfilled or waived (as the case may be) on or before 26 November 2003 or such later date as the Company and Evolution Beeson Gregory may agree, being not later than 31 December 2003, the Open Offer will lapse and all monies will be returned without interest to applicants as soon as possible and in any event within 21 days from that date. All documents or remittances sent by or to an applicant, or as he/she may direct, will be sent through the post at his/her own risk.

5. Money Laundering Regulations

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations, the Company's receiving agents, Capita IRG, may require, at its absolute discretion, verification of identity from any person lodging an Application Form (which requirements are referred to below as "verification of identity requirements"). The person (the "Acceptor") who, by lodging an Application Form with payment, as described above, applies for New Ordinary Shares shall thereby be deemed to agree to provide Capita IRG and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements. If it appears to Capita IRG that the Acceptor is acting on behalf of some other person, verification of the identity of any person on whose behalf the Acceptor appears to acting may be required.

If Capita IRG determines that the verification of identity requirements apply to any application, they may in their absolute discretion (notwithstanding any other term of the Open Offer) retain an Application Form lodged by an Acceptor and/or the cheque or other remittance relating thereto and/or not enter the Open Offer Shares to which it relates in the register of members or issue any share certificates in respect of them. If, within a reasonable period of time following a request for verification of identity and in any event before 3.00 p.m. on 20 November 2003, Capita IRG has not received evidence satisfactory to it as aforesaid, the Company may (at its absolute discretion) elect to treat as invalid the relevant application, in which case the cheque or banker's draft sent by the applicant will be returned unrepresented (and without interest) to the drawee bank or building society on which such cheque or banker's draft has been drawn.

By lodging an Application Form with the appropriate remittance, the Acceptor confirms that the Money Laundering Regulations will not be breached by the acceptance of the remittance and the Acceptor undertakes to provide such evidence of identity before the time of lodging as may be requested to ensure compliance with the Money Laundering Regulations.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of certificates for Open Offer Shares, or in crediting your CREST stock account.

The verification of identity requirements may not apply if:

- (a) the Acceptor is authorised to carry on regulated activities under FSMA, or is an intermediary acting as agent (but not merely as an introducing broker) and in either case is itself subject to the Money Laundering Regulations or the Money Laundering Sourcebook of the Financial Services Authority; or
- (b) the Acceptor is a credit institution or other financial institution required to comply with the EU Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (91/308/EEC)); or
- (c) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (£9,489).

In order to confirm the acceptability of any written assurance required in order to satisfy the identification verification requirements, the Acceptor should contact the Receiving Agents.

Capita IRG is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any Acceptor and whether such requirements have been satisfied. The nature of the information required in order to satisfy the identification verification requirements may vary depending upon whether the Acceptor is, among others, a private individual or a corporate entity.

Neither the Company, nor Capita IRG, nor Evolution Beeson Gregory shall be responsible for or have any liability for any loss or damage (whether actual or alleged) arising from the election by the Company to treat an Application Form lodged by an Acceptor as invalid, as a result of Capita IRG not having received from the

Acceptor evidence reasonably satisfactory to it as to the identity of the person(s) lodging the Application Form within a reasonable period of the time of request for such, but in any event not later than 3.00 p.m. on 20 November 2003.

6. CREST

Although the Open Offer will be processed outside CREST, for the purpose of calculating entitlements under the Open Offer, CREST and non-CREST shareholdings will be treated independently and separate Application Forms will be issued in respect of each. If a Qualifying Shareholder has both a certificated and an uncertificated shareholding in the Company, there will be two separate Application Forms despatched in respect of such holdings.

Qualifying Shareholders holding their Ordinary Shares in certificated form will be allotted all Open Offer Shares to which they are entitled (and for which they validly apply) in certificated form to the extent their entitlement arises as a result of their existing holding of Ordinary Shares in certificated form. Qualifying Shareholders holding their Ordinary Shares in uncertificated form will be allotted all Open Offer Shares to which they are entitled (and for which they validly apply) in uncertificated form to the extent that their entitlement arises as a result of their existing holding Ordinary Shares in uncertificated form.

Qualifying Shareholders who currently hold their existing Ordinary Shares in certificated form but who wish to hold all or part of their holding of Ordinary Shares in uncertificated form will need to comply separately with the relevant CREST procedures for conversion of such shares into uncertificated form following receipt of their certificates.

Notwithstanding any other provision of this document or of the Application Form, the Company reserves the right to allot and/or issue any New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or break down of CREST (or any part of CREST), or in the part of the facilities and/or systems operated by the Company's Registrars in connection with CREST. This right may also be exercised if the correct details in respect of *bona fide* market claims (such as the Member Account ID and Participation ID details) are not provided as requested on the Application Form.

Qualifying Shareholders who are CREST sponsored members should refer to their CREST Sponsor regarding the action to be taken in connection with this document and the Open Offer.

For more information as to the procedure for application in each case, Qualifying Shareholders are referred to the Application Form.

7. Overseas Shareholders

The making of the Open Offer to Overseas Shareholders may be affected by the laws or regulatory requirements of relevant jurisdictions.

No person receiving a copy of this document and/or Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him or her to subscribe for New Ordinary Shares, nor should he or she in any event use such Application Form, unless in the relevant territory such an offer or invitation could lawfully be made to him or her and such Application Form could lawfully be used without compliance with any unfulfilled registration or other legal or regulatory requirements.

Receipt of an Application Form and/or copy of this document will not constitute an invitation or offer to Overseas Shareholders in those jurisdictions in which it would be illegal to make such an invitation or offer and in such circumstances this document (except for the Notice of EGM) and the Application Form are being sent for information only.

Any person (including, without limitation, nominees and trustees) outside the UK wishing to apply for Open Offer Shares must satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining all requisite governmental or other consents, observing all other requisite formalities and paying all issue, transfer or other taxes due in such territory. Such Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for their entitlement to Open Offer Shares.

Persons (including, without limitation, nominees and trustees) receiving this document and/or an Application Form in connection with the Open Offer, must not distribute or send it into any jurisdiction where to do so would or might contravene local securities laws or regulations. If an Application Form is received by any person in any

such jurisdiction or by the agent or nominee of such a person, he or she must not seek to apply for Open Offer Shares except pursuant to an express agreement with the Company. Any person who does forward this document or an Application Form into any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph 7. Evolution Beeson Gregory and the Company reserve the right to reject an application from or in favour of Shareholders in any such jurisdiction or persons who are acquiring Open Offer Shares for resale in or into any such jurisdiction.

Evolution Beeson Gregory and the Company reserve the right at their absolute discretion to treat as invalid any application for Open Offer Shares which appears to the Company, Evolution Beeson Gregory or their respective agents to have been executed, effected or despatched in a manner which may involve a breach of the securities laws of any jurisdiction or if they believe the same may violate applicable legal or regulatory requirements or if it provides an address for the delivery of definitive share certificates for the New Ordinary Shares in the United States, Canada, South Africa, the Republic of Ireland, Australia or Japan, or any other jurisdiction outside the UK in which it would be unlawful to deliver such certificates. The attention of Shareholders who are not resident in, or who have registered addresses outside, the UK is drawn to sub-paragraphs (a) to (f) below.

Notwithstanding the provisions set out in this paragraph 7, the Company and Evolution Beeson Gregory reserve the right to accept applications from Overseas Shareholders if the applicant is able to demonstrate that all applicable laws and regulations have been complied with without observance by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome.

Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made in pounds sterling.

Specific restrictions relating to certain jurisdictions are set out below.

(a) United States and Canada

The New Ordinary Shares have not been nor will they be registered under the United States Securities Act 1933 (as amended), or under the securities law of any state of the United States and no securities commission or similar regulatory authority of any province of Canada has reviewed or commented upon this document or the merits of the New Ordinary Shares and such New Ordinary Shares have not been and are not expected to be qualified under a prospectus qualified in any province of Canada. The New Ordinary Shares may not be offered, sold, taken up, delivered, or transferred directly or indirectly in or into the United States or Canada or to or for the account of any person in the United States or Canada, except in certain transactions exempt from any prospectus and registration requirements. The distribution of Application Forms will not be made pursuant to a prospectus in Canada nor, except in certain limited cases, pursuant to any applicable prospectus or registration exemptions under the securities legislation of any province of Canada.

Accordingly, no offer of New Ordinary Shares is being made by means of this document to any US Person or any Shareholder with a registered address in the United States or Canada and Application Forms will not be sent to, and applications will not be accepted from, any US Person nor any Shareholders with registered addresses in the United States and Canada. Subject as provided below, the Company reserves the right to treat as invalid any application that appears to the Company or its agents to have been executed in or despatched from the United States or Canada, or that provides an address in the United States or Canada for the delivery of definitive certificates for New Ordinary Shares or which does not make the warranty set out in the Application Form to the effect that the person making the application does not have a registered address (and is not otherwise located) in the United States or Canada and is not acquiring rights to New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery, or distribution directly or indirectly of any such New Ordinary Shares in the United States or Canada.

(b) Australia

No prospectus in relation to the New Ordinary Shares has been or is intended to be lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:

- (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell any New Ordinary Shares; or
- (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale,

in the Commonwealth of Australia, its states, territories or possessions ("Australia") or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such corporate or entity located outside Australia).

Application Forms will not be sent and no offer of the New Ordinary Shares is being made by means of this document or the Application Form to any Shareholder with a registered address in Australia.

Envelopes containing Application Forms should not be postmarked in Australia or otherwise despatched from Australia and all subscribers for New Ordinary Shares must provide addresses outside Australia for the delivery of definitive certificates for New Ordinary Shares. The Company reserves the right to treat as invalid any Application Form that appears to the Company to have been executed in, or despatched from, Australia or that provides an address in Australia for delivery of a definitive share certificate for the New Ordinary Shares allotted pursuant to the Open Offer, or does not make the representation and warranty set out in the Application Form to the effect that such person is not in Australia and is not acting on a non-discretionary basis for a person in Australia.

(c) South Africa

Shareholders resident in South Africa may require approval of the South African Exchange Control Authorities if they wish to take up their entitlements under the Open Offer.

(d) Republic of Ireland

No document in relation to the New Ordinary Shares has been or will be lodged for registration with the Registrar of Companies in the Republic of Ireland. Accordingly, Application Forms will not be sent and no offer of New Ordinary Shares is being made by means of this document or the Application Form to any Shareholder with a registered address in the Republic of Ireland. All applicants for New Ordinary Shares must provide addresses outside the Republic of Ireland for the receipt of certificates for New Ordinary Shares. Persons will be deemed to have made an invalid application if their Application Form appears to the Company or its agents to have been executed in or despatched from the Republic of Ireland, or if they provide an address in the Republic of Ireland for registration, or if they are unable to make the representations and warranties set out in the Application Form.

(e) Japan

No prospectus in relation to the New Ordinary Shares has been or will be lodged for registration with the relevant authorities in Japan. Accordingly, the Open Offer is not being made in Japan and Application Forms are not being sent to Shareholders who have registered addresses in Japan.

Envelopes containing Application Forms should not be postmarked in Japan or otherwise despatched from Japan and all subscribers for New Ordinary Shares must provide addresses outside Japan for the delivery of definitive certificates for New Ordinary Shares. The Company reserves the right to treat as invalid any Application Form that appears to the Company to have been executed in, or despatched from, Japan or that provides an address in Japan for delivery of definitive share certificates for the New Ordinary Shares allotted pursuant to the Open Offer, or does not make the representation and warranty set out in the Application Form to the effect that such person is not in Japan and is not acting on a non-discretionary basis for a person in Japan.

(f) Other overseas territories

Qualifying Shareholders resident in other overseas jurisdictions should consult their professional advisers about whether they require any government or other consents or need to observe any other formalities to enable them to participate in the Open Offer.

The comments set out in this paragraph 7 are intended as a guide only and do not constitute definitive statements of the specific laws affecting Shareholders. If you are in any doubt about your eligibility to apply for Open Offer Shares, you should consult your professional adviser without delay. It is the responsibility of all persons resident outside the UK who wish to subscribe for New Ordinary Shares to satisfy themselves as to the full observance of the laws of the relevant territory in connection therewith.

8. Taxation

General comments on the taxation implications of acquiring and holding New Ordinary Shares for Shareholders resident in the UK, based on current UK legislation, are set out in paragraph 14 of Part VI of this document. However, the precise tax treatment will depend on each Shareholder's individual circumstances. **If you are in**

any doubt as to your tax position or if you require more detailed information than that outlined in this document, you should consult an appropriate professional adviser immediately.

9. Settlement and dealings

Subject to the conditions of the Open Offer being satisfied or waived, Open Offer Shares are expected to be credited to the appropriate CREST stock accounts by 26 November 2003, unless the Company exercises the right to issue such Open Offer Shares in certificated form, in which case definitive certificates are expected to be despatched by post on or before 28 November 2003. Subject as aforesaid, definitive certificates of any Open Offer Shares to be issued in certificated form are expected to be despatched by post on or before 28 November 2003. No temporary documents of title will be issued. Pending despatch of definitive share certificates (if any), transfers of the Open Offer Shares will be certified against the share register. All documents or remittances sent by or to an applicant (or his agent as appropriate) will be sent through the post at the risk of the applicant. Qualifying CREST Shareholders should note that they will be sent no confirmation of the credit of the Open Offer Shares to their CREST stock account nor any other written communication by the Company in respect of the issue of the Open Offer Shares.

10. Share Option Schemes

The Open Offer is not being extended to the holders of options under the Share Option Schemes (other than in respect of any existing Ordinary Shares they may hold on the Record Date, whether pursuant to the valid exercise of options prior to that date or otherwise). The terms under which the options under the Share Option Schemes have been granted are subject to adjustment in the event of certain variations in the Company's share capital. Subject to certain limits, the adjustments concerned (if any) are those certified by the Company's auditors as fair and reasonable and agreed where appropriate with the Inland Revenue.

11. Additional information

Your attention is drawn to the additional information set out in Part VI of this document and the terms and conditions set out in the Application Form.

Yours faithfully
for Evolution Beeson Gregory Limited

Chris Callaway
Director

PART III

FINANCIAL INFORMATION ON DELTRON ELECTRONICS plc FOR THE THREE YEARS ENDED 30 SEPTEMBER 2002

The following financial information has been extracted without material adjustment from the audited consolidated financial statements of Deltron for the three financial years ended 30 September 2002.

The financial statements for the three years ended 30 September 2002 presented in the Annual Report for the year then ended had been prepared in accordance with applicable accounting standards, including the adoption of the Financial Reporting Standard 19 ("FRS 19") issued by the UK Accounting Standards Board which became effective during the year ended 30 September 2002.

The Group adopted FRS 19 in the year ended 30 September 2002 and presented restated figures for the year ended 30 September 2001 in its Annual Report for the year ended 30 September 2002. The financial information for the year ended 30 September 2001 has therefore been presented twice, as extracted from the figures originally reported and also the restated figures within the Annual Report for the year ended 30 September 2002. The adoption of FRS 19 resulted in a change in the accounting policy for deferred tax. As a result of this standard, the tax charge, deferred tax balances and reserves were all restated for the year ended 30 September 2001. The effect on the profits of the Group for the year ended 30 September 2002 was to create an additional credit of £19,000. The effect on the prior full year profit and loss account was to charge an amount of £283,000. The opening reserves at 1 October 2001 have been restated accordingly by a reduction of £283,000 and this is reflected in the Statement of Total Recognised Gains and Losses.

The financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 (as amended) ("the Act"). Audited statutory accounts of Deltron for each of the three years ended 30 September 2002 on which unqualified audit reports (not containing a statement under section 237(2) or (3) of the Act) were given by the Group's auditors, have been delivered to the Registrar of Companies in England and Wales. Deltron's auditors for the year ended 30 September 2002 were Deloitte & Touche, Cambridge. The auditors in respect of the two years ended 30 September 2001 were Morgan Brown & Spofforth, London.

Group Profit and Loss Account

Year ended 30 September

	Notes	2000 £000	2001 £000 (original)	2001 £000 (restated)	2002 £000
Sales	1	54,279	64,933	64,933	65,496
Gross profit		18,503	21,098	21,098	21,312
Operating expenses					
Excluding goodwill and operating exceptional items		(13,721)	(16,813)	(16,813)	(18,630)
Goodwill and operating exceptional items		(242)	(1,048)	(1,048)	(2,120)
		(13,963)	(17,861)	(17,861)	(20,750)
Operating profit	3				
Excluding goodwill and operating exceptional items		4,782	4,285	4,285	2,682
Goodwill and operating exceptional items		(242)	(1,048)	(1,048)	(2,120)
		4,540	3,237	3,237	562
Profit on sale of properties		—	—	—	105
Interest payable	4	(711)	(814)	(814)	(1,321)
Interest receivable		22	53	53	46
Net finance costs		(689)	(761)	(761)	(1,275)
Profit/(Loss) on ordinary activities before taxation					
Excluding goodwill and exceptional items		4,093	3,524	3,524	1,407
Goodwill and exceptional items		(242)	(1,048)	(1,048)	(2,015)
		3,851	2,476	2,476	(608)
Taxation on ordinary activities					
Excluding goodwill and exceptional items		(1,227)	(1,086)	(1,369)	(405)
Goodwill and exceptional items		—	163	163	345
	5	(1,227)	(923)	(1,206)	(60)
Profit/(Loss) on ordinary activities after taxation					
Excluding goodwill and exceptional items		2,866	2,438	2,155	1,002
Goodwill and exceptional items		(242)	(885)	(885)	(1,670)
		2,624	1,553	1,270	(668)
Dividends	6	(673)	(896)	(896)	(515)
Profit/(Loss) retained for the year	19	1,951	657	374	(1,183)
Earnings/(Loss) per share – basic	7	12.0p	5.8p	4.7p	(2.4p)
Earnings/(Loss) per share – diluted	7	11.9p	5.8p	4.7p	(2.4p)
Adjusted earnings per share – basic	7	13.2p	9.1p	8.0p	3.5p
Adjusted earnings per share – diluted	7	13.0p	9.1p	8.0p	3.5p

Group Statement of Total Recognised Gains and Losses

For the year ended 30 September

	<i>2000</i>	<i>2001</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
		<i>(original)</i>	<i>(restated)</i>	
Profit/(Loss) for the period	2,624	1,553	1,270	(668)
Exchange adjustments	(372)	103	103	125
Total gains and losses recognised related to the year	2,252	1,656	1,373	(543)
Note on prior period adjustment				
Total recognised gains and losses related to the year as above				(543)
Prior period adjustment in respect of Financial Reporting Standard 19				(283)
Total gains and losses recognised since the last annual report				(826)

Group Balance Sheet

As at 30 September

		2000	2001	2001	2002
	Notes	£000	£000	£000	£000
			(original)	(restated)	
Fixed assets					
Intangible assets	10	5,525	16,207	16,207	15,608
Tangible assets	11	5,296	5,480	5,480	5,157
		10,821	21,687	21,687	20,765
Current assets					
Stocks	12	7,688	10,750	10,750	8,003
Debtors	13	13,620	17,340	17,340	15,328
Cash at bank and in hand		2,729	3,385	3,385	2,389
		24,037	31,475	31,475	25,720
Creditors: amounts falling due within one year	14	(21,391)	(19,377)	(19,377)	(17,117)
Net current assets		2,646	12,098	12,098	8,603
Total assets less current liabilities		13,467	33,785	33,785	29,368
Creditors: amounts falling due after more than one year	14	(6,490)	(17,531)	(17,531)	(13,490)
Provision for liabilities and charges	17	—	(854)	(1,137)	(1,118)
Net assets		6,977	15,400	15,117	14,760
Capital and reserves					
Called up share capital	18	1,108	1,407	1,407	1,466
Share premium	19	7,128	14,492	14,492	15,134
Profit and loss account	19	(1,259)	(499)	(782)	(1,840)
Equity shareholders' funds		6,977	15,400	15,117	14,760

Group Cash Flow Statement

For the year ended 30 September

		<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>Note</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net cash inflow from operating activities	23	4,300	3,346	4,739
Returns on investment and servicing of finance				
Interest received		31	53	46
Interest paid		(812)	(626)	(1,269)
Interest element of finance lease rental payments		(35)	(53)	(34)
		(816)	(626)	(1,257)
Taxation		(735)	(1,353)	(1,401)
Capital expenditure				
Purchase of tangible fixed assets		(750)	(691)	(1,165)
Sale of tangible fixed assets		62	294	622
		(688)	(397)	(543)
Acquisitions net of cash acquired	27, 28	(3,500)	(13,937)	(750)
Equity dividends paid		(439)	(777)	(731)
Cash (outflow)/inflow before financing		(1,878)	(13,744)	57
Financing (inclusive of £0.7m (2001: £7.7m) (2000: £1.3m) from issue of shares)	24	2,503	18,254	(2,787)
Change in cash		625	4,510	(2,730)

Reconciliation of cash flow to movement in net debt (note 25)

	<i>2000</i>	<i>2001</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net debt at 1 October	(7,154)	(8,585)	(15,163)
Change in cash	625	4,510	(2,730)
Cash from change in debt and lease financing	(1,882)	(10,592)	3,488
Change in net debt resulting from cash flows	(1,257)	(6,082)	758
Inception of finance leases	(158)	(483)	(236)
Amortisation of issue costs	(10)	(17)	(35)
Exchange differences	(6)	4	(71)
Movement in net debt	(1,431)	(6,578)	416
Net debt at 30 September	(8,585)	(15,163)	(14,747)

ACCOUNTING POLICIES

Basis of accounting

The accounts are prepared under the historical cost convention.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and all of its subsidiary undertakings, all of which have been prepared up to 30 September in each financial year. The results of subsidiary undertakings acquired during the year are included for the effective period of ownership. Intra-Group profits and turnover are eliminated on consolidation.

Compliance with Accounting Standards

The accounts are prepared in accordance with United Kingdom generally accepted accounting principles using accounting policies consistently applied with the exception of Financial Reporting Standard 19 "Deferred Tax" ("FRS 19") which became effective for the year ended 30 September 2002.

Turnover

Turnover comprises the invoiced value of goods and services supplied exclusive of local sales taxes.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value of each asset over its expected useful life, on a straight line basis as follows:

Freehold buildings	–	2% on cost
Plant and machinery and fixtures and fittings	–	10% on cost
Motor vehicles, office equipment, computer equipment and tools	–	25% on cost

Leasehold improvements are written off over the period of the lease. The cost of land and buildings includes interest paid on funds specifically taken out to finance assets in the course of construction.

Leased assets

Tangible fixed assets acquired under finance leases are capitalised at cost and the amount outstanding at the balance sheet date is included under creditors. Finance charges are included with interest payable in the profit and loss account and charged over the periods of the agreements. Rentals payable under operating leases are charged in the profit and loss account as incurred.

Goodwill

Goodwill arising on acquisition of subsidiary undertakings or businesses, representing the excess of the fair value of the consideration over the fair value of the separable net assets acquired, is capitalised on the balance sheet. It is amortised over its estimated useful life which in the opinion of the directors is 20 years.

Research and development expenditure

Research and development expenditure is written off against profits in the year in which it is incurred.

Stocks and work in progress

Stocks and work in progress have been stated at the lower of cost, including appropriate overhead expenses, and net realisable value.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the closing rate. The results of overseas subsidiary undertakings are translated into sterling at the average rate for the year. Differences arising on the re-translation of opening reserves, and from the translation of those results at an average rate are taken to reserves and reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Deferred taxation

Following the introduction of FRS 19, the accounting policy in respect of the years ended 30 September 2002 and 2001 (restated) is as follows:

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The effect on the profits for the year ended 30 September 2002 resulting from the implementation of FRS 19 was to create an additional credit of £19,000. The 2001 balances have been restated for the impact of FRS 19. The effect on the 2001 profit and loss account was to charge an additional amount of tax of £283,000. The opening 2001 reserves for 2002 have been restated accordingly by a reduction of £283,000 and this is reflected in the Statement of Total Recognised Gains and Losses.

Prior to the introduction of FRS 19, the accounting policy for the years ended 30 September 2000 and 2001 (original) was as follows:

When appropriate the Group provides for deferred taxation using the liability method and current tax rates to account for the differences in timing between the recognition of income and expenditure for accounting and tax purposes.

Government grants

Government grants are included in deferred income and released to profit over the expected useful life of the relevant assets.

Pension cost

Pension costs primarily relate to defined contribution schemes and are accounted for as they are incurred. Note 26 provides details of the defined benefit scheme operated by Deltron Hawnt Ltd (formerly Hawnt Electronics Limited).

Currency management/derivative financial instruments

Details of financial instruments are reported in Note 29.

Transactions in derivative financial instruments are undertaken by the Group for risk management purposes only.

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk. To the extent that these instruments are matched against underlying assets or liabilities, they are accounted for using hedge accounting.

Gains or losses on interest rate instruments are matched against the corresponding interest charge or interest receivable in the profit and loss account over the life of the instrument. Forward currency contracts are accounted for as hedges, with the instrument's impact on the profit and loss account recognised when the underlying transaction is recognised.

NOTES TO THE ACCOUNTS

1. Segmental analysis

All turnover is attributable to the Group's principal activity of design, manufacture and distribution of electronic components.

The analysis of turnover by geographical destination is as follows:

	2000	2001	2002
	£000	£000	£000
United Kingdom	18,083	17,393	20,107
Mainland Europe	35,109	46,300	44,063
Far East	168	622	740
Other	919	618	586
	<u>54,279</u>	<u>64,933</u>	<u>65,496</u>

Further geographical analysis of sales, net assets and results has not been given as in the opinion of the directors such disclosures would be prejudicial to the interests of the Group.

2. Analysis of turnover and operating profit

	2000	2001	2002
	£000	£000	£000
Sales:			
Continuing operations	43,065	57,803	65,496
Acquisitions	11,214	7,130	—
	<u>54,279</u>	<u>64,933</u>	<u>65,496</u>
Cost of sales	(35,776)	(43,835)	(44,184)
Gross profit:			
Continuing operations	15,076	18,805	21,312
Acquisitions	3,427	2,293	—
	<u>18,503</u>	<u>21,098</u>	<u>21,312</u>
Operating expenses:			
Excluding goodwill and operating exceptional items	(13,721)	(16,813)	(18,630)
Goodwill and operating exceptional items	(242)	(1,048)	(2,120)
	<u>—</u>	<u>—</u>	<u>—</u>
Operating profit:			
Continuing operations	3,824	2,878	562
Acquisitions	716	359	—
	<u>4,540</u>	<u>3,237</u>	<u>562</u>

The acquisitions disclosed above relate to acquired operations for that particular year, as disclosed in notes 27 and 28.

3. Operating Profit

This is stated after charging/(crediting) the following items:

	2000	2001	2002
	£000	£000	£000
Depreciation	851	1,075	1,052
Loss/(profit) on disposal of fixed assets	3	(5)	—
Amortisation of government grants	(89)	(33)	(84)
Auditors' remuneration			
– audit of the Company	8	4	5
– audit of the Group	140	234	175
– other services	20	44	96
Operating lease rentals			
– plant and machinery	256	271	223
– other	285	439	571
Research and development	20	33	33
Amortisation of goodwill	242	519	864

In addition to the above, £185,000 was paid to the previous auditors in 2001 (2000: £70,000) in connection with acquisitions and were included in the cost of acquisitions.

Goodwill and operating exceptional items

Goodwill amortisation is £864,000 (2001: £519,000; 2000: £242,000) relating to goodwill arising on acquisitions made in 2000 and 2001. The exceptional item in 2002 of £1,256,000 includes the cost of restructuring part of the UK manufacturing business Deltron Emcon Limited and also the restructuring of parts of the activity of Hawnt Electronics Ltd and Discomp SA in France which were acquisitions made during 2001. This was relieved by a tax credit of £345,000. In 2001 there was an exceptional item of £529,000 which related to the restructuring of parts of the activity of Hawnt Electronics Ltd and Discomp SA. There were no operating exceptional items in 2000.

4. Interest payable

	2000	2001	2002
	£000	£000	£000
Interest payable on loans			
Wholly repayable within five years	609	640	907
Other loans	68	142	380
Finance leases	34	32	34
	<u>711</u>	<u>814</u>	<u>1,321</u>

5. Tax on profit/(loss) on ordinary activities

	2000 £000	2001 (restated) £000	2002 £000
Current taxation			
UK corporation tax at 30% based on the profit/(loss) for the period	352	129	(19)
Adjustment in respect of prior years	—	—	86
	<u>352</u>	<u>129</u>	<u>67</u>
Foreign tax for current period	875	794	150
Adjustment in respect of prior years	—	—	(144)
	<u>1,227</u>	<u>923</u>	<u>73</u>
Income tax	—	—	6
Deferred tax			
Origination and reversal of timing differences	—	283	(10)
Adjustment in respect of prior years	—	—	(9)
	<u>—</u>	<u>—</u>	<u>(19)</u>
Tax on profit/(loss) on ordinary activities	<u>1,227</u>	<u>1,206</u>	<u>60</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the years ended 30 September 2001 and 2002 presented differs from the standard rate for the reasons set out in the following reconciliation.

	2001 (restated) £000	2002 £000
Profit/(loss) on ordinary activities before tax	2,476	(608)
Tax on ordinary activities at standard rate	742	(182)
Effect of:		
Expenses not deductible for tax purposes	145	344
Capital allowances in deficit/(excess) of depreciation	40	(76)
Utilisation of tax losses	5	160
Movement in short term timing differences	—	25
Revenue losses giving rise to unrecognised deferred tax asset	21	122
Effect of overseas tax rates	67	(122)
Sale of capital assets	—	(23)
UK GAAP adjustments	(97)	(117)
Prior period adjustments	—	(58)
Total actual amount of current tax	<u>923</u>	<u>73</u>

The equivalent disclosures have not been given for the year ended 30 September 2000 as FRS 19 was not effective as at that date.

6. Dividends

	2000 £000	2001 £000	2002 £000
Final 2000 paid on new ordinary shares issued	—	4	—
Ordinary shares – interim paid (2000: 1 pence per share; 2001: 1.17 pence per share; 2002: 0.585 pence per share)	230	329	165
Ordinary shares – final proposed (2000: 2 pence per share; 2001: 2 pence per share; 2002: 1.17 pence per share)	443	563	350
	<u>673</u>	<u>896</u>	<u>515</u>

7. (Loss)/Earnings per share

Earnings per share have been calculated in accordance with Financial Reporting Standard 14. The calculation of the basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of £668,000 (2001 restated: profit of £1,270,000; 2001 original: £1,553,000; 2000: £2,624,000) and 28,261,057 (2001: 26,863,004; 2000: 21,791,437) shares being the daily average of the number of shares in issue during the year.

The diluted earnings per share for 2000 is based on a weighted average of 22,086,164 shares after allowing for the exercise of options. There is no dilutive effect of options in respect of 2002 and 2001.

An adjusted earnings per share value is shown after adding back the amortisation of goodwill and exceptional items, net of taxation of £1,670,000 (2001: £885,000; 2000: £242,000). This has been presented in order to provide additional information to shareholders.

8. Employees

The average number of persons employed by the Group was as follows:

	2000 Number	2001 Number	2002 Number
Selling	118	145	178
Production	108	117	91
Administration	125	139	169
Total	351	401	438

The costs in respect of the above were as follows:

	2000 £000	2001 £000	2002 £000
Wages and salaries	7,395	8,798	9,408
Social security costs	1,035	1,359	1,345
Other pension costs	268	382	509
Total	8,698	10,539	11,262

9. Directors' emoluments

The following information provides details of the directors' compensation for the three years ended 30 September 2002:

2000 Directors' Emoluments

	Salary and Fees £000	Benefits £000	Total remuneration £000	Pensions 2000 £000
P.R. Gourmand	51	—	51	—
C.J. Sawyer	173	—	173	26
R.E. Tozer	144	—	144	22
F. Feldman	134	20	154	18
Sir I.H. Cohen	26	—	26	—
	528	20	548	66

Notes:

1. P.R. Gourmand's salary and fees were paid to Pineasti Limited. C.J. Sawyer's salary and fees were paid to Hartshild Limited and R.E. Tozer's salary and fees were paid to Corporate Services (Anglia) Limited. Each of the directors was a shareholder of the respective company to which his fees were paid. Each of these directors provided a car for business purposes and was responsible for their own National Insurance, life insurance and pension contributions. With effect from 1 October 2000 C.J. Sawyer and R.E. Tozer were remunerated by Deltron Electronics plc directly.
2. Benefits in kind, where shown, comprise motor cars for the use of the director.
3. No long term incentive schemes have been awarded to the directors other than the share options detailed below.

2001 Directors' Emoluments

	Salary and Fees	Benefits	Total remuneration	Pensions
	£000	£000	2001 £000	2001 £000
P.R. Gourmand	45	—	45	—
C.J. Sawyer	230	8	238	—
R.E. Tozer	191	—	191	—
F. Feldman	138	33	171	7
Sir I.H. Cohen	24	—	24	—
	628	41	669	7

Notes:

1. P.R. Gourmand's salary and fees were paid to Pineasti Limited and he was a shareholder of that company.
2. R.E. Tozer for the whole year and C.J. Sawyer for the first 6 months provided a car for business purposes through Corporate Services (Anglia) Limited and Hartshield Limited respectively. Each of these directors was a shareholder of the respective company.
3. Benefits in kind, where shown, comprise motor cars for the use of the director.
4. No long term incentive schemes have been awarded to the directors other than the share options detailed below.
5. The service contracts of C.J. Sawyer and R.E. Tozer were revised with effect from 1 October 2000 when they became directly remunerated by the Company.

2002 Directors' Emoluments

	Salary and Fees	Benefits	Total remuneration	Pensions
	£000	£000	2002 £000	2002 £000
P.R. Gourmand	39	—	39	—
C.J. Sawyer	218	14	232	—
R.E. Tozer (resigned 11 July 2002)	152	2	154	—
F. Feldman	132	36	168	6
Sir I.H. Cohen	24	—	24	—
	565	52	617	6

Notes:

1. P.R. Gourmand's salary and fees were paid to Pineasti Limited and he was a shareholder of that company.
2. Benefits in kind, where shown, comprise motor cars for the use of the director and private medical insurance.
3. No long term incentive schemes were awarded to the directors other than the share options detailed below.

2000

Directors' share options

	Notes	Directors' share options				Exercise Price (p)	Date when Exercisable	Expiry Date
		1999	Granted in year	Exercised in year	2000			
C.J. Sawyer	1	38,542	—	38,542	—	39.68	30/9/1996	30/9/2001
	1	179,902	—	81,458	98,444	49.60	30/9/1996	30/9/2001
	2	400,000	—	—	400,000	110.00	14/1/2002	14/1/2009
		<u>618,444</u>	<u>—</u>	<u>120,000</u>	<u>498,444</u>			
R.E. Tozer	1	38,517	—	38,517	—	39.68	30/9/1996	30/9/2001
	1	179,902	—	70,693	109,209	49.60	30/9/1996	30/9/2001
	2	333,333	—	—	333,333	110.00	14/1/2002	14/1/2009
		<u>551,752</u>	<u>—</u>	<u>109,210</u>	<u>442,542</u>			
F. Feldman		<u>126,000</u>	<u>—</u>	<u>—</u>	<u>126,000</u>	49.60	30/9/1996	31/12/2002

Notes

- These options become exercisable on the successful flotation of the Company on the London Stock Exchange on 30 September 1996.
- These options have performance criteria linked to the growth in earnings per share ("EPS"). The aggregate EPS in any three year period must exceed 3.31 times the adjusted *pro forma* EPS of 7.75p. This would represent growth of 5% per annum in EPS. The number of options that are exercisable are adjusted *pro rata* up to the maximum shown above if such aggregate earnings is greater or equal to 4.368 times the adjusted *pro forma* EPS. This would represent growth of 20% per annum in EPS. Notwithstanding the achievement of these targets the earnings must grow in any three year period by more than 2% per annum in real terms.
- During the year ended 30 September 2000, the middle market price traded between 75.5p and 188.0p. The middle market price on 30 September 2000 was 151.5p.

2001

Directors' share options

During the year options on 285,714 and 237,142 shares at an exercise price of 140p were granted to C.J. Sawyer and R.E. Tozer respectively. These grants were approved at the EGM of the Company held on 15 December 2000.

	Notes	Directors' share options				Exercise Price (p)	Date when Exercisable	Expiry Date
		2000	Granted in year	Exercised in year	2001			
C.J. Sawyer	1	98,444	—	98,444	—	—	—	—
	2	400,000	—	—	400,000	110p	14/1/2002	14/1/2009
	3	—	285,714	—	285,714	140p	15/12/2003	15/12/2010
		<u>498,444</u>	<u>285,714</u>	<u>98,444</u>	<u>685,714</u>			
R.E. Tozer	1	109,209	—	109,209	—	—	—	—
	2	333,333	—	—	333,333	110p	14/1/2002	14/1/2009
	3	—	237,142	—	237,142	140p	15/12/2003	15/12/2010
		<u>442,542</u>	<u>237,142</u>	<u>109,209</u>	<u>570,475</u>			
F. Feldman		<u>126,000</u>	<u>—</u>	<u>—</u>	<u>126,000</u>	49.6p	30/9/1996	31/12/2002

Notes

- These options become exercisable on the successful flotation of the Company on the London Stock Exchange on 30 September 1996.
- These options have performance criteria linked to the growth in earnings per share ("EPS"). The aggregate EPS in any three year period must exceed 3.31 times the adjusted *pro forma* EPS of 7.75p. This would represent growth of 5% per annum in EPS. The number of options that are exercisable are adjusted *pro rata* up to the maximum shown above if such aggregate earnings is greater or equal to 4.368 times the adjusted *pro forma* EPS. This would represent growth of 20% per annum in EPS. Notwithstanding the achievement of these targets the earnings must grow in any three year period by more than 2% per annum in real terms.
- These options become exercisable if the EPS (before goodwill amortisation) grows by more than 5% per annum in real terms over 3 consecutive years.
- During the year ended 30 September 2001, the middle market price traded between 55.5p and 183.5p. The middle market price on 30 September 2001 was 58p.

2002

Directors' share options

The options granted to the Directors serving at 30 September 2002 are listed in the table below. The Share Option rules have been amended to extend the expiry date. This affects the expiry date for the share options of F. Feldman by 3 years. Apart from this there were no other changes during the financial year.

	Notes	Directors' share options				Exercise Price (p)	Date when Exercisable	Expiry Date
		2001	Granted in year	Exercised in year	2002			
C.J. Sawyer	1	400,000	—	—	400,000	110p	14/01/2002	14/01/2009
	2	285,714	—	—	285,714	140p	15/12/2003	15/12/2010
		<u>685,714</u>	<u>—</u>	<u>—</u>	<u>685,714</u>			
F. Feldman		<u>126,000</u>	<u>—</u>	<u>—</u>	<u>126,000</u>	49.6p	03/9/1996	31/12/2005

Notes

- These options have performance criteria linked to the growth in earnings per share ("EPS"). The aggregate EPS in any three year period must exceed 3.31 times the adjusted *pro forma* EPS of 7.75p. This would represent growth of 5% per annum in EPS. The number of options that are exercisable are adjusted *pro rata* up to the maximum shown above if such aggregate earnings is greater or equal to 4.368 times the adjusted *pro forma* EPS. This would represent growth of 20% per annum in EPS. Notwithstanding the achievement of these targets the earnings must grow in any three year period by more than 2% per annum in real terms.
- These options become exercisable if the EPS (before goodwill amortisation) grows by more than 5% over consecutive years.
- During the year ended 30 September 2002, the middle market price traded between 51p and 108.5p. The middle market price on 30 September 2002 was 61.5p.
- R.E. Tozer resigned as a director on 11 July 2002.

Directors' Interests

The members of the Board and their respective beneficial interests in the shares of the Company at the end of the year are as stated below:

	2000 Number	2001 Number	2002 Number
P.R. Gourmand	75,600	75,600	92,564
C.J. Sawyer	1,891,260	1,894,260	2,060,895
F. Feldman	340,000	426,350	458,357
Sir I.H. Cohen	75,000	100,000	184,818
R.E. Tozer	<u>1,326,160</u>	<u>1,261,260</u>	<u>n/a</u>

Note

R.E. Tozer resigned as a director on 11 July 2002.

10. Intangible assets

	<i>Goodwill</i> <i>£000</i>
Cost	
At 1 October 1999	1,038
Additions	4,749
	<hr/>
At 30 September 2000	5,787
	<hr/>
At 1 October 2000	5,787
Additions	11,170
Differences on exchange	31
	<hr/>
At 30 September 2001	16,988
	<hr/>
At 1 October 2001	16,988
Additions	304
Differences on exchange	(39)
	<hr/>
At 30 September 2002	17,253
	<hr/>
Amortisation	
At 1 October 1999	20
Charges for the year	242
	<hr/>
At 30 September 2000	262
	<hr/>
At 1 October 2000	262
Charge for the year	519
	<hr/>
At 30 September 2001	781
	<hr/>
At 1 October 2001	781
Charge for the year	864
	<hr/>
At 30 September 2002	1,645
	<hr/>
Net Book Value	
At 30 September 2000	5,525
	<hr/> <hr/>
At 30 September 2001	16,207
	<hr/> <hr/>
At 30 September 2002	15,608
	<hr/> <hr/>

11. Tangible fixed assets

	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Total £000</i>
Cost				
At 1 October 1999	3,087	2,489	1,991	7,567
Differences on exchange	(50)	(32)	(59)	(141)
Additions	48	291	662	1,001
Acquisitions	—	68	114	182
Disposals	—	(410)	(110)	(520)
At 30 September 2000	3,085	2,406	2,598	8,089
At 1 October 2000	3,085	2,406	2,598	8,089
Differences on exchange	(90)	16	67	(7)
Additions	—	622	553	1,175
Acquisitions	122	226	1,279	1,627
Disposals	—	(564)	(370)	(934)
At 30 September 2001	3,117	2,706	4,127	9,950
At 1 October 2001	3,117	2,706	4,127	9,950
Differences on exchange	57	10	32	99
Additions	4	564	604	1,172
Disposals	(122)	(836)	(608)	(1,566)
At 30 September 2002	3,056	2,444	4,155	9,655
Depreciation				
At 1 October 1999	481	1,036	930	2,447
Differences on exchange	(11)	(13)	(25)	(49)
Charge for year	74	413	364	851
Disposals	—	(355)	(101)	(456)
At 30 September 2000	544	1,081	1,168	2,793
At 1 October 2000	544	1,081	1,168	2,793
Differences on exchange	(33)	(7)	34	(6)
Charge for the year	73	453	549	1,075
Acquisitions	53	161	1,040	1,254
Disposals	—	(418)	(228)	(646)
At 30 September 2001	637	1,270	2,563	4,470
At 1 October 2001	637	1,270	2,563	4,470
Differences on exchange	15	5	19	39
Charge for year	75	368	609	1,052
Disposals	(53)	(377)	(633)	(1,063)
At 30 September 2002	674	1,266	2,558	4,498
Net book value				
At 30 September 2000	2,541	1,325	1,430	5,296
At 30 September 2001	2,480	1,436	1,564	5,480
At 30 September 2002	2,382	1,178	1,597	5,157

Net book value

The net book value of land and buildings includes £2,268,000 (2001: £2,270,000; 2000: £2,372,000) in respect of freehold property and £114,000 (2001: £210,000; 2000: £169,000) in respect of leases with under 50 years to run. Land and buildings also includes £91,000 in respect of gross interest capitalised. The net book value of tangible assets includes £494,000 (2001: £547,000; 2000: £475,000) and the depreciation charge includes £150,000 (2001: £147,000; 2000: £161,000) relating to assets acquired under finance leases and hire purchase agreements.

12. Stocks

	2000	2001	2002
	£000	£000	£000
Raw materials and consumables	746	953	684
Work in progress	514	118	195
Finished goods	6,428	9,679	7,124
	<u>7,688</u>	<u>10,750</u>	<u>8,003</u>

There is no material difference between the replacement and historic cost of stocks.

13. Debtors

	2000	2001	2002
	£000	£000	£000
Due within one year:			
Trade debtors	11,014	13,614	12,475
Foreign tax recoverable	—	—	603
Other debtors	1,880	2,578	1,170
ACT recoverable	14	117	—
Prepayments and accrued income	611	606	733
	<u>13,519</u>	<u>16,915</u>	<u>14,981</u>
Due after more than one year:			
Other debtors	101	425	347
Total	<u>13,620</u>	<u>17,340</u>	<u>15,328</u>

14. Creditors

	2000	2001	2002
	£000	£000	£000
Due within one year:			
Current instalments on bank loans	1,363	3,046	2,401
Finance leases and hire purchase contracts	190	275	171
Other bank loans and overdrafts	5,065	1,207	2,882
Trade creditors	8,325	8,440	7,814
Corporation tax	869	901	65
Taxation and social security	2,049	2,845	1,230
Dividend payable	443	563	350
Other creditors	2,102	991	1,199
Accruals	985	1,109	1,005
	<u>21,391</u>	<u>19,377</u>	<u>17,117</u>
Due after more than one year:			
Finance leases and hire purchase contracts	107	236	256
Bank loans	4,589	13,783	11,426
Other creditors	1,794	3,512	1,808
	<u>6,490</u>	<u>17,531</u>	<u>13,490</u>

Included within other creditors due within one year and other creditors due after one year are deferred and contingent considerations due on a number of acquisitions. The sums payable depend on performance and are determined on the basis of current performance. The amount payable as at 30 September 2002 was £2,751,000 (2001: £3,223,000; 2000: £1,263,000).

15. Borrowings

	2000	2001	2002
	£000	£000	£000
Other bank loans and overdrafts due within one year	<u>5,065</u>	<u>1,207</u>	<u>2,882</u>
Bank Loans			
– due within one year	1,363	3,046	2,401
– due within one and two years	1,338	2,386	1,733
– due within two and five years	2,884	7,284	7,680
– due after five years	367	4,113	2,013
	<u>5,952</u>	<u>16,829</u>	<u>13,827</u>
Finance leases and hire purchase contracts			
– due within one year	190	275	171
– due within one and two years	87	150	112
– due within two and five years	20	86	144
	<u>297</u>	<u>511</u>	<u>427</u>
Total borrowings	<u>11,314</u>	<u>18,547</u>	<u>17,136</u>

Total borrowings are shown net of issue costs of £220,000 (2001: £205,000; 2000: £72,000).

Details of the security for bank loans and overdrafts are set out in note 22.

16. Deferred taxation

Deferred tax assets have not been recognised in respect of timing differences relating to capital losses and revenue losses as there is insufficient evidence that the assets will be recovered. The amount of the asset not recognised in respect of the capital losses is £59,000 (2001: £59,000) while revenue losses are £216,000 (2001: £117,000). These assets would be utilised if the UK company/group were to make a capital gain in future periods and the individual subsidiary companies were to make future taxable income, respectively.

	2001 (restated) £000	2002 £000
At 1 October 2001	—	283
Profit and loss account charge/(credit)	283	(19)
At 30 September 2002	283	264

	2001 (restated) £000	2002 £000
Capital allowances in excess of depreciation	297	374
Other timing differences	(14)	(44)
Losses	—	(66)
	283	264

The equivalent disclosures have not been given for 30 September 2000 as FRS 19 was not effective as at that date.

17. Provisions for liabilities and charges

	Contingent Consideration £000	Deferred Tax £000	Total £000
At 1 October 1999 and 2000	—	—	—
Provision generated in 2001	854	283	1,137
At 30 September 2001	854	283	1,137
At 1 October 2001	854	283	1,137
Applied	—	(19)	(19)
At 30 September 2002	854	264	1,118

18. Share capital

	2000		2001		2002	
	Number	£	Number	£	Number	£
Authorised						
Ordinary shares of 5p each	29,250,000	1,462,500	40,000,000	2,000,000	40,000,000	2,000,000
Allotted, issued and fully paid						
Ordinary shares of 5p each	22,161,318	1,108,066	28,149,522	1,407,476	29,346,882	1,466,415

Ordinary shares

In November 1999, 575,431 Ordinary Shares of 5p each were issued at 80p as part consideration for the acquisition of Deltron Components GmbH.

In November 1999, 925,000 Ordinary Shares of 5p each were issued in a private placing at 76p. Of these, 685,000 were placed with Mercury Asset Management and 240,000 with Eaglet Investment Trust now Unicorn Asset Management. On the day that these shares were first listed the mid market price was 85.5p.

In March 2000, 417,816 ordinary shares were issued to holders of share options at various exercise prices between 13.89p and 59.52p. The mid market price on the days that these options were exercised was in the range between 140p and 183p.

In November 2000, 207,653 Ordinary Shares of 5p each were issued to holders of share options at an exercise price of 39.68p. The mid market price on the day that they were exercised was 140p.

In December 2000, 5,761,942 Ordinary Shares of 5p each were issued in a placing and open offer at 140p. These were issued to existing shareholders on the basis of 13 new shares for every 50 ordinary shares held. On the day that these shares were first listed the mid market price was 136.5p.

In February 2001, 18,609 Ordinary Shares of 5p each were issued to holders of share options at various exercise prices between 39.68p and 59.52p. The mid market price on the days that these options were exercised was in the range between 175p and 178p.

In September 2002, 1,197,360 Ordinary Shares of 5p each were issued to members of the management in a placing. On the day that these shares were first listed the mid market price was 61p.

Options

On 1 February 2000, 100,000 options were granted at an exercise price of 150p which are exercisable up to 31 January 2007.

At 30 September 2000 there were options over 1,785,441 Ordinary Shares of 5p each which are exercisable at prices in the range from 39.7p to 150p under the Company's various share option schemes. These include the share options granted to certain directors as shown on page 36. Options outstanding under the schemes were held by 181 employees of the Group and are exercisable at various times up to 31 January 2007.

During December 2000 and January 2001, 654,649 options were granted at an exercise price of 140p which are exercisable up to 15 December 2010. These include the share options granted to certain directors as reported on page 36.

During the year ended 30 September 2001, 23,247 options lapsed for various reasons.

At 30 September 2001 there were options over 2,190,581 Ordinary Shares of 5p each which are exercisable at prices in the range from 59.6p to 150p under the Company's various share option schemes. These include the share options granted to certain directors as shown on page 36. Options outstanding under the schemes were held by 224 employees of the Group and are exercisable at various times up to 15 December 2010.

During July 2002, 646,977 options were granted at an exercise price of 67p which are exercisable up to July 2012.

During the year ended 30 September 2002, 908,781 options lapsed for various reasons.

At 30 September 2002 there were options over 1,696,224 Ordinary Shares of 5p each which are exercisable at prices in the range from 49.6p to 150p under the Company's various share option schemes. These include the share options granted to certain directors as shown on page 37. Options outstanding under the schemes were held by 265 employees of the Group and are exercisable at various times up to 16 July 2012.

19. Reserves and shareholders' funds

	Share capital £000	Share premium £000	Profit and loss account £000 (restated)	Share holders' funds £000
At 1 October 1999	1,012	5,907	(2,838)	4,081
Retained profit	—	—	1,951	1,951
Issue of shares	96	1,221	—	1,317
Exchange differences	—	—	(372)	(372)
At 30 September 2000	1,108	7,128	(1,259)	6,977
At 1 October 2000	1,108	7,128	(1,259)	6,977
Retained profit	—	—	374	374
Issue of shares	299	7,364	—	7,663
Exchange differences	—	—	103	103
At 30 September 2001	1,407	14,492	(782)	15,117
At 1 October 2001	1,407	14,492	(782)	15,117
Retained loss	—	—	(1,183)	(1,183)
Issue of shares	59	642	—	701
Exchange differences	—	—	125	125
At 30 September 2002	1,466	15,134	(1,840)	14,760

20. Capital commitments

Capital expenditure contracted but not provided for amounted to £10,000 (2001: £20,000; 2000: £16,000).

21. Operating lease commitments

The Group had annual non-cancellable operating leases which expire as follows:

	2000		2001		2002	
	Land and buildings £000	Others £000	Land and buildings £000	Others £000	Land and buildings £000	Others £000
Within one year	51	166	63	9	57	45
Between two and five years	77	—	181	69	423	160
More than five years	228	—	208	98	191	—
	356	166	452	176	671	205

22. Contingent liabilities

As at 30 September 2000, 2001 and 2002 Barclays Bank plc held a floating charge over the UK assets of the Group including a first legal charge over the Group's UK freehold properties and a pledge over certain share certificates of subsidiary companies. An unlimited multilateral guarantee exists between all UK Group companies for bank borrowings and other facilities. Subject to the foregoing, the Group had no material contingent liabilities at the balance sheet date.

23. Net cash inflow from operations

	2000	2001	2002
	£000	£000	£000
Operating profit	4,540	3,237	562
Release of government grant	(89)	(33)	(84)
Amortisation of issue costs	10	17	14
Amortisation of goodwill	242	519	864
Depreciation	851	1,075	1,052
Loss/(Profit) on disposal of fixed assets	3	(5)	—
Changes in			
Stocks	(1,634)	(41)	2,374
Debtors	(3,518)	1,925	2,698
Creditors	3,895	(3,348)	(2,741)
	<u>4,300</u>	<u>3,346</u>	<u>4,739</u>

24. Financing

	2000	2001	2002
	£000	£000	£000
Issue of ordinary share capital	869	7,875	701
Cost of share issue	(12)	(213)	—
Debt due within one year			
Loans advanced	1,656	3,201	—
Loans repaid	(1,421)	(1,512)	(3,118)
Debt due after one year			
Loans advanced	4,149	9,175	—
Loans repaid	(2,500)	—	(50)
Capital elements of finance lease payments	(238)	(272)	(320)
Net cash flow from financing	<u>2,503</u>	<u>18,254</u>	<u>(2,787)</u>

25. Analysis of net debt — 2000

	1999	Cash flow	Non cash	Exchange	2000
	£000	£000	items	Movements	£000
			£000	£000	
Cash at bank and in hand	1,727	1,108	—	(106)	2,729
Overdrafts	(4,625)	(483)	—	43	(5,065)
	<u>(2,898)</u>	<u>625</u>	<u>—</u>	<u>(63)</u>	<u>(2,336)</u>
Debt due within one year	(941)	(412)	(10)	—	(1,363)
Debt due after one year	(2,995)	(1,649)	—	55	(4,589)
Finance leases	(320)	179	(158)	2	(297)
	<u>(7,154)</u>	<u>(1,257)</u>	<u>(168)</u>	<u>(6)</u>	<u>(8,585)</u>

Analysis of net debt — 2001

	2000 £000	Cash flow £000	Non cash items £000	Exchange Movements £000	2001 £000
Cash at bank and in hand	2,729	629	—	26	3,384
Overdrafts	(5,065)	3,881	—	(23)	(1,207)
	(2,336)	4,510	—	3	2,177
Debt due within one year	(1,363)	(1,689)	—	6	(3,046)
Debt due after one year	(4,589)	(9,175)	(17)	(2)	(13,783)
Finance leases	(297)	272	(483)	(3)	(511)
	(8,585)	(6,082)	(500)	4	(15,163)

Analysis of net debt — 2002

	2001 £000	Cash flow £000	Non cash items £000	Exchange Movements £000	2002 £000
Cash at bank and in hand	3,384	(1,064)	—	69	2,389
Overdrafts	(1,207)	(1,666)	—	(9)	(2,882)
	2,177	(2,730)	—	60	(493)
Debt due within one year	(3,046)	3,118	(2,467)	(6)	(2,401)
Debt due after one year	(13,783)	50	2,432	(125)	(11,426)
Finance leases	(511)	320	(236)	—	(427)
	(15,163)	758	(271)	(71)	(14,747)

Major non cash transactions

During the year ended 30 September 2002 the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £236,000 (2001: £483,000).

26. Pension Schemes

The Company sponsors the Hawnt Electronics Limited – Stanplan F which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 December 2001. This adopted a market related approach to funding and the projected unit credit method. The assumptions underlying the calculation of the liabilities were derived by reference to the gross redemption yield on long term gilts in conjunction with a pre-retirement equity enhancement, consistent with market conditions at the time of valuation.

The contributions made by the employer over the 2002 financial year have been £107,000, equivalent to 12.5% of pensionable pay. At the date of the most recent valuation, the market value of the assets of the scheme was £2,057,000, and the actuarial valuation of the liabilities was £1,895,000 producing a funding level of 109%.

The principal assumptions applied in the valuation are as follows:

Inflation	2.5% p.a.
Rate of discount	7.0% p.a.
Rate of future earnings inflation	5.0% p.a.
Rate of pension increases	3.0% p.a.

FRS 17

The transitional arrangements of the new accounting standard FRS 17 require disclosure of assets and liabilities as at 30 September 2002 calculated in accordance with the requirements of FRS 17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and

losses were the full requirements of FRS 17 in place. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the actual 30 September 2002 balance sheet or on that year's performance statements.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2001	2002
Rate of inflation	2.50% p.a.	2.50% p.a.
Salary increases	4.50% p.a.	4.50% p.a.
Rate of discount	6.00% p.a.	5.25% p.a.
Pension in payment increases	2.50% p.a.	2.50% p.a.
Revaluation rate for deferred pensioners	2.50% p.a.	2.50% p.a.

Illustrative balance sheet figures

	2001 £000	2002 £000
Market value of assets	2,243	2,199
Present value of scheme liabilities	(2,158)	(2,483)
Recoverable surplus/(deficit) in scheme	85	(284)
Related deferred tax (liability)/asset	(25)	85
Net pension asset/(liability)	60	(199)

If the amounts above had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 30 September 2002 and 30 September 2001 would be as follows:

	2001 £000	2002 £000
Net assets excluding pension asset	15,117	14,760
Net pension asset/(liability)	60	(199)
Net assets including pension asset	15,177	14,561
Profit and loss reserve excluding pension asset	782	(1,840)
Pension reserve	60	(199)
Profit and loss reserve	842	(2,039)

Market value of scheme's assets

	2001 £000	2002 £000
Equities	1,621	1,507
Bonds	518	584
Other	104	108
	2,243	2,199

Expected long term rate of return

	2001	2002
Equities	7.50%	7.50%
Bonds	6.00%	6.00%
Other	7.50%	7.50%

Illustrative charge to the profit and loss account over the financial year

	£000 2002
Operating Profit	
Current service cost	(143)
Past service cost	—
Previous unrecognised surplus deducted from past service cost	—
Gains and losses on settlements and curtailments	—
Previous unrecognised surplus deducted from settlement or curtailment losses	—
	<hr/>
Total operating charge	(143)
	<hr/>
Other Financial Income	
Expected return on pension scheme assets	164
Interest on pension scheme liabilities	(134)
	<hr/>
Net finance return	30
	<hr/>
Total	(113)
	<hr/>

Illustrative amounts which would be included within the statement of total recognised gains and losses

	Amount £000
Difference between expected and actual return of assets (–14% of scheme assets at 30 September 2002)	(310)
Experience gains and losses arising on the scheme liabilities (13% of the present value of the scheme liabilities at September 2002)	315
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities (–13.8% of the present value of the scheme liabilities at 30 September 2002)	(368)
	<hr/>
Total (–15% of the present value of the scheme liabilities at 30 September 2002)	(363)
	<hr/>

Movements in illustrative balance sheet surplus figures during the year

	£000 2002
Surplus in scheme at beginning of year	85
Movement in year:	
Current service cost	(143)
Net finance return	30
Contributions	107
Past service costs	—
Other finance income	—
Actuarial (loss)/gain	(363)
	<hr/>
Deficit in scheme at end of year	(284)
	<hr/>

Deltron also operates an insured pension scheme in respect of certain employees in Germany. The amount charged to the profit and loss account in 2002 was £9,000 (2001: £32,000). This amount is calculated based on amounts determined by the insurer.

27. Acquisitions of businesses during the year ended 30 September 2000

On 11 November 1999 Deltron acquired a German distribution business C & K Components GmbH, now Deltron Components GmbH, (a privately held company) from its owner. On 2 April 2000 Deltron, via its French subsidiary Deltron EUROiNDustrie SA acquired the assets of RAB Distribution SA, a French distribution business based in Paris. Both of these transactions have been accounted for as acquisitions. In addition during the year some additional fair value adjustments were made in respect of the acquisition of Cirkit Distribution Limited which was made during the year ended 30 September 1999.

The following sets out the effects on the Consolidated balance sheet.

	<i>Balance sheets of acquired businesses</i>	<i>Adjustments to align accounting policies</i>	<i>Fair value adjustments</i>	<i>Fair value at date of acquisition</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed assets	204	—	(13)	191
Current assets	2,800	—	(173)	2,627
Creditors	(1,554)	—	(78)	(1,632)
Net assets acquired	1,450	—	(264)	1,186
Net assets acquired				1,186
Goodwill capitalised				4,749
Consideration				5,935
of which				
Cash				3,753
Issue of shares				460
Deferred Consideration				1,722
				5,935

As a consequence of the integration of the RAB business with existing operations, no separate cash flow figures are available. The impact of Deltron Components GmbH on the Group cash flow for the period was to contribute £497,000 to the cash flow from operating activities, pay taxation of £292,000 and interest of £1,000 and produce a cash inflow of £33,000 from the sale of fixed assets and £9,000 from financing.

The net cash outflow in respect of acquisitions for the year ended 30 September 2001 is shown in note 28(e).

The summarised results for each of the business covering the period from the most recent statutory accounts until the date of acquisition are shown in the table below. The relative periods are from 1 January 1999 for Deltron Components GmbH and from 1 January 2000 for RAB.

	<i>Turnover</i>	<i>Gross Profit</i>	<i>Operating Profit</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deltron Components GmbH	9,057	2,718	279
RAB	808	299	81

28. Acquisitions during the year ended 30 September 2001

(a) Summary of acquisitions

During the year ended 30 September 2001, the group made six acquisitions. These are listed below:

<i>Name</i>	<i>Location</i>	<i>Acquiring Company</i>	<i>Company or Asset Purchase</i>	<i>Date</i>
Sensortech	Denmark	Deltron Conolec A/S	Asset	January
C & K Austria GmbH	Austria	Deltron Electronics plc	Company	January
Discomp Group	France	Deltron EUROiNDustrie SA	Company	March
Radikor	Holland	Deltron Electronics plc	Asset	May
Hawnt Electronics Ltd	UK	Deltron Electronics plc	Company	June
Camax Electronics Srl	Italy	Deltron Electronics plc	Company	July

On 5 January 2001, Deltron, via its subsidiary Deltron Conelec A/S, acquired certain assets and liabilities connected with the specialist sensors business of Sensortech A/S, a distribution operation based in Copenhagen, Denmark. This added a new product range to Deltron Conelec A/S which Deltron planned to utilise throughout the rest of the European network.

On 1 March 2001, Deltron, through its French subsidiary Deltron EUROiNDustrie SA, acquired the entire share capital of the Discomp Group. The Discomp Group is a specialist distributor of connectors and was merged with the existing operations in France.

On 28 June 2001, Deltron acquired Hawnt Electronics Limited, now Deltron Hawnt Limited, from its owners. Deltron Hawnt Limited is a UK distribution business predominantly trading in the connector and magnetics elements of the electromechanical component market place. This is complementary to Deltron's existing UK distribution business, Deltron UK Limited (previously Deltron Roxburgh Limited), and these two businesses have been combined with effect from the end of November 2001.

On 9 July 2001, Deltron acquired the entire share capital of the Camax Group (a privately owned business) from its owners. The Camax Group is an electromechanical components distributor based in Milan, Italy.

On 17 January 2001, Deltron acquired the entire share capital of C & K Austria GmbH, a distributor of electromechanical components based in Vienna. This provides Deltron with a presence in the Austrian market place and also provides a natural gateway to the growing Eastern European market.

On 15 June 2001, Deltron acquired certain assets and liabilities of the electromechanical components distribution business of Radikor BV which is based in Almere, near Amsterdam. This provides Deltron with a presence in the Dutch electronics market place.

(b) Impact on group balance sheet

As required by FRS 7, a provisional valuation of the fair value of assets and liabilities of these businesses was done on acquisition. During 2002, this review was completed (see note 28(f)).

	<i>Sensortech A/S £000</i>	<i>Discomp Group £000</i>	<i>Deltron Hawnt Limited £000</i>	<i>Camax Group £000</i>	<i>Radikor BV and C & K Austria GmbH £000</i>	<i>Total £000</i>
Net Assets Acquired						
Fixed Assets	46	21	254	26	25	372
Current Assets	183	1,075	4,551	4,645	381	10,835
Creditors	(21)	(664)	(1,291)	(2,953)	(212)	(5,141)
Book Value of Net Assets	208	432	3,514	1,718	194	6,066
Fair Value Adjustments	—	—	(326)	(57)	(49)	(432)
Fair Value of Net Assets on acquisition	208	432	3,188	1,661	145	5,634
Consideration						
Cash	1,566	1,076	6,835	3,502	720	13,699
Creditors due within one year	—	—	114	71	—	185
Deferred Consideration	854	—	—	991	—	1,845
Costs	102	60	369	113	150	794
	2,522	1,136	7,318	4,677	870	16,523
Goodwill arising in respect of 2001 acquisitions	2,314	704	4,130	3,016	725	10,889

Within the net assets acquired were bank and cash balances of £1,565,000.

(c) Impact on group profit and loss account

The summarised results for each of the businesses covering the period from the most recent statutory accounts until the acquisition date is shown in the table below. The results of the components business of Radikor BV were not recorded separately, are not material, and therefore have not been shown.

	<i>Turnover £000</i>	<i>Gross profit £000</i>	<i>Operating profit/(loss) £000</i>	<i>Previous year end</i>
Sensortech	2,949	737	348	30.06.00
C & K Austria GmbH	41	12	(6)	31.12.00
Discomp Group	374	138	36	31.12.00
Hawnt Electronics Limited	2,015	607	70	31.03.01
Camax Group	4,834	1,527	660	31.12.00

(d) Impact on group cash flow statement

The impact of the acquisitions on the Group cash flow for the period to September 2001 is presented in the table below.

No figures are shown for Sensortech or the Discomp Group as a consequence of their integration within existing operations.

	<i>Cash flow from Operations</i>	<i>Taxation paid</i>	<i>Fixed assets</i>	<i>Change in cash</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
C & K Austria GmbH	37	(2)	(23)	12
Radikor	(21)	—	(5)	(26)
Hawnt Electronics Limited	289	—	—	289
Camax Group	404	(227)	(14)	163

(e) Net cash outflow in respect of acquisitions

The net cash outflow in respect of the acquisitions is as follows:

	<i>2000 £000</i>	<i>2001 £000</i>	<i>2002 £000</i>
Consideration	3,230	13,699	185
Acquisition expenses	523	833	342
Bank and cash balances acquired	(253)	(1,565)	—
Payments made in respect of deferred consideration of prior period acquisitions	—	970	223
Total cash flow in respect of acquisitions	3,500	13,937	750

The consideration shown of £185,000 in 2002 is the payments due in respect of the acquisitions made in 2001 of Hawnt Electronics Limited and the Camax Electronics Srl. The consideration was not due until the final agreement on the net asset valuation.

The payments made in 2001 in respect of prior period acquisitions represents DKK 10 million (£859,000) to N. K. Nielsen for Conelec A/S in Denmark and DM 350,000 (£111,000) to W P Hohmann for C&K Components GmbH in Germany.

(f) Subsequent revision to fair values

A review of the fair value of assets and liabilities of businesses acquired during the year ended 30 September 2001 was performed during the year ended 30 September 2002.

The impact on the group balance sheet as a result of the review was the following:

	<i>Provisional Fair Value at 30 September 2001 of acquired businesses</i>	<i>Fair Value adjustments</i>	<i>Revised Fair Value at date of acquisition</i>
	£000	£000	£000
Tangible Fixed Assets	221	(3)	218
Current Assets	10,697	(524)	10,173
Creditors	(5,284)	(277)	(5,561)
Net Assets required	5,634	(804)	4,830

The adjustment to current assets reflects the revised estimate for the fair value of the cost of stock acquired. The adjustment to creditors represents a revised estimate for accrued expenses.

	£000
Fair value adjustments	804
Reduction in contingent consideration	(500)
Increase in goodwill	304

The reduction in contingent consideration reflects the current estimate of the amount due in respect of the acquisition of Deltron Components GmbH.

29. Financial Instruments

Short-term debtors and creditors have been omitted from all disclosures.

The Group has undertaken a number of financial instruments to protect it from any adverse movement in interest rates. At 30 September 2002 these cover £12.3m of bank debt and include an interest rate cap and some interest rate swaps. As stated in the accounting policies it is the Group's policy to cover foreign exchange exposure. This is done where there is no foreseeable use of cash surpluses in currencies other than the local currency. The Group does not trade in financial instruments.

At 30 September 2002, a loan which expires in November 2003 for £0.3m (2001: £0.6m) is subject to an interest rate cap of 7.0%. In addition, some £12.0m of bank debt of which £5.9m is Euro denominated and £6.1m is Sterling (2001: £14.3m of which £7.3m is Euro and £7.0m Sterling) is fixed as a result of a number of interest rate swaps. There are finance lease obligations of £427,000 (2001: £511,000) on fixed terms. The weighted average interest rate of these is 6.9% (2001: 6.1%), inclusive of margin, and the weighted average period for which the rate is fixed is 4 years 4 months (2001: 5 years 4 months). Other long term creditors of £2,751,000 (see note 14), of which £867,000 is Danish Krone and £1,884,000 as Euros, have a weighted average of 2.4 years and are non-interest bearing.

At 30 September 2002 the fair values of the interest rate swaps and cap is a liability of £397,000 (2001: £236,000). There is no material difference between the fair value and book value for all other financial instruments. Fair values are calculated based on the present value of future cash flows and market values for interest rate swaps.

Currency profile

Group companies reporting in sterling had net currency monetary assets as follows:

	2001	2002
US\$	£299,000	£303,000
Euro	£427,000	£701,000
Other	£177,000	£57,000

Group companies reporting in Euros had net currency monetary assets as follows:

Sterling	£61,000	£101,000
US\$	£420,000	£214,000
Other	£38,000	£4,000

Group companies reporting in other countries had net currency monetary assets as follows:

Sterling	£23,000	£52,000
US\$	£280,000	£127,000
Euro	£35,000	£186,000
Other	£7,000	£67,000

Cash of £2,389,000 – of which £457,000 is held as Swedish Kronor, £414,000 as Danish Kroner and £1,518,000 as Euros (2001: cash of £3,385,000 – of which £493,000 as Swedish Kronor, £563,000 as Danish Kroner and £2,329,000 in Euros).

Unrecognised losses on instruments used for hedging are £161,000 (2001: £235,000). Losses are not expected to be recognised in the financial statements as hedging instruments are held to maturity.

At 30 September 2002 the Group had committed undrawn borrowing facilities of £4,378,000 (2001: £6,839,000). The expiry date for these undrawn facilities in both 2002 and 2001 is within one year or less.

30. Related Party Transactions

The Group has taken advantage of the exemption in FRS 8 “Related Party Disclosures” from disclosing transactions with other members of the group.

PART IV

INTERIM RESULTS OF DELTRON ELECTRONICS plc FOR THE SIX MONTHS ENDED 31 MARCH 2003

The following has been extracted without material adjustment from the Company's unaudited interim results for the six months ended 31 March 2003 as announced on 5 June 2003.

CHAIRMAN'S STATEMENT

Introduction

The desire to call the turn in the electronic components cycle is almost overwhelming. After two years of unparalleled decline, around 40%, the danger is that any good news is seen as the beginning of the recovery.

Turnover in the first half was 3% below last year. However, turnover in Q2 was 2% better than the corresponding period last year, a pleasant reversal of Q1 which was 8% below last year.

It is too early to say if this trend will continue. In our AGM statement in February we said that reading the market has never been more difficult and this continues. Despite the poor first quarter, our book to bill ratio was above 1 throughout our first half and our order book has increased from £13.7m at 1 October 2002 to £15.7m at 31 March 2003 which represents 2.7 months of forecast sales. All these factors would normally point to buoyant trading and, indeed, our daily sales rate has increased every month since October. The conundrum in looking forward is that orders or bookings in the first quarter did not turn into billings as would normally be expected. The position improved in the second quarter, but feels too fragile and too soon for the Board to be confident of a trend.

Deltron has always been second half loaded, but the poor first quarter means Deltron produced a disappointing result in the first half. Given the lack of visibility and fragile economic climate the outcome for the year is too early to call.

Market and Business Development

Throughout 2002, Deltron pursued the approval of manufacturers to extend the sale of their products throughout our European network. This has been a great success. We have also been very successful in gaining new franchises for our network, which has increased from six countries in 2001 to nine after a series of acquisitions. We expect to continue winning new franchises during the coming 12 months.

Customers continue to be attracted by our design-in service. It is the reason why, as a specialist distributor, we have an exceptionally long order book. We continue to win market share, partly due, we believe, to service which has been assisted by an expanding product range.

Prices remain relatively stable, an attribute of our selected area of activity – electro-mechanical components. However, cost savings from the merging of two manufacturing sites have materialised more slowly than we had hoped, duplication of effort while new equipment was still operating at sub-optimal levels depressed margins. Overall, our margins were down by 1% to 31.3% – still a level far above that enjoyed by most distributors in other parts of the electronic components market.

We said in February, customers are 'calling off' orders in smaller batches than before and we believe that this is an industry trend at this stage of the economic cycle. This increases our activity and overhead levels for a lower return. It is to be expected in a risk-averse environment. It also adds uncertainty and decreases clarity, but is just another factor in a challenging part of the cycle.

Financial Results

In the six months to 31 March 2003, turnover was £31.7m, 3% below last year. The gross margin was 31.3% compared with 32.6% for the first half of last year, as mentioned above this shortfall arises in the Manufacturing Division. Overheads before operating exceptional items were £9.2m, compared with £9.6m for the same period last year. The £0.2m profit on the sale of properties is for the sale and leaseback of the UK Distribution site. The loss after taxation has reduced from £1.0m to £0.4m in the first six months of the current year. The adjusted earnings per share, excluding goodwill and operating exceptional items, were 0.7p compared with 0.8p last year. The dividend has been kept at last year's level of 0.585p.

Prospects

Two years of decline with harsh economic and industry conditions seems to have flattened out. A poor first quarter was followed by three months, which met our expectations. Book to bill, order book and the success of our business model as demonstrated by customers' enthusiasm for our design-in approach, are all encouraging and have resulted in our increasing market share. It remains too early to call a turn and we are determined to use our own judgement and evidence from Deltron's performance rather than the assertions of forecasters to plan for the future. We are winning customers, supplier support and market share, but visibility remains poor.

P R Gourmand

Chairman

4 June 2003

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

For 6 Months ended 31 March

		2003 Before Goodwill and operating exceptional items £000	2003 Goodwill and operating exceptional items £000	2003 Total £000	2002 Before goodwill and operating exceptional items £000	2002 Goodwill and operating exceptional items £000	2002 Total £000	Year ended 30 September 2002 £000
Turnover		31,709	—	31,709	32,622	—	32,622	65,496
Cost of Sales		(21,788)	—	(21,788)	(21,974)	—	(21,974)	(44,184)
Gross profit		9,921	—	9,921	10,648	—	10,648	21,312
Operating expenses		(9,193)	(719)	(9,912)	(9,582)	(1,326)	(10,908)	(20,750)
Operating profit/(loss)		728	(719)	9	1,066	(1,326)	(260)	562
Profit on sale of properties		188	—	188	—	—	—	105
Profit/(loss) on ordinary activities before interest		916	(719)	197	1,066	(1,326)	(260)	667
Interest payable		(618)	—	(618)	(625)	—	(625)	(1,321)
Interest receivable		10	—	10	19	—	19	46
Profit/(loss) on ordinary activities before tax		308	(719)	(411)	460	(1,326)	(866)	(608)
Taxation	3	(107)	87	(20)	(237)	118	(119)	(60)
Profit/(loss) on ordinary activities after tax		201	(632)	(431)	223	(1,208)	(985)	(668)
Dividends		(172)	—	(172)	(165)	—	(165)	(515)
Profit/(loss) retained for the financial period		29	(632)	(603)	58	(1,208)	(1,150)	(1,183)
Loss per share – (basic and diluted)	4			(1.5)p			(3.5)p	(2.4)p
Adjusted earnings per share – basic	4			0.7p			0.8p	3.5p
Dividends per share				0.585p			0.585p	1.755p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (unaudited)

For 6 Months ended 31 March

			<i>Year ended 30 September</i>
	<i>2003</i>	<i>2002</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loss for the period	(431)	(985)	(668)
Exchange differences	(316)	269	125
Total Gains and Losses recognised during period	(747)	(716)	(543)

MOVEMENT IN SHAREHOLDERS' FUNDS (unaudited)

For 6 Months ended 31 March

			<i>Year ended 30 September</i>
	<i>2003</i>	<i>2002</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Opening shareholders' funds	14,760	15,117	15,117
Loss for the period	(603)	(1,150)	(1,183)
Share capital issued	76	—	701
Exchange differences	(316)	269	125
Decrease in shareholders' funds for the period	(843)	(881)	(357)
Closing shareholders' funds	13,917	14,236	14,760

GROUP BALANCE SHEET (unaudited)

As at 31 March

	2003	2002	As at 30 September
	Total	Total	2002
	£000	£000	£000
Fixed Assets:			
Tangible assets	3,378	5,185	5,157
Intangible assets	15,254	16,057	15,608
	<u>18,632</u>	<u>21,242</u>	<u>20,765</u>
Current Assets:			
Stocks	8,934	9,422	8,003
Debtors	17,400	15,941	15,328
Cash at bank and in hand	1,774	2,419	2,389
	<u>28,108</u>	<u>27,782</u>	<u>25,720</u>
Creditors:			
Amounts falling due within one year	(18,839)	(17,714)	(17,117)
	<u>9,269</u>	<u>10,068</u>	<u>8,603</u>
Net Current Assets			
	<u>27,901</u>	<u>31,310</u>	<u>29,368</u>
Total assets less current liabilities			
Creditors:			
Amounts falling due after more than one year	(12,839)	(15,946)	(13,490)
Provision for liabilities and charges	(1,145)	(1,128)	(1,118)
	<u>13,917</u>	<u>14,236</u>	<u>14,760</u>
Capital and Reserves:			
Called up share capital	1,471	1,407	1,466
Reserves	12,446	12,829	13,294
	<u>13,917</u>	<u>14,236</u>	<u>14,760</u>
Equity Shareholders' funds			
	<u>13,917</u>	<u>14,236</u>	<u>14,760</u>

GROUP CASH FLOW STATEMENT (unaudited)

For 6 Months ended 31 March

		2003	2002	Year ended 30 September
		Total	Total	2002
		£000	£000	£000
Cash flow from operating activities	Note 5	1,357	1,918	4,739
Returns on investment and servicing of finance		(606)	(584)	(1,257)
Taxation		(318)	(1,071)	(1,401)
Capital expenditure (net of proceeds)		2	(436)	(543)
Acquisitions	6	(542)	(465)	(750)
Equity dividend paid		(345)	(562)	(731)
		<u>(452)</u>	<u>(1,200)</u>	<u>57</u>
Cash flow before financing				
Financing		(1,233)	(1,634)	(2,787)
		<u>(1,685)</u>	<u>(2,834)</u>	<u>(2,730)</u>
Change in Cash				
		<u>(1,685)</u>	<u>(2,834)</u>	<u>(2,730)</u>

NOTE TO THE GROUP CASH FLOW STATEMENT (unaudited)

for 6 months ended 31 March

Reconciliation of cash flow to movement in net debt:

	2003	2002	Year ended
	Total	Total	30 September
	£000	£000	2002
	£000	£000	£000
Opening net debt	(14,747)	(15,163)	(15,163)
Change in Cash	(1,685)	(2,834)	(2,730)
Cash flow from change in debt	1,309	1,634	3,488
Change in net debt	(376)	(1,200)	758
Inception of finance leases	—	(47)	(236)
Amortisation of issue costs	(21)	(16)	(35)
Exchange differences	(506)	91	(71)
Movement in net debt	(903)	(1,172)	416
Closing net debt	(15,650)	(16,335)	(14,747)

NOTES TO THE INTERIM ACCOUNTS

1. Basis of preparation

The financial information for the year ended 30 September 2002 is derived from the statutory accounts filed with the Registrar of Companies. The auditors' report on the statutory accounts was unqualified and did not contain a statement under Section 237 of the Companies Act 1985. The interim accounts do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

2. Goodwill and Operating exceptional items

Included within administration costs is a charge of £438,000 (2002: £432,000) in respect of the amortisation of goodwill for the period.

The operating exceptional item of £281,000 is predominantly for the closure and relocation of the Birmingham Sales office of Deltron UK Ltd. This is relieved by a tax credit of £87,000. The comparative figure in the 2001 interim was £894,000, before a tax credit of £118,000, in respect of the closure and relocation of elements of the activity of Deltron Hawnt Ltd and for the provision for the same of Deltron EMCON Ltd.

3. Taxation

The taxation charge is based on the estimated effective rate for the year ending 30 September 2003.

4. Earnings per share

Earnings per share have been calculated using Financial Reporting Standard 14 (FRS 14). The calculation of earnings per share, for the half-year is based on the loss attribute to equity shareholders of £431,000 (2002: loss of £985,000) and 29,383,494 (2002: 28,149,522) shares being the daily average of the number of shares in issue during the period.

FRS 14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally, no adjustment has been made to dilute EPS for out-of-the-money share options and there are no other diluting future share issues, diluted EPS equals basic EPS.

An adjusted earnings per share value is presented after adding back the amortisation of goodwill and the operating exceptional item, net of taxation of £632,000 (2001: £1,208,000). This has been presented in order to provide comparability with other companies.

5. Net cash flow from operating activities

	<i>Year ended</i>		
	<i>2003</i>	<i>2002</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating profit/(loss)	9	(260)	562
Release of government grant	(104)	(16)	(84)
Amortisation of issue costs	21	16	14
Amortisation of goodwill	438	432	864
Depreciation	522	542	1,052
Changes in			
Stocks	(466)	1,306	2,374
Debtors	885	1,202	2,698
Creditors	52	(1,304)	(2,741)
	<u>1,357</u>	<u>1,918</u>	<u>4,739</u>

6. Acquisitions

The cash outflow shown of £542,000 relates primarily to the payment of deferred and contingent consideration in respect of the acquisition made in November 1999 of the German distribution business C & K Components GmbH.

7. Company information

Copies of this statement are being sent to all shareholders and are also available from the Company Secretary, Deltron Electronics plc, Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA.

PART V

INFORMATION RELATING TO THE PROFIT ESTIMATE OF DELTRON ELECTRONICS plc APPEARING IN THIS DOCUMENT

(i) Profit estimate

The Directors' estimate of Deltron's profit before interest, taxation, operating exceptional items and goodwill amortisation of not less than £1.6 million for the year ended 30 September 2003, as set out in paragraph 6 of Part I of this document, has been prepared on a basis consistent with the accounting policies set out in the annual report and accounts of Deltron for the year ended 30 September 2002. The estimate has been based on the unaudited interim results of Deltron for the 6 months ended 31 March 2003 and the unaudited management accounts for the 6 months ended 30 September 2003. The Directors have chosen to provide an estimate of profit before interest, taxation, operating exceptional items and goodwill amortisation as in their view this is the figure ordinarily communicated to Shareholders as a key measure of the Company's profitability.

(ii) Letters

The following letters have been delivered in connection with the profit estimate:

(a) Letter from Deloitte & Touche LLP

The Directors
Deltron Electronics plc
Suffolk House
Fordham Road
Suffolk
CB8 7AA

The Directors
Evolution Beeson Gregory
100 Wood Street
London
EC2V 7AN

28 October 2003

Dear Sirs

Deltron plc (the "Company")

We have reviewed the accounting policies and calculations used in preparing the profit before interest, taxation, operating exceptional items and goodwill amortisation for the Company and its subsidiaries (the "Group") for the year ended 30 September 2003 (the "profit estimate"), for which the Directors of the Company are solely responsible, set out in Part V of the prospectus of the Company dated 28 (the "Prospectus") (in which this letter will be included). The profit estimate takes account of the results shown by the unaudited interim accounts for the six months ended 31 March 2003, set out in Part IV of the Prospectus, and the results shown by unaudited management accounts of the Group for the six months ended 30 September 2003.

Responsibility

The profit estimate and the Prospectus in which it is included are the responsibility of the Directors of the Company. It is our responsibility to form an opinion on the profit estimate and to report our opinion to you.

Basis of opinion

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the profit estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis stated.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

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

Opinion

In our opinion, the profit estimate has been properly compiled on the basis stated by the Directors of the Company in Part V of the Prospectus and the basis of accounting is consistent with the accounting policies of the Group.

Yours faithfully

Deloitte & Touche LLP

(b) *Letter from Evolution Beeson Gregory*



The Directors
Deltron Electronics plc
Suffolk House
Fordham Road
Suffolk
CB8 7AA

28 October 2003

Dear Sirs,

We refer to the profit estimate for the 12 months ended 30 September 2003 of Deltron Electronics plc ("the Company") and its subsidiary undertakings contained within Part V of the prospectus of the Company dated 28 October 2003 (in which this letter will be included).

The estimates of the Company and its subsidiary undertakings are the sole responsibility of the Directors of the Company.

We have discussed the estimates with you and with Deloitte & Touche LLP, the Reporting Accountants. We have also considered the letter dated 28 October 2003 addressed to you and ourselves from Deloitte & Touche LLP regarding the accounting policies and calculations underlying the estimates.

We are satisfied that the estimates referred to above, for which you as Directors of the Company are solely responsible, have been made after due and careful enquiry.

Yours faithfully,

Chris Callaway
Director
Evolution Beeson Gregory Limited

PART VI

ADDITIONAL INFORMATION

1. Responsibility

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

<i>Director</i>	<i>Function</i>	<i>Business Address</i>
P. R. Gourmand	Non-executive Chairman	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA
C. J. Sawyer	Chief Executive	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA
D. P. O'Neill	Executive Director	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA
F. Feldman	Executive Director	ZI Vichy Rhue, 03300 Creuzier le Vieux, France
N. K. Nielsen	Executive Director	Banemarksvej 5DB, DK-2605 Brøndby, Denmark
Sir I. H. Cohen	Non-executive Director	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA
P. Romano	Non-executive Director	Via Fratelli di Dio 18, 20063 Cernusco s/N, Milan, Italy
D. T. Weir	Non-executive Director	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA

2. The Company

- (a) The Company was incorporated and registered in England and Wales on 28 May 1991 under the Act with registered number 2614913.
- (b) The registered office of the Company, which is also its head office, is Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA.
- (c) The principal objects of the Company are set out in clause 3 of its Memorandum of Association (which is available for inspection at the addresses specified in paragraph 17 below) and are, *inter alia*, to carry on the business of a holding company.

3. Subsidiary undertakings and principal establishments

- (a) The Company, which is the holding company of the Group, has the following subsidiary undertakings, each of which (other than as indicated) is directly or indirectly wholly-owned.

<i>Name</i>	<i>Country</i>	<i>Registered Office</i>	<i>Principal Activity</i>
Deltron Austria GmbH	Austria	Wilhelminenstrasse 91, A1160 Wien	Distribution of electromechanical components
Deltron Components GmbH	Germany	Postfach 82061 Neuried bei München	Distribution of electromechanical components
Deltron Conelec A/S	Denmark	Banemarksvej 50B DK-2605 Brøndby	Distribution of electromechanical components
Deltron Electronics Limited	Ireland	c/o CFI Limited 22 Northumberland Road, Ballsbridge, Dublin 4	Dormant
Deltron Emcon Limited	UK	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA	Manufacture of electronic components
Deltron EMC Sasu	France	11 rue des Herbiers 25190 Noire Fontaine	Manufacture of filters
Deltron EUROiNDustrie SA*	France	ZI Vichy Rhue 03300 Creuzier le Vieux	Distribution of electromechanical components
Deltron Freber AB	Sweden	Solkraftsvägen 31 S-135 70 Stockholm	Distribution of electromechanical components
Deltron Hawnt Limited	UK	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA	Dormant
Deltron Holdings Limited	UK	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA	Intermediate holding company
Deltron UK Limited	UK	24 Great King Street, Edinburgh EH3 6QN	Distribution of electromechanical components
FFT Skrubba KB	Sweden	Solkraftsvägen 31 S-135 70 Stockholm	Property holding partnership
Futters (London) Limited	UK	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA	Dormant
Media Products Limited	UK	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA	Dormant
Roxburgh Foxhills Limited	UK	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA	Dormant
Roxburgh Printers Limited	UK	Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA	Dormant
Deltron Euroind Srl	Italy	Via Fratelli di Dio 18 20063 Cernusco S/N, Milan	Distribution and assembly of electromechanical components
Deltron Radikor BV	Netherlands	De Steiger 131 1351 AM Almere-Haven	Distribution of electromechanical components

* The Company owns 98.6 per cent. of the issued share capital of Deltron EUROiNDustrie SA and has the right to purchase all of the other issued shares in the capital of Deltron EUROiNDustrie SA at any time for nominal consideration.

(b) Summary details of the principal establishments of the Group are as follows:

<i>Address</i>	<i>Tenure</i>	<i>Area (square metres)</i>
Solkraftsvagen 31 S-135 70 Stockholm Sweden	Freehold	1,520
ZI Vichy Rhue 03300 Creuzier le Vieux Vichy France	Leasehold	574 (Warehouse) 249 (Offices)
Postfach 82061 Neuried bei Munchen Munich Germany	Leasehold	1,000 (Offices) 500 (Warehouse)
Via Fratelli di Dio 18 20063 Cernusco s/N Milan Italy	Leasehold	1,400
Foxhills Industrial Park Scunthorpe North Lincolnshire DN15 8QJ UK	Leasehold	5,100
Emcon House Hargreaves Way Sawcliffe Industrial Park Scunthorpe North Lincolnshire DN15 8XF UK	Leasehold	3,716
Wilhelminenstrase 91 A1160 Wien Vienna Austria	Leasehold	200
Banemarksveg 50B DK-2605 Brondby Copenhagen Denmark	Leasehold	431

4. Share capital

- (a) The following table shows the authorised and issued share capital of the Company as it is at present and as it would be following the issue of the New Ordinary Shares:

	<i>Authorised ordinary shares of 5p</i>		<i>Issued and fully paid or credited as fully paid</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
At Present	40,000,000	2,000,000.00	29,446,882	1,472,344.10
Following the issue of New Ordinary Shares	60,000,000	3,000,000.00	41,067,454	2,053,372.70

- (b) At an extraordinary general meeting of the Company held on 15 December 2000, resolutions were passed as follows:
- (i) increasing the authorised share capital of the Company from £1,462,500 to £2,000,000 by the creation of 10,750,000 Ordinary Shares;
 - (ii) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £875,000 such authority to expire (except as therein mentioned) on the fifth anniversary of the passing of the resolution; and
 - (iii) the Directors were empowered, for the period of their authority in paragraph (ii) above, to allot equity securities (as defined in section 94 of the Act) for cash free from the pre-emptive provisions of section 89(1) of the Act for the purposes of (a) the allotment of 5,761,942 Ordinary Shares under the placing and open offer described in a circular of the Company to the Shareholders dated 22 November 2000; (b) rights issues and other pre-emptive issues but with flexibility to deal with fractional entitlements and overseas regulatory problems; and (c) generally up to an aggregate nominal amount of £70,500 such authority to expire (except as therein mentioned) on the fifth anniversary of the passing of the resolution.
- (c) On 28 August 2002, 1,197,359 Ordinary Shares of 5 pence each were allotted and issued to certain Directors and employees of the Company at 59 pence per share pursuant to a private placement.
- (d) Save as disclosed in sub-paragraphs (b) and (c) above and in paragraph 9(iii) and (iv) below and for the issue and repayment of the DM 1,400,000 loan notes issued as part of the consideration paid to acquire Deltron Components GmbH and the £3,900,000 loan notes issued as part of the consideration paid to acquire Deltron Hawnt Limited, within the three years immediately preceding the date of this document:
- (i) there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any of its subsidiaries other than intra-group issues by wholly-owned subsidiaries and *pro rata* issues by partly owned subsidiaries; and
 - (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital of the Company or any of its subsidiaries.
- (e) For the purposes of implementing the Placing and Open Offer, a special resolution will be proposed at an Extraordinary General Meeting under which, subject to the Placing Agreement having become unconditional (save as regards the Admission condition therein and the passing of the Resolutions) and not having been terminated in accordance with its terms:
- (i) the authorised share capital of the Company will be increased from £2,000,000 to £3,000,000, by the creation of 20,000,000 new Ordinary Shares (representing a 50 per cent. increase in the authorised share capital of the Company at the date of this document);
 - (ii) the Directors will be generally and unconditionally authorised in accordance with Section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £800,000 (representing 16,000,000 Ordinary Shares and approximately 54.3 per cent. of the issued share capital of the Company at the date of this document and 36.9 per cent. of the issued share capital of the Company as enlarged by the issue of the New Ordinary Shares

and on a fully diluted basis assuming the exercise of options currently outstanding), such authority to expire (except as therein mentioned) on the fifth anniversary of the passing of the Resolution; and

- (iii) the Directors will be empowered, for the period of their authority in paragraph (ii) above, to allot equity securities (as defined in Section 94 of the Act) pursuant to such authority for cash free from the pre-emptive provisions of section 89(1) of the Act for the purposes of (a) the allotment of the 11,620,572 New Ordinary Shares under the Placing and Open Offer; (b) rights issues and other pre-emptive issues but with flexibility to deal with fractional entitlements and overseas regulatory problems; and (c) generally up to an aggregate nominal amount of £102,700 which latter amount will represent approximately 5 per cent. of the Company's issued capital as enlarged by the issue of the New Ordinary Shares under the Placing and Open Offer;
- (f) The New Ordinary Shares are to be issued pursuant to the Placing and Open Offer. The Issue Price is 60p per share payable in cash as described in Part II of this document and represents a premium of 55p or 1100 per cent. over the nominal value per Ordinary Share.
- (g) The New Ordinary Shares will not be marketed, nor are they available, in whole or in part, to the public in connection with the application for their listing other than in connection with the Open Offer.
- (h) The existing issued Ordinary Shares are listed on the Official List and are traded on the London Stock Exchange's market for listed securities.
- (i) Applications have been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively.
- (j) The existing Ordinary Shares and New Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 or under the securities laws of Canada, Australia, Japan or the Republic of Ireland and may not, subject to certain exemptions, be sold within the United States of America, Canada, Australia, Japan or the Republic of Ireland.
- (k) Temporary documents of title will not be issued and, pending despatch of share certificates, transfers will be certified against the share register. The New Ordinary Shares will be in registered form and capable of being held in uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Company's Articles of Association permit the holding and transfer of shares under CREST. The Directors have applied for the New Ordinary Shares to be admitted to CREST and it is expected that the New Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable following the Placing and the Open Offer. Accordingly, settlement of transactions in the Ordinary Shares following the Placing and Open Offer may take place within CREST if the relevant shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons applying for New Ordinary Shares under the Placing and the Open Offer may, however, elect to receive New Ordinary Shares in uncertificated form if, but only if, that person is a CREST member. Where the New Ordinary Shares are not to be held in uncertificated form, it is expected that share certificates will be despatched at the risk of the persons entitled thereto by 28 November 2003.
- (l) Save as disclosed in this paragraph 4 and in paragraph 6 below, as at 27 October 2003 (being the latest practicable date prior to the publication of this document), no share of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option.
- (m) The Directors have no present intention to issue any of the unissued Ordinary Shares following completion of the Placing and Open Offer, except on the exercise of options under the Share Option Schemes and other options held by the Directors, and no such issue will be made by the Company which would effectively alter its control or the nature of its business without the prior approval of the Company in general meeting.
- (n) 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 are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the Special Resolution referred to at paragraph 4(e) above.

5. Articles of association

The articles of association of the Company (the "Articles") contain provisions, *inter alia*, to the following effect:

(a) Voting

Subject to any rights or restrictions as to voting attached to any class of shares at any general meeting:

- (i) on a show of hands every member who is present in person shall have one vote; and
- (ii) on a poll every member who is present in person or by proxy has one vote for every share of which he is the holder.

A member is not entitled to vote if any calls or other monies due in respect of his shares remain unpaid and a shareholder may be disenfranchised where he, or a person appearing to be interested in shares, fails to comply with a notice from the Company requiring him to indicate the capacity in which he holds such shares or any interest in them.

(b) Dividends and distributions

Dividends may be declared by ordinary resolution but shall in no event exceed the amount recommended by the directors.

Subject to the rights of persons (if any) entitled to shares with special dividend rights, all dividends will be paid according to the amounts paid up (other than amounts paid up in advance) on the shares in respect of which the dividend is paid.

If any member or any other person appearing to be interested in shares held by that member representing 0.25 per cent. or more of the class of shares concerned shall be in default in supplying to the Company any information required by any notice given pursuant to section 212 of the Act, the Directors may by notice to such member direct that any dividend (or any part thereof) or other monies payable on such shares in the Company in lieu of any dividends in accordance with the Articles shall be of no effect.

For so long as the Company has only one class of shares, on a liquidation of the Company the holders of shares are entitled *pari passu* amongst themselves in proportion to their shareholdings and to the amounts paid up or credited as paid up on their shares to share in any surplus assets of the Company.

(c) Unclaimed dividends

Any dividends unclaimed may be used for the benefit of the Company until claimed. Any dividend which is still unclaimed twelve years after having become due for payment shall be forfeited and shall revert to the Company.

(d) Untraced shareholders

The Company may sell any shares in the Company of a member who is untraceable if, during a period of twelve years:

- (i) no cheque, order or warrant addressed to the member or the person entitled to such shares by transmission has been cashed;
- (ii) no communication has been received from such member or any person entitled to the shares by transmission;
- (iii) the Company has paid at least three cash dividends (whether interim or final) and no such dividend has been claimed; and
- (iv) the Company gives notice to the London Stock Exchange and in both a national newspaper and a newspaper circulating in the area where the member's last known address is located of its intention to sell.

(e) Transfer of shares

All transfers of shares shall be effected by instrument in writing, in any usual or common form or in any other form acceptable to the Directors and shall be signed by or on behalf of the transferor and, if the share is partly paid, by the transferee. The Directors may, in their absolute discretion and without

assigning any reason therefore, decline to register any transfer of a share which is not fully paid provided that such refusal does not prevent dealings in such shares on an open and proper basis. The Articles contain no restrictions on the free transferability of fully paid shares (unless to an infant or a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which remains undischarged or a person who is a patient within Part VII of the Mental Health Act 1983) provided that the instrument of transfer is in favour of not more than four transferees, is duly stamped (if so required), the provisions in the Articles relating to the deposit of instruments of transfer have been complied with and the member is not in default of any notice duly served under section 212 of the Act in circumstances described in the Articles.

The Directors have discretion to issue shares and to accept transfers of shares in uncertificated form subject only to the requirements of the CREST Regulations including any modification thereof or any regulations in substitution therefore made under section 207 of the Act.

(f) *Alteration of capital*

The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital;
- (ii) cancel any shares where at the date of passing of the resolution no person has taken, or agreed to take, such shares and diminish the amount of its capital by the amount of shares so cancelled; and/or
- (iii) sub-divide its shares or any of them into shares of smaller amounts.

The Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner and with and subject to any conditions, authorities and consents required by law.

6. Directors' and other interests

- (a) As at 27 October 2003 (the latest practicable date before publication of this document) the interests of the Directors and (so far as is known to the Directors or could with reasonable diligence be ascertained by them) of persons connected with the Directors within the meaning of section 346 of the Act in the issued share capital of the Company, as required to be notified to the Company pursuant to sections 324 or 328 of the Act or as required to be shown in the register maintained under section 325 of the Act all of which are beneficial as stated below, were as follows:

<i>Director</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital prior to the issue of New Ordinary Shares</i>	<i>No. of Ordinary Shares after the issue of New Ordinary Shares</i>	<i>Percentage of issued share capital after the issue of New Ordinary Shares</i>
P. R. Gourmand	92,564	0.31 per cent.	92,564	0.23
C. J. Sawyer	2,060,895	7.00 per cent.	2,060,895	5.02
D. P. O'Neill	nil	nil	70,000	0.17
F. Feldman	360,000	1.22 per cent.	360,000	0.88
N. K. Nielsen	445,251	1.51 per cent.	445,251	1.08
Sir I. H. Cohen	184,818	0.63 per cent.	184,818	0.45
P. Romano	393,889	1.34 per cent.	393,889	0.96
D. T. Weir	17,640	0.06 per cent.	49,110	0.12

- (b) As at 27 October 2003 (the latest practicable date before publication of this document) the Directors held options to subscribe for Ordinary Shares as follows:

<i>Directors</i>	<i>No. of Ordinary Shares under option</i>	<i>Exercise Price (p)</i>	<i>Date Granted</i>	<i>Date when Exercisable</i>	<i>Expiry Date</i>
<i>1993 Scheme</i>					
F. Feldman	126,000	49.6	06.02.96	06.02.99	06.02.06
<i>1993 Executive Share Scheme</i>					
C. J. Sawyer	400,000	110	14.01.99	14.01.02	14.01.09
	259,184	73.5	03.12.02	03.12.05	03.12.12
	40,816	73.5	03.12.02	03.12.05	03.12.12
D. O'Neill	40,816	73.5	03.12.02	03.12.05	03.12.12
	209,184	73.5	03.12.02	03.12.05	03.12.12
F. Feldman	100,000	73.5	03.12.02	03.12.05	03.12.12
N. K. Nielsen	100,000	73.5	03.12.02	03.12.05	03.12.12
P. Romano	50,000	67	16.07.02	16.07.05	16.07.12

- (c) The following options are outstanding under the Share Option Schemes, including those granted or proposed to be granted to the Directors as described in paragraph 6(b) above:

<i>Share Option Scheme</i>	<i>No. of Ordinary Shares under option</i>	<i>Exercise Price (p)</i>	<i>Date Granted</i>	<i>Date when Exercisable</i>	<i>Expiry Date</i>
The 1993 Share Option Scheme	126,000	49.6	06.02.96	06.02.99	06.02.06
The 1996 Executive Share Option Scheme	468,808	110	14.01.99	14.01.02	14.01.09
	40,514	116	01.12.99	01.12.02	01.12.09
	50,000	77	01.10.99	01.10.02	01.10.09
	469,393	67	16.07.02	16.07.05	01.10.12
	750,000	73.5	03.12.02	03.12.05	03.12.12
	44,051	113.5	07.12.98	07.12.01	07.12.08
	10,000	150	30.09.96	30.09.99	30.09.06
	63,472	140	05.01.01	05.01.04	05.01.10
The 1996 Employee Share Option Scheme	25,000	110	14.01.99	14.01.02	14.01.09
	18,964	116	01.12.99	01.12.02	01.12.09
	—	77	01.10.99	01.10.02	01.10.09
	71,616	67	16.07.02	16.07.05	01.10.12
	131,928	73.5	03.12.02	03.12.05	03.12.12
	23,787	113.5	07.12.98	07.12.01	07.12.08
	7,000	150	30.09.96	30.09.99	30.09.06
	32,844	140	05.01.01	05.01.04	05.01.10

- (d) The Directors of the Company are as follows:

Paul Rene Gourmand, Non-executive Chairman, aged 66

P. R. Gourmand began his career with Unilever plc, where he held various positions over fifteen years. Subsequently, he became managing director of several private companies before joining TKM Foods Limited, a subsidiary of TKM (Holdings) plc. He is now chairman and/or a non-executive director of a number of companies, including Vantis plc (of which he is chairman) which was floated on the Alternative Investment Market of the London Stock Exchange on 1 May 2002. He was appointed non-executive chairman of Deltron in January 1993. He is chairman of the remuneration committee and serves on the audit committee.

Christopher John Sawyer Group, Chief Executive, aged 57

With a background in business development at Smedley's Limited, C. J. Sawyer joined Cirkit Holdings plc, a subsidiary of A F Bulgin & Company plc as chief executive in 1983. In 1987, he established a management consultancy company, Hartshield Limited, to undertake advisory assignments for a variety of private companies. He has been the chief executive of Deltron since leading the management buy-in in 1991.

Derek Patrick O'Neill, FCMA, Group Finance Director, aged 40

D. P. O'Neill joined the Board in October 2002. Before joining the Company, he spent five years with NWP Communications, a telecoms business, first as finance director and later as chief executive. He trained with BP plc, and qualified as a Fellow of Chartered Institute of Management Accountants in 1987.

François Feldman, Executive Director, aged 62

F. Feldman worked in sales and marketing within the metals industry for 12 years, before becoming managing director of the EUROiNDustrie Group in 1977. EUROiNDustrie was acquired by the Group in October 1995 and he joined the Board at that time. He is President of the Group's French interests.

Niels Kristian Nielsen, Executive Director, aged 57

N. K. Nielsen joined the Board as an executive Director and is also the managing Director of Deltron Conelec A/S in Denmark. He has been involved in the electromechanical industry since 1979 first as an employee and then by founding his own business, Conelec A/S, in 1989. He sold Conelec A/S (now Deltron Conelec A/S) to the Group in 1997. He joined the Board as a non-executive Director in 2001.

Sir Ivor Harold Cohen, CBE, TD, Hon.F.En, Non-executive Director aged 72

Sir I. H. Cohen joined Mullard Limited in 1957 and was managing director of that company from 1979 to 1987 and a director of its parent company, Philips Electronics UK Limited, from 1984 to 1987. He was chairman of Remploy Limited from 1987 to 1993 and has been a director of a number of other companies. He has also served on a number of Government advisory bodies. He was chairman of the Japan Electronics Business Association from 1991 to 2002 and a member of the European Advisory Board of Mitsubishi Electric Europe BV. He is chairman of the Company's audit committee. Sir Ivor will be retiring from his directorship of the Company at the end of 2003.

Pierre Romano, Non-executive Director, aged 64

P. Romano obtained a BSc in Physics from the University of Leicester and has been involved in the electronic and electromechanical components industry all his professional life. He was managing director of Tekelec Airtronic Spa in Italy for 7 years from August 1968 to August 1975. In 2001, he sold his Italian companies (Camax Electronics Srl, Euroind Srl, and C & K Components SpA), to the Group and, at that time, became president of the board of Camax Electronics Srl. He joined the Board as a non-executive Director in 2001.

David Thomas Weir FCA, Non-executive Director, aged 57

D. T. Weir joined the Board as a non-executive Director on 23 September 2003 and will succeed Sir Ivor Cohen as chairman of the audit committee in January 2004. He currently serves on both the remuneration and audit committee. He held various positions with Cape Industries plc from 1970 to 1984 and joined Cleanaway Limited, a waste management company in 1985 as financial director, becoming managing director in 1990. David left Cleanaway to join the Caird Group plc as chief executive in April 1993, a position he held until June 1999. His current non-executive directorships include the Dee Valley Group plc.

(e) The Directors:

- (i) are or have been directors or partners of the following companies (in addition to Group Companies) at any time in the previous five years:

<i>Director</i>	<i>Position</i>	<i>Company/Partnership</i>	<i>Position still held</i>
P. R. Gourmand	Director	Anglian Fast Foods Limited	No
	Director	Assistlight Limited	Yes
	Director	IQS Food Solutions Limited	No
	Chairman	Lark Valley Foods Limited	No
	Director	Paradise Foods Limited	Yes
	Director	Pineasti Limited	Yes
	Chairman	Radley Kemble Limited	No
	Chairman	Rayner Food Group Limited	No
	Director	Redbridge Holdings Limited	Yes
	Chairman	Robinia Group plc	No
	Chairman	S&A Foods Limited	No
	Director	Stonegate Farms Limited	No
	Chairman	Vantis plc	Yes
C. J. Sawyer	Director	Hartshield Limited	Yes
	Director	Moreton Hall School Trust Limited	Yes
D. O'Neill	Director	NWP Communications Limited	No
	Director	Signature Quality Refurbished Homes Limited	Yes
F. Feldman	—	None	—
N. K. Nielsen	Director	Ivan Grundahl AS	Yes
	Director	N2 AS	Yes
	Director	Pertinax ApS	Yes
	Director	Uni-el AS	Yes
Sir I. H. Cohen	Director	Oce (UK) Limited	No
	Director	PA Holdings Limited	No
	Director	Scientific Instrument Makers Hall Limited	No
	Director	Sira Limited	No
P. Romano	Director	Camax Distribution Systems Srl	Yes
	Director	Foster & Sons Limited	Yes
D. T. Weir	Director	A Cohen and Co plc	No
	Director	Caird Bardon Limited	No
	Director	Caird Group plc	No
	Director	Dee Valley Group plc	Yes
	Director	E W Beard (Holdings) Limited	Yes
	Director	Phoenix Timber Group Plc (The)	Yes
	Director	Robert Cavendish & Company Limited	No
	Director	Robinland Limited	No
	Director	The Analysis & Research Company Limited	Yes

- (ii) have no unspent convictions relating to indictable offences;

- (iii) have had no bankruptcies or individual voluntary arrangements;

- (iv) save with regard to the disclosure in respect of Derek O'Neill as described in paragraph (f) below, have not been directors with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation,

administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;

- (v) have not been partners of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangements of such partnership;
 - (vi) have not been partners of any partnership at the time of or within 12 months preceding a receivership of any assets of such partnership;
 - (vii) have not had any of their assets subject to any receivership; and
 - (viii) have not received any public criticisms by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- (f) Derek O'Neill was a director of NWP Communications Limited (and its subsidiaries), a telecoms group, for five years (first as finance director and later as chief executive). The NWP Communications Limited group contained two distinct trading businesses operating through separate subsidiaries. All the companies within this group went into administrative receivership in April 2002, with an estimated aggregate deficiency to creditors of approximately £35 million, largely due to the termination of a primary contract of one of the trading businesses which affected the group's turnover and its ability to continue trading. The payphone business of the group continued to trade and was sold as a going concern in June 2002;
- (g) At 27 October 2003 (the latest practicable date prior to publication of this document) and in addition to the Directors' interests described above, the Directors were aware of the following persons who directly or indirectly are or will be, following Admission, interested in 3 per cent. or more of the issued ordinary share capital of the Company:

<i>Name</i>	<i>No. of Ordinary Shares</i>	<i>Present percentage of issued share capital</i>	<i>Expected percentage of issued capital following issue of New Ordinary Shares†</i>
Unicorn Asset Management Limited	8,366,317	28.41	28.41
Artemis Investment Management Limited	2,360,953	8.02	5.75
Merrill Lynch Investment Managers Limited	2,323,872	7.89	5.66
Acal plc	2,160,000	7.34	5.26
Herald Investment Management Limited	885,271	3.01	2.16

† These percentages do not take into account any New Ordinary Shares which may be taken up by such Shareholder pursuant to the Placing and Open Offer, save for Unicorn which has irrevocably undertaken to take up its full entitlement to 697,193 Open Offer Shares under the terms of the Open Offer and will subscribe for a further 2,604,392 New Ordinary Shares pursuant to the Placing.

- (h) Save as described in paragraph 6(g) above, the Directors are not aware of any person who is now or who, immediately following Admission, will be interested directly or indirectly (within the meaning of Part VI of the Act) in 3 per cent. or more of the ordinary share capital of the Company.
- (i) Save as disclosed in paragraph 9, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and was effected during the current or immediately preceding financial year or effected during any earlier financial year and which remains in any respect outstanding or unperformed.
- (j) The Directors are not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- (k) There are no outstanding loans granted by the Company to any of the Directors nor has any guarantee been provided by a member of the Group for the benefit of any of the Directors.

7. Directors' service contracts and emoluments

- (a) On 29 November 2002 the Company entered into a new service agreement with C. J. Sawyer pursuant to which he continued to be engaged as chief executive of the Company. Mr Sawyer is entitled to a basic

annual salary of £200,000 and such annual bonus as the remuneration committee of the Board shall from time to time determine. He is also entitled to participate in such share schemes of the Company as the Board may in its absolute discretion permit. In addition, the Company has agreed to provide a pension contribution of 15 per cent. of basic salary. The service agreement will continue unless terminated by either party on at least 12 months' written notice and the Company reserves the right, regardless of whether or by whom notice has been served, to make a payment in lieu as detailed in the agreement.

- (b) On 1 October 2002 the Company entered into a service agreement with D. P. O'Neill pursuant to which he has been engaged as Group finance director. Mr O'Neill is entitled to an annual salary of £150,000 and to participate in such bonus arrangements and share schemes of the Company as the remuneration committee of the Board shall in its absolute discretion from time to time determine. He is entitled (together with his spouse and children under 21) to participate in any arrangement for private medical treatment operated from time to time by the Company. The agreement will continue until terminated by either party on at least 12 months' written notice and the Company reserves the right, regardless of whether or by whom notice has been served, to make a payment in lieu as detailed in the agreement.

- (c) On 19 September 1996, the Company entered into an agreement with F. Feldman, which was supplemental to an existing Agreement between Deltron EUROiNDustrie SA and Mr Feldman dated 16 October 1995 as amended by a supplemental agreement of 19 September 1996 between Mr Feldman, Deltron EUROiNDustrie SA and C&K Composants SA ("the French Service Agreement"). Following a corporate re-organisation, the assets and undertaking of C&K Composants S.A. are now owned by Deltron EUROiNDustrie S.A. Pursuant to this agreement ("the Group Agreement"), Mr Feldman agreed to an extension of his responsibilities to include such duties as the Board may from time to time reasonably require in respect of members of the Group other than Deltron EUROiNDustrie SA. Mr Feldman is not entitled to any additional remuneration beyond that provided for in the French Service Agreement except as may be agreed by the remuneration committee and approved by the Board. The Group Agreement will continue until terminated by not less than 12 months' written notice by either party.

Pursuant to the French Service Agreement, Mr Feldman is engaged as president and commercial director of Deltron EUROiNDustrie SA and is presently entitled to a basic annual salary of €204,877 (£143,271) together with an additional amount equivalent to one month's salary €17,073 (£11,939) to be paid to him each year in equal instalments in June and December. Mr Feldman is entitled to the use of a car and an apartment, contribution to personal pension and life assurance schemes. The French Service Agreement continues indefinitely unless terminated by either party giving six months' notice. In the event that the French Service Agreement is terminated by Deltron EUROiNDustrie SA (except in the case of gross misconduct or incompetence) Mr Feldman is entitled to compensation (in addition to any statutory compensatory entitlement) of €152,449 (£106,608) together with an additional payment equivalent to approximately 15 per cent. of his gross annual salary. The French Service Agreement also provides for an additional payment to Mr Feldman equal to 33 per cent. of Mr Feldman's monthly salary throughout such period as Deltron EUROiNDustrie SA wish to enforce non-competition covenants contained in the French Service Agreement.

- (d) On 1 October 2000 Deltron Conelec A/S entered into a service agreement with N. K. Nielsen pursuant to which he has been engaged as managing director of Deltron Conelec A/S. Mr Nielsen is entitled to a basic annual salary of DKK 1,500,000 (£140,713). Deltron Conelec A/S has agreed to contribute 10 per cent. of his basic annual salary to a personal pension and/or life insurance scheme of his choice and to provide him with a company car. The agreement will continue until terminated by either party on at least 12 months' written notice.
- (e) P. Romano does not have a written service agreement with any member of the Group. However, the sale and purchase agreement dated 5 July 2001 referred to in paragraph 9(iii) below contains a clause pursuant to which P. Romano was appointed as director and chairman of Camax Electronics Srl, Euroind Srl and C&K Components SpA (now consolidated to form Deltron Euroind Srl) until 30 September 2004. Mr Romano's current remuneration is fixed at €100,000 (£69,930) per annum. He is entitled to payment of his social security contributions, the maintenance costs of his personal car up to an annual sum of €14,500 (£10,140) and the refund of all office related expenses. Mr Romano's engagement as a non-executive director of the Company is terminable on 12 months' written notice.
- (f) Under the terms of their letters of engagement as non-executive directors of the Company, dated 19 September 1996, in the case of P. R. Gourmand and Sir I. H. Cohen, and dated 23 September 2003 in the case of D. T. Weir, P. R. Gourmand, Sir I. H. Cohen and D. T. Weir are entitled to annual fees of

£38,700 per annum, £12,900 per annum and £24,000 respectively (plus value added tax, if applicable). Their engagements are subject to re-election and retirement by rotation under the provisions of the Articles and will cease upon failure to be re-elected or on the giving of 12 months' written notice of termination of their engagements by the Company in the case of P. R. Gourmand and Sir I. H. Cohen and 6 months' written notice in the case of D. T. Weir. In the case of P. R. Gourmand, his services are supplied by Pineasti Limited and fees in respect of his services are paid to that company. Sir I. H. Cohen will be retiring from his directorship of the Company at the end of 2003.

- (g) The aggregate emoluments of the Directors of the Company (including benefits in kind) for the year ended 30 September 2003 amounted to £904,000.

8. Share Option Schemes and terms of individual options

(a) The 1993 Share Option Scheme

The following sets out the principal terms of the 1993 Share Option Scheme under which no further options may be granted.

- (i) An option is generally capable of exercise at any time, but in no event later than seven years after the date of grant. Options may be exercised in whole or in part provided that any partial exercise of an option shall be in respect of a minimum of 500 shares.
- (ii) An option will lapse if the optionholder leaves the employment of the Group unless this is as a result of his employment being terminated by reason of ill health or the Board in its discretion permits exercise.
- (iii) An option is personal to the participant to whom it is granted and cannot be transferred to a third party, save in limited circumstances. Benefits under this scheme are not pensionable.
- (iv) Ordinary Shares allotted on exercise of an option granted under the 1993 Share Option Scheme will rank *pari passu* in all respects with the Ordinary Shares in issue at the date of exercise, save as regards any rights attaching to Ordinary Shares by reference to a record date prior to the date of such allotment.
- (v) In the event of any capitalisation or rights issue or any sub-division, consolidation or reduction of the share capital of the Company, the subscription price payable on the exercise of an option and/or the nominal value and/or the number of shares under option or available under the 1993 Share Option Scheme and/or the rights attaching thereto may be adjusted by the Board as it may determine to be appropriate.
- (vi) If another company obtains control of the Company, a participant may, with the agreement of the acquiring company, transfer his rights under the 1993 Share Option Scheme to such other company by the grant to him of equivalent rights to shares in that other company, but if there is no such agreement by the acquiring company, all outstanding options will lapse in the event that control of the Company is acquired by the other company.

(b) The 1996 Executive Share Option Scheme

(i) General

The 1996 Executive Share Option Scheme was adopted by the Board on 4 September 1996. The 1996 Executive Share Option Scheme is divided into two sections. Section A is approved by the Inland Revenue. Section B is not approved by the Inland Revenue and is used to grant options in excess of the individual limits permitted under Inland Revenue approved schemes. Save to the extent required in order to obtain Inland Revenue approval, Sections A and B of the 1996 Executive Share Option Scheme are in all material respects identical.

The operation of the 1996 Executive Share Option Scheme is administered by the remuneration committee of the Board.

(ii) Eligibility

All executive directors and employees of participating companies within the Group may be eligible to participate at the discretion of the Board.

(iii) *Grant of options*

Options may be granted within six weeks after the announcement by the Company of its annual or interim results and at other times in circumstances considered by the Board to be exceptional. No options may be granted later than ten years after the adoption of the 1996 Executive Share Option Scheme.

(iv) *Exercise price*

The price per Ordinary Share payable upon the exercise of an option will not be less than the market value of the shares at the time of grant (or its nominal value, if higher).

(v) *Limits on the issue of shares*

The total number of Ordinary Shares issued and issuable pursuant to grants of options made under the 1996 Executive Share Option Scheme and any other employees' share schemes in any ten year period may not exceed 3 per cent. of the Company's issued ordinary share capital.

Ordinary Shares issued and remaining issuable in respect of rights granted prior to 26 September 1996 under the 1993 Executive Share Option Scheme and the options referred to in paragraph 6(b)(i) above are not taken into account in calculating the limits set out above.

(vi) *Individual limits*

Under Section A of the 1996 Executive Share Option Scheme, grants of options are limited to £30,000 worth of Ordinary Shares per employee, calculated by reference to the market value of the Company's shares at the time the options are granted.

Under Section B of the 1996 Executive Share Option Scheme, no option may be granted if its subscription price, when aggregated with the aggregate subscription prices of shares issued and issuable to an individual pursuant to options and other rights held by him at the time of grant under the 1996 Executive Share Option Scheme and any other employees' share scheme (other than a scheme for the benefit of the majority of employees) and granted within the previous ten years, exceeds five times his earnings at that time expressed on an annual basis or, if greater, his actual earnings for the twelve month period ended on the relevant date of grant.

(vii) *Exercise of options*

An option will normally be exercisable between three and ten years following its grant provided that any performance condition subject to which it is granted has been satisfied. Options will normally be subject to performance conditions determined by the remuneration committee by reference to the attainment by the Company of a specified level of profit or performance.

Options will normally lapse on cessation of employment. However, options will become exercisable immediately (irrespective of the period for which the option has been held or whether any performance condition has been satisfied) on the death of the optionholder or following cessation of employment due to ill-health, redundancy or retirement or on the optionholder ceasing to be an eligible employee by reason of the sale of his employing company or of the business by which he is employed. Options will also become exercisable in the event of a takeover, takeover offer, amalgamation, reconstruction or winding-up of the Company. The Board also has discretion to permit exercise of the option where the optionholder ceases to be an eligible employee for any other reason.

(viii) *Rights attaching to the shares*

Ordinary Shares allotted under the 1996 Executive Share Option Scheme will rank *pari passu* with the Ordinary Shares of the Company already in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of exercise of the option). Options are not transferable and benefits under this scheme are not pensionable.

(ix) *Adjustment of Options*

In the event of any variation of share capital, the Board may, with the consent of the Company's auditors, make such adjustments as it considers appropriate to the total number of shares subject to options and the price payable on exercise of options. In relation to options granted under the

approved section of the 1996 Executive Share Option Scheme, any such adjustment must receive the prior approval of the Inland Revenue.

(x) *Alteration of the 1996 Executive Share Option Scheme*

The Board may at any time alter or add to the 1996 Executive Share Option Scheme in any respect provided that the prior approval of the Company in general meeting is obtained for alterations or additions to the persons eligible to participate, to the limits on the number of shares subject to the 1996 Executive Share Option Scheme, to the maximum entitlement for any participant and to the basis of determining that entitlement which are to the advantage of participants (save for minor amendments to benefit the administration of the 1996 Executive Share Option Scheme, to take account of changes in legislation or to obtain or to maintain favourable taxation, exchange control or regulatory treatment for participants or for the Company or its subsidiaries). Any amendment to Section A of the 1996 Executive Scheme will be ineffective until approved by the Inland Revenue.

(c) The 1996 Employee Share Option Scheme

(i) *General*

The 1996 Employee Share Option Scheme was adopted by the Board on 4 September 1996. As with the 1996 Executive Share Option Scheme, it is divided into two sections, section A being approved by the Inland Revenue. Save to the extent required to obtain Inland Revenue approval, the Section A of the 1996 Employee Share Option Scheme and the unapproved Section B of the 1996 Employee Share Option Scheme are in all material respects identical.

The operation of the 1996 Employee Share Option Scheme is administered by the remuneration committee of the Board.

(ii) *Eligibility*

All employees (excluding directors) of participating companies within the Group are eligible to participate at the discretion of the Board, although the 1996 Employee Share Option Scheme cannot be operated so as to discriminate in favour of higher paid employees.

(iii) *Grant of options*

Options may be granted within six weeks after the announcement by the Company of its annual or interim results and at other times in circumstances considered by the Board to be exceptional. No options may be granted later than ten years after the adoption of the 1996 Employee Share Option Scheme.

(iv) *Exercise price*

The price per Ordinary Share payable upon the exercise of an option will not be less than the market value of the share at the time of grant (or its nominal value, if higher).

(v) *Limits on the issue of shares*

The total number of shares issued and issuable pursuant to grants of options made under the 1996 Employee Share Option Scheme and any other employees' share schemes in any ten year period may not exceed ten per cent. of the Company's issued ordinary share capital.

Ordinary Shares issued and remaining issuable in respect of rights granted prior to 26 September 1996 under the 1993 Executive Share Option Scheme and the options referred to in paragraph 6(b)(i) above will not be taken into account in calculating the limits set out above.

(vi) *Individual limits*

Under Section A of the 1996 Employee Share Option Scheme, grants of options are limited to £30,000 worth of Ordinary Shares per employee, calculated by reference to the market value of the Company's shares at the time the options are granted.

Under Section B of the 1996 Employee Share Option Scheme, no option may be granted if its subscription price, when aggregated with the subscription prices of shares issued and issuable to an individual pursuant to options and other rights held by him under the 1996 Employee Share Option Scheme and any other employees' share scheme (and granted within the previous ten years), exceeds four times his earnings at that time expressed on an annual basis, or if greater, his actual earnings for the twelve month period ended on the relevant date of grant.

(vii) *Exercise of options*

An option will normally be exercisable between three and ten years following the grant. The exercise of options under the 1996 Employee Share Option Scheme will not be made subject to the attainment of one or more performance conditions.

Options will normally lapse on cessation of employment. However, options will become exercisable immediately (irrespective of the period for which the option has been held) on the death of the optionholder or following cessation of employment due to ill health, redundancy or retirement or the optionholder ceasing to be an eligible employee by reason of the sale of his employing company or of the business by which he is employed. Options will also become exercisable in the event of a takeover, takeover offer, amalgamation construction or winding up of the Company. The Board also has a discretion to permit exercise of any option where the optionholder ceases to be an eligible employee for any other reason.

(viii) *Miscellaneous*

The 1996 Employee Share Option Scheme has identical provisions to those set out in paragraph 8(b)(viii), (ix) and (x) of the summary of the 1996 Executive Share Option Scheme.

9. Material contracts

The following contracts, not being entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries (i) in the two years preceding publication of this document and are or may be material or (ii) contain provisions under which any of the Company or its subsidiaries has an obligation or entitlement which is material to the Group as at the date of this document:

- (i) The Placing Agreement referred to in paragraph 10 below;
- (ii) An agreement dated 22 November 2000 ("the Sensortech Acquisition Agreement") made between (1) Deltron Conelec A/S as Purchaser and (2) Sensortech A/S ("Sensortech") under which the Company agreed to purchase the sensors business of Sensortech and related assets (the "Sensortech Business"). The consideration payable was DKK 18,412,000 (£1,727,205) reduced or increased by an amount (not exceeding DKK 150,000 (£14,071) in the case of an increase) equal to the amount by which the net asset value of the Sensortech Business on completion of the Sensortech Acquisition Agreement was less or greater than DKK 1,500,000 (£140,713) plus further cash consideration up to a maximum of DKK 23,197,000 (£2,176,079) dependent on the pre-tax profits of the Sensortech Business over each of the three years ending 31 December 2003. DKK 6,547,000 (£614,165) of such further consideration is payable in any event on 31 March 2004. Under the Sensortech Acquisition Agreement, Sensortech gave Deltron Conelec A/S warranties and indemnities in relation to the Sensortech Business, subject to disclosures and other limitations;
- (iii) An agreement dated 5 July 2001 ("the Camax Group Acquisition Agreement") between the Company and Pierre Romano and Others ("the Vendors") under which the Company agreed to purchase the entire share capitals of Camax Electronics Srl, Euroind Srl and C&K Components SpA (which companies were subsequently consolidated to form Deltron Euroind Srl). The consideration payable under the Camax Group Acquisition Agreement was €7,084,207 (£4,953,991), payable as to €5,484,207 (£3,835,110) in cash on completion of the Camax Group Acquisition Agreement and as to €1,600,000 (£1,118,881) in loan notes repayable by the Company on 20 June 2004. Depending on profits, an "incentive payment" may be payable in respect of the profits of the acquired companies for the financial year ending on 30 September 2004. This incentive payment cannot exceed €1,900,000 (£1,328,671) and is to be satisfied in cash. The Vendors provided warranties and indemnities to the Company subject to disclosures and other limitations. The Camax Group Acquisition Agreement is governed by Italian law;
- (iv) An agreement dated 31 October 2002 between Camax Distribution Systems Srl ("Camax Distribution") and Euroind Srl (now Deltron Euroind SRL) under which Euroind Srl ("Euroind") purchased certain intellectual property rights owned by Camax Distribution for the sum of €700,000 (£489,510) payable in ten equal instalments of €70,000 (£48,951) on 31 March and 30 September annually, the first payment being due on 31 March 2005. Euroind is also required to pay the sum of €200,000 (£139,860) (exclusive of VAT) to Camax Distribution for the latter's services in protecting, developing and marketing the intellectual property rights as well as for publicising the brands covered by the intellectual property rights and for the identification of suppliers by Camax Distribution for Euroind. This further consideration of

€200,000 is payable in five equal instalments of €40,000 (£27,972), the last payment being due on 30 September 2004; and

- (v) An agreement dated 16 April 2003 between the Company and Rylestone Limited for the sale and leaseback of the Company's freehold warehouse and office premises at Scunthorpe, Lincolnshire. A 999-year lease of the premises was granted with an option for Rylestone Limited to acquire the freehold on the 25th anniversary of the lease for the sum of £1. The consideration paid on the sale of the property was £1,800,000.

10. Placing Agreement

- (a) Under an agreement dated 28 October 2003 between (1) the Company and (2) Evolution Beeson Gregory (the "Placing Agreement"), Evolution Beeson Gregory has, subject to the conditions set out below, agreed to
 - (i) make the Open Offer on behalf of the Company; and
 - (ii) to use reasonable endeavours to procure placees to subscribe for the Placing Shares at the Issue Price or, failing which, itself to subscribe for or purchase the Placing Shares (other than the 2,604,392 Placing Shares to be placed with Unicorn) at the Issue Price. The Open Offer Shares (save for the Firm Taken Shares, which are not being placed, and those 294,783 New Ordinary Shares which are the subject of irrevocable undertakings from certain of the Directors not to take up under the Open Offer, and which are therefore being placed firm) are being conditionally placed subject to clawback to satisfy Valid Applications.
- (b) The Placing Agreement is conditional, *inter alia*, on the passing of the Resolutions and Admission occurring on or before 26 November 2003 (or such later date, not being after 31 December 2003, as the Company and Evolution Beeson Gregory may agree).
- (c) Under the Placing Agreement the Company has agreed to pay Evolution Beeson Gregory a commission of 5 per cent. of the value at the Issue Price of the Placing Shares (excluding the 2,604,392 New Ordinary Shares which are being placed firm with Unicorn pursuant to the Placing).
- (d) The Placing Agreement also contains certain warranties and undertakings and an indemnity given by the Company in favour of Evolution Beeson Gregory. In certain limited circumstances, such as a breach of a warranty or a material change in the financial or trading position of the Company, Evolution Beeson Gregory has the right to terminate the Placing Agreement prior to Admission.

11. Litigation

No member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position and so far as the Company is aware there are no such proceedings pending or threatened by or against any member of the Group.

12. Working capital

The Directors are of the opinion that, taking into account the bank facilities available to it and the net proceeds of the Placing and the Open Offer, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

13. Significant change

There has been no significant change in the trading or financial position of the Group since 31 March 2003, the latest date for which the Group's interim results have been published.

14. United Kingdom taxation

The following comments are intended as a general guide to the position under current United Kingdom law and what is understood to be Inland Revenue practice in the areas referred to below. It applies only to persons who are resident or ordinarily resident in the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold shares as investments and who are the absolute beneficial owners of them. It may not apply to certain classes of person, such as dealers in securities, insurance companies and collective investment vehicles. Shareholders who are in doubt as to their position are recommended to consult their professional tax advisers. Taxation law and the practices of fiscal authorities are liable to change and therefore the tax treatment outlined in this document will not necessarily apply in the future.

(a) Taxation of chargeable gains

(i) *Open Offer Shares acquired up to entitlement*

For the purposes of United Kingdom tax on chargeable gains, the issue of Open Offer Shares to Qualifying Shareholders up to their maximum entitlement should be regarded as a reorganisation of the share capital of the Company. Accordingly, a Qualifying Shareholder will not be treated as making a disposal of all or part of its existing holding of Ordinary Shares by taking up all or part of its rights to Open Offer Shares. To the extent that a Qualifying Shareholder takes Open Offer Shares up to its entitlement, the Open Offer Shares so acquired and the existing holding in respect of which they are issued will, for the purposes of tax on chargeable gains, be treated as the same asset and as having been acquired when the existing holding was acquired. The amount paid for the Open Offer Shares will be added to allowable expenditure in computing the gain on any disposal of the increased holding.

(ii) *Indexation and taper relief*

The amount paid for the Open Offer Shares subscribed for under the Open Offer is only eligible for indexation allowance for Shareholders within the charge to corporation tax on chargeable gains. For such Shareholders, amounts paid for the Open Offer Shares up to the Qualifying Shareholder's maximum entitlement as mentioned at paragraph 14(a)(i) above shall be regarded as incurred on the date when such amounts are paid. In the case of other Qualifying Shareholders and for purposes other than corporation tax, for periods after April 1998, taper relief has replaced indexation allowance. Accordingly, for such Shareholders, indexation allowance on the original holding of Ordinary Shares will be given for months up to April 1998, but not after that, and indexation allowance will not be given in respect of amounts paid for the Open Offer Shares. Taper relief operates by reducing the amount of a gain realised on the disposal of assets by a percentage amount which is dependent on the period of ownership of the relevant asset.

(b) Taxation of dividends

(i) *Individuals*

There is no United Kingdom withholding tax on dividends. An individual Shareholder resident in the UK for tax purposes will be taxable on the total of any dividend received and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income. The tax credit on dividends paid by the Company is one-ninth of the dividend paid (or 10 per cent. of the gross dividend). However, individuals who are not liable to income tax at the higher rate will have no further liability to tax and for higher rate taxpayers the higher rate is 32.5 per cent. rather than 40 per cent. This means that a higher rate Shareholder receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability to income tax, which is equal to 25 per cent. of the net dividend. Generally, Shareholders are no longer entitled to reclaim the tax credit attaching to any dividends paid by the Company save where their ordinary shares are held in a Personal Equity Plan or Individual Savings Account, when the tax credit can be reclaimed for dividends paid on or before 5 April 2004.

(ii) *Trustees of discretionary trusts*

For dividends paid to trustees of UK resident discretionary or accumulation trusts, the gross dividend will be subject to UK income tax at a rate of 25 per cent. with a tax credit equal to 10 per cent. of the gross dividend.

(iii) *UK companies*

Subject to certain exceptions for traders in securities and certain insurance companies, a Shareholder which is a company resident for tax purposes in the United Kingdom will not be chargeable to tax on dividends paid by the Company.

(iv) *Other Shareholders*

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company. Certain transitional relief applies to dividends received by charities. Entitlement to claim repayment of any of a tax credit for Shareholders not resident in the UK for tax purposes will depend, in general, on the existence and terms of any double tax convention

between the United Kingdom and the country in which the holder is resident. Such Shareholders should note, however, that since 6 April 1999, most Shareholders who had previously been able to claim repayment of any part of the tax credit have either ceased to be able to obtain such repayment or the amounts repayable are less than one per cent. of the dividend. Shareholders who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liability on dividends received, whether they are entitled to claim repayment of any part of the tax credit and, if so, the procedure for so doing.

(c) Stamp Duty/Stamp Duty Reserve Tax

The Company has been advised as follows in relation to stamp duty and stamp duty reserve tax ("SDRT").

(i) *Issue of Open Offer Shares*

No stamp duty or SDRT will be payable in respect of the issue of Open Offer Shares to Qualifying Shareholders. By completing and signing the accompanying Application Form, Qualifying Shareholders warrant that they are not, and are not applying as nominee or agent for, a person who is or may be liable to stamp duty or SDRT under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (Depository Receipts and Clearance Services).

(ii) *Sale of New Ordinary Shares in certificated form*

An agreement to transfer New Ordinary Shares held in certificated form will generally give rise to a liability to SDRT, generally at the rate of 0.5 per cent. of the amount or value of the consideration given, although, if the agreement to transfer such shares is completed by a duly stamped transfer to the purchaser, payment of stamp duty in respect of such transfer (currently at a rate of 0.5 per cent. of the consideration given, and with the duty rounded up to the nearest £5) will extinguish the liability to SDRT and enable a refund of any SDRT already paid to be received. Stamp duty and SDRT are generally paid by the purchaser of shares, although where such a purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a purchaser.

(iii) *Transfer of shares into CREST*

Where shares are transferred to a member of CREST who will hold the shares in uncertificated form as nominee for the transferor, no stamp duty or SDRT will generally be payable.

(iv) *Re-materialisation*

Where shares are transferred by a member of CREST to the beneficial owner (on whose behalf it has held them as nominee) no stamp duty or SDRT will generally be payable.

(v) *Transfer of shares within CREST or re-materialisation to new owner*

Where a change in the beneficial ownership of shares in uncertificated form occurs and such change is for a consideration in money or money's worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

The above statements are intended as a general guide to the current position. Certain categories of persons are not liable to stamp duty or SDRT and others may be liable at a higher rate (this arises in connection with depository receipt arrangements or clearance services) or may, although not primarily liable for the tax, be required to notify and account for it.

This paragraph is intended only as a guide to the general United Kingdom tax position as at the date of this document. A Shareholder who is in any doubt as to his tax position or who is subject to take in a jurisdiction other than the United Kingdom should consult a professional adviser.

15. General

- (a) Evolution Beeson Gregory has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name and the letter reproduced in Parts II and V of this document and to the references to the name and such letter in the form and context in which they appear and has authorised the contents of such letters for the purposes of Regulation 6(1)(e) of The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- (b) Deloitte & Touche LLP has given and has not withdrawn its consent to the inclusion in Part V of this document of its letter relating to the profit estimate, and the references thereto, and to its name in the form and context in which they appear and has authorised the contents of such letter for the purposes of Regulation 6(1)(e) of The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- (c) M. E. Williams & Associates have given and not withdrawn their written consent to the issue of this document with the inclusion therein of their name in the form and context in which it appears and have authorised those statements attributed to them in Part I of this document for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001. M. E. Williams & Associates are management consultants with expertise in the electronic component industry.
- (d) The auditors of the Company for the two years ended 30 September 2001 were Morgan Brown & Spofforth, Chartered Accountants of 82 St. John Street, London, EC1M 4JN. The auditors of the Company for the year ended 30 September 2002 were Deloitte & Touche, Chartered Accountants, of Leda House, Station Road, Cambridge CB1 2RN.
- (e) The financial information contained in this document in respect of the Group does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts dealing with the three financial years ended 30 September 2002 to which the financial information relates have been delivered to the Registrar of Companies and were reported on by the Company's auditors without a qualification or a statement under section 237(2) or (3) of the Act being made.
- (f) The Placing and Open Offer is being made by Evolution Beeson Gregory (which is a member of the London Stock Exchange and regulated by Financial Services Authority) which has been appointed as the Company's sponsor and financial adviser. Evolution Beeson Gregory is registered in England and Wales (No. 2316630) and its registered office is at 9th Floor, 100 Wood Street, London EC2V 7AN.
- (g) The total costs and expenses relating to the Placing and Open Offer (including the commissions referred to in paragraph 10 above) payable by the Company are estimated to amount to approximately £500,000 (exclusive of VAT).

16. Mid-market prices

The mid-market prices of an Ordinary Share on the first dealing day of each of the six months, and the last dealing day, preceding the date of this document were as follows:

1 May 2003	68.5p
2 June 2003	69.5p
1 July 2003	69.5p
1 August 2003	68.5p
1 September 2003	68.5p
1 October 2003	68.5p
27 October 2003	61.5p

17. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Jones Day Gouldens, 10 Old Bailey, London EC4M 7NG during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until 12 November 2003:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts of the Group for the three years ended 30 September 2002 and the unaudited interim results of the Group for the six months ended 31 March 2003;
- (c) the Directors' service contracts and terms of engagement by the Company referred to in paragraph 7 above (and English translations of those of which the original language is not English);
- (d) the material contracts referred to in paragraph 9 above (and English translations of those of which the original language is not English);
- (e) the written consents referred to in paragraph 15 above;
- (f) the rules of the Share Option Schemes;
- (g) the irrevocable undertakings from the Directors and Unicorn referred to in paragraph 9 of Part I of this document;
- (h) the letters from Deloitte & Touche LLP and Evolution Beeson Gregory contained in Part V of this document; and
- (i) this document.

Dated 28 October 2003

NOTICE OF EXTRAORDINARY GENERAL MEETING

Deltron Electronics plc

*(Registered in England and Wales no. 2614913)
(the "Company")*

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held on 25 November 2003 at 11.00 a.m. at Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA for the purpose of considering and, if thought fit, passing the following resolutions, the first of which will be proposed as an ordinary resolution and the second of which will be proposed as a special resolution:

ORDINARY RESOLUTION

1. THAT the issue of new ordinary shares of 5p each in the capital of the Company to Unicorn Asset Management Limited pursuant to the Placing (as defined in the circular to shareholders dated 28 October 2003 of which the notice convening this meeting forms part) be and hereby is approved.

SPECIAL RESOLUTION

2. THAT, subject to and conditional upon resolution 1 above being passed and the Placing Agreement (as defined in the circular to shareholders dated 28 October 2003 of which the notice convening this meeting forms part ("the Circular")) becoming unconditional (save only for the conditions relating to the passing of the resolutions set out in such notice and Admission (as defined in the Circular)) and not having been terminated in accordance with its terms prior thereto:
 - (a) the authorised share capital of the Company be and it is hereby increased from £2,000,000 to £3,000,000 by the creation of 20,000,000 new ordinary shares of 5p each in the capital of the Company;
 - (b) the directors of the Company (the "Directors") be and they are hereby generally and unconditionally authorised, in substitution for any other such authority previously conferred on the Directors and subsisting at the date of this resolution (save to the extent that the same have already been exercised or are granted by statute) to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £800,000 for the period of five years from the date of the passing of this resolution (unless previously renewed, extended, varied or revoked by the Company in general meeting) save that the Company may, prior to such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired; and
 - (c) the Directors be and they are hereby empowered, in substitution for any other such powers previously conferred on the Directors and subsisting at the date of this resolution (save to the extent that the same have already been exercised or are granted by statute), to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by paragraph (b) above of this resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (i) equity securities allotted in connection with the Placing and the Open Offer referred to in the Circular and/or any other rights issue, and so that for this purpose "rights issue" means an offer of equity securities open for acceptance for a period

fixed by the Directors to holders of equity securities in proportion as nearly as may be to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates or other legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or, as regards shares held by an approved depository or in issue in uncertificated form or otherwise howsoever); and

- (ii) the allotment (otherwise than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £102,700

and so that this power (unless renewed, extended, varied or revoked by the Company in general meeting) shall expire at the end of the period of five years from the date of the passing of this resolution but shall extend to the making, before such expiry, of any offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired.

BY ORDER OF THE BOARD
G. A. Ralph
Secretary

Registered Office:
Suffolk House
Fordham Road
Newmarket
Suffolk CB8 7AA

Dated 28 October 2003

Notes:

- (1) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company as at 11.00 a.m. on 23 November 2003 shall be entitled to attend or vote at the above Extraordinary General Meeting in respect of the number of shares registered in their name at that time.
- (2) A member entitled to attend and vote at the above mentioned Extraordinary General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
- (3) To be valid, the instrument appointing a proxy, together with (if applicable) the power of attorney or other authority under which it is signed or a notarially certified copy of such authority must be deposited at the offices of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting or any adjournment thereof. A prepaid form of proxy is enclosed with this notice. Completion of the form of proxy will not preclude a member from attending and voting in person.
- (4) For the purposes of section 95(5) of the Companies Act 1985, the price at which the shares are to be issued pursuant to the Placing and the Open Offer referred to in paragraph (c) of the resolution set out above is 60p per share and the Directors' justification of that amount and their reasons for recommending the passing of the resolutions are set out in the circular of which this notice forms part.

