

2614913

A copy of this document, which comprises a prospectus relating to Deltron Electronics plc in relation to the placing of the Subscription Shares and listing particulars in relation to the placing of the Sale Shares, in each case prepared in accordance with the listing rules of the London Stock Exchange made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act, as amended by section 154A of that Act.

The Directors of Deltron Electronics plc, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.



(Incorporated and registered in England and Wales with registered number 2614913)

PLACING

by Granville & Co.

of 9,053,799 ordinary shares of 5p each
at 150p per Share payable in full on application

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Nominal Amount</i>		<i>Number</i>	<i>Nominal Amount</i>
25,250,000	£1,262,500	ordinary shares of 5p each	18,405,726	£920,286.30

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of Deltron Electronics plc, issued and now being issued, to be admitted to the Official List. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 30 September 1996. The Ordinary Shares now being placed will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions declared, made or paid on the ordinary share capital of the Company after Admission.

Granville & Co., a division of Granville Limited which is regulated by The Securities and Futures Authority Limited and a member of the London Stock Exchange, is acting as sponsor and financial adviser to the Company in relation to the Placing and will not be responsible to any other person for providing the protections afforded to its customers or for advising any other person in relation to the Placing.

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DEFINITIONS

The following terms have the following meanings in this document, unless the context otherwise requires:

"Admission"	the admission of 18,405,726 Ordinary Shares, issued and to be issued pursuant to the Placing, to the Official List
"AFDEC"	Association of Franchised Distributors of Electronic Components
"Company" or "Deltron"	Deltron Electronics plc
"Deltron Components"	Deltron Components Limited, a wholly owned subsidiary of the Company
"Directors" or "Board"	the directors of the Company whose names are set out on page 4 of this document
"EUROiNDustrie" or "EI"	EUROiNDustrie SA and C&K Composants SA, subsidiaries of the Company incorporated in France
"Granville & Co."	Granville & Co., a division of Granville Limited
"Granville Davies"	Granville Davies, a division of Granville Limited
"Group"	the Company and its subsidiary undertakings, or where the context so permits, any of them
"London Stock Exchange"	London Stock Exchange Limited
"Ordinary Shares" or "Shares"	ordinary shares of 5p each in the capital of the Company
"Official List"	the Official List of the London Stock Exchange
"Placing"	the placing of the Sale Shares and the Subscription Shares at the Placing Price by Granville & Co.
"Placing Price"	150p per Ordinary Share
"Roxburgh"	Roxburgh Electronics Limited, a wholly owned subsidiary of the Company
"Sale Shares"	4,187,133 existing Ordinary Shares being sold by the Vendors pursuant to the Placing
"Subscription Shares"	4,866,666 new Ordinary Shares being offered for subscription pursuant to the Placing
"Vendors"	those shareholders, Directors and employees who have agreed to sell some of their existing Ordinary Shares under the Placing
"1993 Share Option Scheme"	the Deltron 1993 Share Option Scheme, as detailed in Part V of this document
"1996 Employee Share Option Scheme"	the Deltron 1996 Employee Share Option Scheme, as detailed in Part V of this document
"1996 Executive Share Option Scheme"	the Deltron 1996 Executive Share Option Scheme, as detailed in Part V of this document

GLOSSARY OF TERMS

The following terms have the following meanings in this document, unless the context otherwise requires:

active components	components dictating the functions of an electronic device, or the dynamic aspects amplifying a current, such as diodes and other semi-conductors
design-in	the process of working in close co-operation with customers to ensure products supplied by the Group are incorporated within the customer's product specification
DIN connectors	electronic and electrical connectors which comply with the standards laid down by Deutsche Institute für Normung
electromechanical components	components which use both electrical and mechanical means to achieve their ends, such as switches and connectors
EMC	electro magnetic compatibility
EMI	electro magnetic interference
enclosures	die cast metal cases designed to house electronic and electrical products
EPOS	electronic point of sale
filters	electro magnetic filters used to control radiated and conducted electrical and electronic interference, both RFI and EMI
OEMs	original equipment manufacturers
passive components	components which aid the functioning of an electronic device without controlling the system, such as capacitors, potentiometers and filters
potentiometers	variable resistors
RFI	radio frequency interference.

DIRECTORS, SECRETARY AND ADVISERS

Directors	<p>Paul Rene Gourmand, <i>Chairman and Non-Executive Director</i> Christopher John Sawyer, <i>Chief Executive</i> Richard Edward Tozer, MA, FCA, <i>Finance Director</i> François Feldman, <i>Executive Director and Managing Director of</i> <i>EUROINDustrie</i> Sir Ivor Harold Cohen, CBE, TD, Hon. F. Eng., <i>Non-Executive Director</i></p> <p>all of</p>
Registered and Head Office	<p>Suffolk House Fordham Road Newmarket Suffolk CB8 7AA</p>
Company Secretary	<p>Richard Edward Tozer, MA, FCA</p>
Sponsor and Financial Adviser	<p>Granville & Co. Mint House 77 Mansell Street London E1 8AF</p>
Stockbroker	<p>Granville Davies Mint House 77 Mansell Street London E1 8AF</p>
Solicitors to the Company	<p>Gouldens 22 Tudor Street London EC4Y 0JJ</p>
Solicitors to the Listing	<p>Ashurst Morris Crisp Broadwalk House 5 Appold Street London EC2A 2HA</p>
Reporting Accountants	<p>Coopers & Lybrand Abacus House Castle Park Gloucester Street Cambridge CB3 0AN</p>
Auditors	<p>Morgan Brown & Spofforth 82 St John Street London EC1M 4JN</p>
Principal Bankers	<p>Midland Bank plc Sun Pier Medway Street Chatham Kent ME4 4DN</p>
Registrars	<p>Independent Registrars Group Limited Balfour House 390/398 High Road Ilford Essex IG1 1NQ</p>

PLACING STATISTICS

Placing Price	150p
Number of Ordinary Shares being placed on behalf of	
(i) the Company	4,866,666
(ii) the Vendors	4,187,133
Estimated net proceeds receivable by the Company	£6.45 million
Number of Ordinary Shares in issue following the Placing	18,405,726
Market capitalisation at the Placing Price	£27.6 million
Percentage of enlarged issued Ordinary Share capital being placed	49.2%
Forecast adjusted <i>pro forma</i> earnings per Ordinary Share for the year ending 30 September 1996 ⁽¹⁾	9.5p
Forecast adjusted <i>pro forma</i> price earnings multiple at the Placing Price	15.8x
Notional net dividend per Ordinary Share for the year ending 30 September 1996 ⁽²⁾	2.75p
Notional net dividend cover ⁽³⁾	3.4x
Notional gross dividend yield at the Placing Price ⁽⁴⁾	2.3%

Notes

- (1) The basis of the forecast adjusted *pro forma* earnings per Ordinary Share for the year ending 30 September 1996 is set out in Part IV of this document.
- (2) Details of the notional net dividend are set out under "Dividend Policy" in Part I of this document.
- (3) Notional dividend cover is calculated by dividing the forecast adjusted *pro forma* earnings per Ordinary Share by the notional net dividend per Ordinary Share, each for the year ending 30 September 1996.
- (4) Notional gross dividend yield is calculated by dividing the notional gross dividend of 3.4p per Ordinary Share for the year ending 30 September 1996 (being a notional net dividend of 2.75p per Ordinary Share inclusive of the associated tax credit calculated at the rate of 20/80ths of the net dividend) by the Placing Price and expressing the result as a percentage.

KEY INFORMATION

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

Summary of the Business

Deltron is a specialist supplier of electronic components to an international client base. The Group, which has operations in the UK and France, is engaged in the distribution and manufacture of a range of electromechanical and passive components, principally switches, filters, alarms, connectors and EPOS and security products. The majority of these components are incorporated within customer product design (i.e. designed-in) through close co-operation with customers to meet their specified requirements. The Directors consider Deltron to be amongst the leaders in electronic component supply in its product fields in the UK and France. The Group has a clearly defined strategy, which has been effectively implemented, based on attaining niche market leadership positions.

Key Strengths

- Engineering-led sales strategy which results in a majority of Group components being designed-in to meet specified customer requirements;
- Considerable demand for own-manufactured filter products leading to attractive organic growth prospects;
- International customer and supplier base with which the Group has established partnership style relationships;
- Strong management team with a successful record of developing and acquiring electronic component businesses;
- European presence, strengthened by the acquisition of EUROiNDustrie;
- Long established trading relationships with major Japanese groups.

Trading Record

Set out below is a summary of the Group's trading record for the four years and nine months ended 30 June 1996, which has been extracted from the Accountants' Report on the Group set out in Part II of this document:

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Turnover	4,674	6,619	9,461	18,499	19,848
Operating profit	15	318	677	1,510	1,956
Profit/(loss) on ordinary activities before taxation	(162)	162	520	1,252	1,574

**Profit Forecast
and Prospects**

The Directors are forecasting that, in the absence of unforeseen circumstances, operating profit for the year ending 30 September 1996 will be not less than £2.75 million, an increase of 82% on the previous year and that profit before taxation for the same year will be not less than £2.24 million, an increase of 79% on the previous year. Further details of the profit forecast are set out in Part III of this document.

The Group's business continues to grow and current trading is proceeding in accordance with the Directors' expectations. Filters, in particular, have attractive growth prospects as a result of recent regulation to control electro magnetic interference in the European Union and the potential for similar regulations in other developed and developing economies. The Directors are pleased with the increase in sales of Group filter products and with the continuing growth in EUROiNDustrie's business over the nine months ended 30 June 1996 compared with the same period last year.

The Directors believe that the order book for the Group at the end of this financial year will be considerably in excess of that at the end of the financial year ended 30 September 1995 and that prospects for the year ending 30 September 1997 are good.

The Directors believe that there is clear potential to develop additional distribution agencies across Europe and to confirm Deltron's position as a leading manufacturer of filters and connectors supplied on an international basis.

PART I

INFORMATION ON THE GROUP

Introduction

Deltron is a specialist supplier of electronic components to an international client base. The Group, which has operations in the UK and France, is engaged in the distribution and manufacture of a range of electromechanical and passive components, principally switches, filters, alarms, connectors and EPOS and security products. The majority of these components are incorporated within customer product design (i.e. designed-in) through close co-operation with customers to meet their specified requirements. The Directors consider that, through its principal subsidiaries, Roxburgh, Deltron Components and EUROiNDustrie, the Group is amongst the leaders in electronic component supply in its product fields in the UK and France. The Group is also increasing its sales elsewhere in Europe and other continents.

In distribution, the Group is the main representative in the UK and France for major international manufacturers including Alps Electric (Japan), C&K Switches (USA), Rafi (Germany) and, in the UK only, Star Micronics (Japan). Deltron's own-manufactured components, which accounted for over 35% of its total sales in the nine months ended 30 June 1996, complement its distributed products and have attractive growth potential.

The majority of the Group's sales of electronic components are achieved as a result of the Group's design-in skills, supported by its reputation for good service. The Group enjoys close working relationships with customers of international repute, including Alcatel (France), Bull (France), Electrocomponents (UK), Mitsubishi Electric (Japan) and Premier Farnell (UK).

Strategy

The Group's principal strategy has been, and remains, to develop as a pan-European specialist supplier of electromechanical and passive components to a wide range of industrial customers in a variety of industries. One of the Group's key underlying strategies is also to become the market leader in the selected niche-product markets in which it operates. Specifically, the Group has sought product market leadership on a worldwide basis for specialist filters and connectors and additionally on a European basis for switches and alarms. Deltron, therefore, concentrates on markets where its depth of product knowledge, combined with its reputation for supplying specialist components, for customised service and for customer understanding, give it a competitive advantage.

The Group's principal strategy is also intended to limit its exposure to any particular market, product or supplier. Consequently, the Board has deliberately developed the Group's filter activity because of both the new opportunities which it presents and its dynamic growth potential. The broadcast, leisure and audio markets should also continue to provide further exciting sales opportunities for the Group.

At the time of the management buy-in of Roxburgh in 1991, it was an objective of the incoming management team to seek a flotation on the London Stock Exchange after five years of organic and acquisitive growth. This growth has been achieved and the flotation will now assist further organic growth and acquisitions. It will also enhance the Group's profile, particularly internationally, as it enters the next phase of its corporate development. As the Group develops, it will continue to become increasingly international in outlook, without losing the essential focus of the core business and the need for local management responsibility.

History and Development

Deltron's subsidiary, Roxburgh, was founded in 1969 as a specialist distributor and manufacturer of electromechanical components. By the beginning of the 1980s, Roxburgh had become a significant UK distributor of several types of switches, printer mechanisms and audible alarms and had developed a range of general purpose filters.

Deltron acquired Roxburgh in 1991 as part of a management buy-in led by Christopher Sawyer and Edward Tozer, funded with the support of The Independent Investment Company, now Ivory & Sime Enterprise Capital. The business was relocated from the South of England to Scunthorpe in the same year. The new management team instigated a disciplined organic growth programme, which involved rigorous concentration on key customers and a consolidation of relationships with key suppliers. In addition, in-house resources were focused on the design and manufacture of EMI filters, where significant investment has been undertaken.

During the last three years, Deltron has made three strategic acquisitions. In May 1993, it acquired the UK distribution franchise for Alps Electric products from Armon Electronics Limited. In October 1994, the business of Futers London, now known as Deltron Components, was acquired from Frederick Cooper plc, financed in part by additional capital from Lloyds Development Capital and 3i. In October 1995, the Group acquired 74.2% of EUROiNDustrie, a specialist French distributor of electronic components, with the outstanding minority interest due to be acquired on Admission. (Part II contains an Accountants' Report on the business of Futers London and paragraph 10 of Part V contains further details of the acquisitions of Futers London and EUROiNDustrie.)

The UK Electronic Components Market

Except as stated below, all figures and estimates in this section (excluding the statistics relating to filters) have been sourced from the AFDEC Statistical Forecasts for 1996 (available for inspection as set out in paragraph 16 of Part V).

The market

In 1988, the total UK market for electronic components was worth £2,062 million (at manufacturers' selling prices, excluding filters). By 1995, that market had more than doubled in size to be worth £4,666 million, split between principal component categories as follows:

- active, comprising optoelectronic components, diodes, transistors and other semi-conductors: £3,673 million (79% share of the market);
- passive, comprising capacitors, resistors and potentiometers: £438 million (9%); and
- electromechanical, comprising connectors, relays and switches: £555 million (12%).

The Group is mainly engaged in the electromechanical sector of the UK market, which can be further broken down into connectors (£369 million), switches (£112 million) and relays (£74 million). It also distributes passive components, such as potentiometers, and manufactures filters. The Directors estimate that the UK market for filters in 1995 was worth £17 million.

The Group is not involved in the active components markets which the Directors consider to be more volatile and cyclical relative to the markets for passive and electromechanical components. These latter markets are fragmented with no single supplier having a significant overall market share.

These statistics relate to the UK market because, historically, the majority of the Group's sales have derived from the UK. However, over the last year, the Group has expanded its geographical markets considerably. For example, sales of Roxburgh's filters in the year to 30 September 1995 derived largely from the UK (85%) whereas in the nine months to 30 June 1996, 67% of filter orders were for delivery within the UK against 33% for delivery to the rest of the world.

Sales routes to the customer

The eventual user of electronic components buys directly from the manufacturer or from a distributor. In 1995, total sales in the UK by manufacturers of passive and electromechanical components were £993 million. Of these, £776 million were sold direct and the remaining £217 million (22%) were sold through distributors. As Deltron sells both to OEMs and through distributors, it is in a position to select the most appropriate route to market for its components.

Two important trends in the electronic components market have benefited the Group:

- component manufacturers have been reducing their customer bases by re-assigning their smaller and non-strategic customers to distributors ('customer reassignment'); and
- equipment manufacturers have been reducing their cost of purchasing by reducing the number of suppliers from which they buy ('vendor reduction').

Because it is both a distributor and manufacturer, Deltron has gained competitive advantage from these two trends by developing its partnership-style relationships with its suppliers and customers.

The UK market in the future

Together, the UK electromechanical and passive component markets, excluding filters, are estimated to grow at a rate of about 10% per annum in both 1996 and 1997 (source: ME Williams & Associates). The Directors believe that Deltron's growth in these markets as well as in filters will be greater than that estimated for the market as a whole. The market growth estimate assumes:

- the expectation of a gradually improving UK economy;
- overseas demand for electronic equipment made in the UK continuing to grow at constant rates;
- a reduced but still strong demand for information technology equipment including peripherals;
- communications demand remaining high;
- the automotive industry continuing to implement more sophistication and functionality in electronic control and display circuitry; and
- the industrial market for new electronic applications continuing to grow in line with the general economy.

The Directors believe that the electromechanical and passive markets are not only stable but also possess attractive growth potential for the Group. At its current level of turnover, the Group enjoys a small but growing share of the electronic components market.

The Group has three principal subsidiaries:

	Nine months ended 30 June 1996	
	Turnover £000	%
Roxburgh	11,053	56
Deltron Components	4,847	24
EUROiNDustrie	3,948	20
Total	19,848	100

Roxburgh

Roxburgh is based in Scunthorpe, North Lincolnshire and is a specialist distributor and manufacturer of passive and electromechanical components. It has concentrated on the supply of components to niche markets in which factors other than price (for example, service, technical support and product range) can be developed to its advantage. As components supplied by Roxburgh are normally an essential part of customers' designs (but represent only a small part of the overall cost of the end product), component cost is not usually an over-riding consideration.

Roxburgh's recent business development programme recognised the potential in the emerging, regulation-driven market for the manufacture of filters (as further explained under 'Filters' below). Substantial investment has been made over the last four years in this area and Roxburgh has experienced exceptionally strong filter sales growth on a worldwide basis. Roxburgh also supplies a related range of standard radio frequency interference (RFI) and EMI suppression devices, ranging from chokes to heavy duty three phase filters and enclosures.

When marketing both its distributed and own-manufactured components, Roxburgh seeks to distinguish itself from its competitors by offering specialist solutions to customers at the design stage of their product. This places Roxburgh at a competitive advantage when output of that product begins. Thus, over 80% (by value) of its sales, in the nine months ended 30 June 1996, were designed-in to satisfy customers' specifications rather than bought and sold 'off the shelf'. As a consequence, Roxburgh enjoys a substantial order book, typically equivalent to between three and four months' sales.

Roxburgh's commitment to quality in all aspects of its operations is shown by its securing, in 1993, ISO 9002 approval for its distribution operation and ISO 9001 approval for its manufacturing facility.

Deltron Components

Deltron Components, whose business was established in 1946, is based in North Acton, London. It manufactures and distributes professional audio and DIN connectors, die-cast enclosures and other components. It supplies components mainly to distributors servicing

the electronics industry. Over the years, Deltron Components' products have become more sophisticated and precisely targeted at markets, such as the professional audio market, where its management considers the company has a strong competitive position.

Deltron Components exports a considerable proportion of its sales (representing more than one-third of its turnover) with France being a significant export market. Deltron Components is currently building global market share through product innovation, brand marketing and development within the professional audio market.

EUROiNDustrie

EUROiNDustrie is based in Vichy with a sales office in Paris and is a leading specialist distributor of electromechanical components in France. It has a similar business profile to Roxburgh's distribution activities. EUROiNDustrie has good supplier relationships, a well developed customer base and maintains the Group strategy of supplying components which are important in the equipment in which they are used but represent a comparatively minor part of the overall price of the end product.

EUROiNDustrie's business was established in 1976 and has been managed by François Feldman since 1977.

Group Products

The Group supplies a carefully selected range of electromechanical, passive and related products and components, with approximately 65% (by value) of sales, in the nine months ended 30 June 1996, being distributed products and 35% being manufactured.

The business of the Group currently comprises five main product areas: switches, filters, connectors, alarms, EPOS and security products and other components. The size and details of each category are set out below:

	Nine months ended 30 June 1996	
	Turnover £000	%
Switches	6,819	34
Filters	3,945	20
Connectors	3,821	19
Alarms	1,745	9
EPOS and security products	1,738	9
Other components	1,167	6
Discontinued	613	3
Total	19,848	100

Switches

Almost all electronic and electrical equipment requires switches and, although only a small part of the end product's cost, switches are essential for the proper functioning of such equipment. Many leading manufacturers use the Group as a switch supplier.

The Group has been a specialist switch distributor in the UK for the past 25 years and, more recently, through EUROiNDustrie, in France. The Group provides a wide range of switch products ranging from the ultraminiature to power switches for panel, printed circuit board and surface mount applications. Switches supplied range from simple 'on/off' types to more complicated 'function select' versions and include panel, keypad, illuminated, keyboard, keylock, pushbutton, rocker, rotary, slide, thumbwheel and toggle in ultraminiature, subminiature and industrial sizes. The Group also specialises in distributing a range of high quality potentiometers including slide, rotary and trimmer types and encoders which have widespread applications. For example, Roxburgh-supplied switches are employed in a variety of applications including automotive, computer, telecommunications, professional-audio, test and measurement instruments and industrial control equipment.

As part of its strategy to develop business partnerships with its suppliers, Deltron has established relationships, many of which are long standing, with several of the world's leading switch manufacturers and is the main agent in the UK and France for a number of manufacturers, including Alps Electric, C&K Switches and Rafi. The Company has maintained close relationships with Japanese suppliers as a result of regular visits and via its purchasing agent in Tokyo.

Filters

All electrical equipment emits, and is susceptible to, electro magnetic interference, both radiated and conducted. EMI filters are used to reduce interference levels which are both reflected back into the electricity supply to which they are connected and also carried into other electronic equipment via the same mains supplies. As the use of electrical and electronic equipment continues to increase, the need for EMI filters has also grown both to support the unpolluted functioning of equipment and for health and safety reasons (for example, to protect such equipment from malfunction as a result of EMI). In addition, the market has been driven increasingly by EU regulations requiring that all electrical equipment sold within the EU since 1 January 1996 complies with new electro magnetic compatibility (EMC) standards. These developments have created a niche market with considerable growth potential for the Group. The Directors believe that other parts of the developed and developing world may also recognise the benefits of EMC, creating a more diverse and extensive market for the Group's filters.

Roxburgh manufactures ranges of custom designed and standard filters (such as filters for motor-drive inverters) which reduce EMI and which ensure compliance with this new legislation. In addition, Deltron Components produces enclosures which assist in solving EMI problems. Considerable effort and investment have been expended by the Group to develop further its expertise and resource in this rapidly growing filter sector. Roxburgh now has a team of eight filter development engineers. A screened room and test facilities have been established where customers can test whether their equipment conforms with international standards.

One of Roxburgh's principal customers for filters is Mitsubishi Electric. In collaboration with Mitsubishi Electric, Roxburgh researches and designs new products and is now Mitsubishi Electric's preferred supplier for a number of filter components on a worldwide basis. The

Directors believe that few other UK companies research, design and develop electronic components in co-ordination with Japanese companies and then sell such products not just into Japan but also into other international markets.

The Group has experienced rapid growth in filter sales. Turnover in filters has grown from £1.10 million in the year to 30 September 1994, to £2.88 million in the following year to 30 September 1995 and has since risen to £3.94 million in the nine months ended 30 June 1996. The order intake in the nine months ended 30 June 1996 was considerably higher than for the comparable period last year. The Directors both predicted and planned for this growth with the expansion of Group facilities in Scunthorpe, where increases in both personnel and space have created sufficient capacity to satisfy a potential growth in sales three to four times that already achieved.

Connectors

The Group supplies a wide and growing range of interconnect products which are principally used in the professional broadcasting and telecommunications sectors. Deltron Components has particular expertise in manufacturing professional audio and signal conditioning connectors (such as multipole audio and video and professional phono connectors). These connectors are used in a variety of broadcast and leisure audio applications (such as audiophile systems). Deltron Components also supplies a well established range of connectors and related products that comply with internationally accepted DIN standards. Over 70% of the Group's connectors are manufactured in-house, with the remainder being sourced from Samtec, a leading US manufacturer which specialises in connectors for the telecommunications market.

The majority of the Group's manufactured connectors are supplied to distributors worldwide and are used to connect wires, sockets and plugs in a variety of applications. The range of activities utilising these connectors includes sound recording, post-production processing, broadcasting, public address systems, concerts and discotheques. The Group's connector products are distributed by a worldwide network of agents, including Roxburgh and EUROiNDustrie.

Alarms

The alarms supplied by the Group are typically used as audible or visual warning devices on products as wide-ranging as computers and cookers. The market for alarms and indicators has undergone a significant increase in size in recent years, primarily as a result of their use in the automotive sector where vehicles now utilise a variety of audible and visual warning indicators.

Alarms supplied by the Group include two main types: electro magnetic lower frequency buzzers and piezo-ceramic higher frequency alarms. Electro magnetic buzzers are used in a wide range of applications including small, hand-held instruments, computers, mobile phones and automobiles. Piezo-ceramic alarms are larger and are used in battery powered devices and cookers. A variety of indicator lights are also supplied. The indicators and buzzers are used for several applications, for example, inside vehicles to alert a driver if the headlights have been left on after the ignition has been switched off.

The Directors believe that, in the UK and France, the Group is one of the largest suppliers of audible alarms and visual signalling devices available from a single source. Products in this category are sourced worldwide from manufacturers such as Kingstate (Taiwan), Megacera (Japan), Sloan (Switzerland) and Star Micronics (Japan).

EPOS and security products

The Group distributes EPOS products such as thermal and impact printers for barcodes, tickets, labels and receipts, together with magnetic and smart/chip card readers and writers, cheque/barcode readers and signature capture and verification devices. The range of products supplied is used in a variety of applications including point-of-sale, ticketing, labelling, data logging, loyalty cards, security, manufacturing and access control applications. In the UK, the Group has contractual agreements to represent leading international manufacturers of EPOS products, including Alps Electric, American Magnetics (USA) and Star Micronics.

The Group also distributes a range of security components, comprising peripherals for fire panels and access control systems.

Other components

The Group manufactures a range of housings for electronic and electrical products, sold through distributors such as RS Components, whose parent company is Electrocomponents, Elfa (Sweden) and Premier Farnell. It also manufactures metal building fixtures and distributes a range of other electrical accessories where its existing distribution channels make sourcing and supplying such products useful and profitable.

In order to allow Roxburgh to focus on core activities and increase productivity in its filter business, Roxburgh's transformer business was sold with effect from 1 July 1996.

The majority of the Group's sales are currently into the UK and France. However, turnover is now increasing into the rest of Europe, the Far East and USA.

The key to the Group's sales strategy is the combination of the specialist provision of tailor-made solutions, the ability to deliver quality products with long product lives and the provision of high levels of service, after sales care and technical support. Deltron places great emphasis on serving the needs of its customers by employing technical product specialists controlled by a commercial manager for each agency or component type. These technical managers support the sales staff. The Directors believe that the Group's reputation for reliability and service, coupled with a highly trained and motivated sales team focusing on key accounts and niche markets, provide it with a significant competitive edge.

As at 30 June 1996, the Group had a sales team of over 40. Roxburgh and EUROiNDustrie external sales engineers' roles and responsibilities are focused both on key accounts and market sectors. They are supported by internal sales engineers who are specialists in particular types of product. To ensure that there is tight control over prices offered, the majority of quotations are produced from the Group's offices rather than on location by the external sales engineer.

Deltron Components principally sells and markets its components through a worldwide network of distributors, including Roxburgh and EUROiNDustrie, which then promotes the products to local OEMs.

The Group uses a range of marketing media for its components including catalogues, dedicated advertising, mail shots, press releases and attendance at specialist exhibitions. Joint campaigns are often run with suppliers in order to share costs and increase market exposure.

Customers

The Group now supplies over 2,000 international customers of whom the largest accounts for approximately 11% of Group turnover. As a consequence of its policy of concentrating resources on its key accounts, 85% of Group turnover derives from approximately 300 customers. Key customers by component category are as follows:

Component Category	Customer (<i>subsidiary</i>)	Geographical location supplied
Switches	A & R Cambridge	UK
	Amek Systems and Controls	UK
	Bull Electronics (Angers)	France
	Cambridge Systems Technology	UK
	GPT	UK
	Klark Teknik	UK
	Marshall Amplification	UK
	SAT	France
	Solid State Logic	UK
Filters	Electrocomponents (<i>RS Components</i>)	UK and Europe
	Emerson Electric	UK
	Eurotherm Drives	UK and Germany
	Hitachi Europe	Europe
	Mitsubishi Electric	UK, Germany, USA and Japan
	Premier Farnell (<i>FEC</i>)	UK, USA, Europe and Asia
	Rockwell Group (<i>Allen Bradley & Reliance</i>)	USA, Europe and Asia
Alarms	Compaq Computer Manufacturers	UK
	France Télécom	France
	Groupe Dassault Électronique (<i>Dassault Automatismes et Télécommunications S.A.</i>)	France
	Schlumberger	France
	SCI Holdings	UK
Connectors	Alcatel	France
	Electrocomponents (<i>RS Components</i>)	UK
	Engelking	Germany
	Mouser	USA
	Philips Electronics	France
	Premier Farnell (<i>FEC</i>)	UK
EPOS and security products	Bull Electronics (Angers)	France
	Halo International Systems	UK
	Meggitt (<i>Wayfarer Transit</i>)	UK

Sourcing and Suppliers

The Group places considerable emphasis on ensuring that it maintains its reputation for distributing top quality components. This can only be achieved by close and effective relationships with the highest quality manufacturers.

In the Group's main distribution operations, it holds agreements to represent market leaders such as Alps Electric, Rafi, C&K Switches, Grayhill (USA), Samtec, Star Micronics, and American Magnetics. Deltron devotes significant resource to the management of these relationships. It has dealt with both Star Micronics and C&K Switches for 20 years and also enjoys long standing arrangements with other companies.

Facilities

The Group has a head office in Newmarket and facilities in Scunthorpe (distribution and manufacturing), London (manufacturing), Vichy (distribution) and Paris (sales) and it also operates through an agency office in Tokyo. Further details of the principal facilities are set out in Part V.

Management Information

The management of each Group company receives daily information on sales, margins (by customer and product group), bookings and cash balances, prepared in a format standardised across the Group. Management information is derived from a number of computer systems, one of which is linked directly to the manufacturing design capability and its computer aided design facility.

The benefit of these systems is that staff members, where authorised, have access at all times to up-to-date information relevant to their activities.

Directors, Management and Employees

Group Board

Paul Gourmand, non-executive chairman, aged 59

Paul Gourmand began his career with Unilever, where he held various positions over 15 years. Subsequently, he became managing director of several sizeable private companies including Standard Containers Limited, Hermitage Mills Group Limited and TKM Foods Limited, a subsidiary of TKM plc. In 1983, he established Pineasti Limited as a vehicle to group together his involvement as non-executive director or chairman of a variety of substantial private food manufacturers and packaging companies servicing the wholesale and retail distribution sectors. He is now chairman or non-executive director of a number of substantial private companies. He was appointed non-executive chairman of Deltron in January 1993.

Christopher Sawyer, chief executive, aged 50

With a background in business development at Smedley's Limited, Christopher Sawyer joined Cirkkit 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 with Edward Tozer in 1991.

Edward Tozer, finance director, aged 51, MA, FCA

A chartered accountant by training, Edward Tozer worked for Coopers & Lybrand before becoming a director of Guinness Mahon & Company Limited in 1980 and managing director of its Singapore operation. Subsequently, he held directorships in QCA Limited and Corporate Services (Anglia) Limited before leading the management buy-in with Christopher Sawyer in 1991. He is now Group finance director.

François Feldman, managing director of EUROiNDustrie, aged 55

François 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 Deltron in October 1995 and he became a director of the Company at that time. He has responsibility for developing the Group's activities across Europe.

Sir Ivor Cohen, non-executive director, aged 65, CBE, TD, Hon.F.Eng.

Sir Ivor Cohen joined Mullard Limited, the UK's largest manufacturer of electronic components, in 1957 and was managing director of the company from 1979 to 1987 and a director of the parent company Philips Electronics UK Limited from 1984 to 1987. He was chairman of Remploy Limited from 1987 to 1993 and a director of AB Electronics Products Group plc from 1987 to 1993. He is currently a non-executive director of PA Holdings Limited, Oce UK Limited, Electron Technologies Limited and Russell Partnership Limited and joined the board of Deltron in August 1995. He is chairman of the Japan Electronics Business Association and also of the Measurement Advisory Committee of the DTI. He is an adviser to Mitsubishi Electric Europe B.V. He was chairman successively of the Electronics Applications and Electronics Industry Sector Groups of NEDO and from 1981 to 1986 was a member of the Prime Minister's Information Technology Advisory Panel (ITAP).

Senior Management

Barrie Griffiths, managing director of Roxburgh, aged 56

Following an electrical engineering apprenticeship with Gresham Transformers Limited, Barrie Griffiths joined Roxburgh in 1973 and established its sales and marketing teams. He has considerable technical expertise within the switches and alarms markets. He was formerly sales and marketing director of Roxburgh and has 26 years of experience developing UK sales of switches and other components. He became managing director of Roxburgh in 1995.

Robert Davis, managing director of Deltron Components, aged 50

Robert Davis has worked at the business now known as Deltron Components since 1968 and became managing director in July 1988 since when he has played a key role in developing the company's export markets. In 1990, he was appointed commercial director of Frederick Cooper Electrical Products Limited and a year later he became Chief Executive of that company.

Carl Grainger, manufacturing director of Roxburgh, aged 36, MBA, MSc

Carl Grainger joined Roxburgh in February 1996, as manufacturing director. He was formerly operations director at Wellman Bibby & Co. Limited, responsible for two manufacturing sites. Before that he was manufacturing manager at GEC Alsthom Traction Limited from 1989 to 1993 and production manager at Philips Components Limited from 1987 to 1989.

David Reading, finance director of Deltron Components, aged 41, ACMA

David Reading spent four years with SmithKline Beecham plc briefly as management accountant before becoming corporate accounts manager (with responsibility for the financial accounting for three subsidiaries and for the Group purchase ledger function) and then finance systems and development manager. He left to join Viking Connectors (UK) Limited as financial controller in 1983 and joined Frederick Cooper Electrical Products Limited in 1989 as divisional finance director (with responsibility for the business now known as Deltron Components).

Frank Walsh, manufacturing director of Deltron Components, aged 32

Frank Walsh spent four years with Carlton Comelim Circuits Limited with responsibility for output of its printed circuit boards from 1989 to 1993, when he joined Soundcraft Electronics Limited. Whilst there, he was senior quality engineer, production manager, quality manager and then operations support manager. After a year with Re'an Products as operations director, he joined Deltron Components in 1996.

Hugues Cazeneuve, product and sales manager of EUROiNDustrie, aged 38

After nine years in a variety of roles with REA Composants, FHTEC and Avnet Time, a distributor of active, passive and electromechanical products, Hugues Cazeneuve joined Sodimatel as product manager in 1992. He moved to EUROiNDustrie in 1994 and is now the product and general manager with specific expertise in connector products.

Jon Harvey, Group financial controller, aged 32, BSc, ACA

After qualifying as a chartered accountant, Jon Harvey became group accountant at The Laird Group PLC, with responsibility for preparation of group budgets and statutory accounts and the management accounting role for two of that company's UK subsidiaries. He joined the Group in June 1996.

Employees

The Group employed 278 staff at 30 June 1996, including the Directors.

There is no union representation in the Group and the Directors consider staff relations to be excellent. Employees are encouraged to play a positive role in the business, with emphasis being placed on the training and development of staff.

The Board has formally reviewed the compliance of the Group with the provisions of the Code of Best Practice published in December 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance and with the recommendations of the Greenbury Study Group on Directors' Remuneration published in July 1995. The Board considers that the Group complies with the Code of Best Practice and the recommendations of Greenbury, in so far as appropriate to a company of Deltron's size and Board structure. The Board will provide an appropriate report in the forthcoming report and accounts for the year ending 30 September 1996.

The Audit Committee, which comprises the non-executive directors, is chaired by Sir Ivor Cohen and meets at least twice a year. The committee considers the appointment and fees of the external auditors and discusses the scope of the audit as well as the findings and management letters arising from audits. The committee is also responsible for monitoring compliance with accounting and legal requirements (and changes thereto), and for reviewing the interim and annual reports before publication. The Remuneration Committee, which also comprises the non-executive directors, is chaired by Paul Gourmand and is responsible for setting the remuneration of the executive directors and senior management. In initial deliberations, the Remuneration Committee sought specialist independent advice on senior executive incentivisation and employee share schemes.

Incentive arrangements and share option schemes were established in 1993 to encourage wider share ownership by employees. Although no further options will be granted under these schemes, two new schemes were introduced in September 1996. Participation in the first scheme (the 1996 Executive Share Option Scheme) will be restricted to senior executives, whereas the second scheme (the 1996 Employee Share Option Scheme) is designed for employees generally. Both schemes provide for the grant of options which are

normally exercisable between three and ten years later, and normally lapse if employees leave. The option price will not be less than the market value of the shares when the options are granted, so that employees will only benefit if shareholders have gained through an increase in the Company's share price. In addition, employees of the Group are being given preferential rights to participate in the Placing.

Christopher Sawyer and Edward Tozer will participate in separate option arrangements, which incorporate significantly more demanding performance conditions than those applicable to the 1996 Executive Share Option Scheme.

Further details of the share option schemes and other arrangements are set out on pages 82 to 87 of Part V.

Financial Information

The summary financial record of the Group, set out below, has been extracted or derived from the Accountants' Report on the Group set out in Part II of this document.

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Turnover	4,674	6,619	9,461	18,499	19,848
Operating profit	15	318	677	1,510	1,956
<i>Operating margin</i>	<i>0.3%</i>	<i>4.8%</i>	<i>7.2%</i>	<i>8.2%</i>	<i>9.9%</i>
Profit/(loss) on ordinary activities before taxation	(162)	162	520	1,252	1,574

The Group has achieved strong growth over the four years and nine months to 30 June 1996 which covers the period since the management buy-in. Over this time, turnover has risen by a compound annual growth rate of 47% *per annum* and operating profit has also risen substantially. This growth has been achieved both organically and by the successful identification and consolidation of three acquisitions.

Over the period since the management buy-in, margins have improved at the operating level as a result of tight overhead controls. The acquisition of Deltron Components, whose manufactured products enjoy good margins, combined with the fast-growing filter business at Roxburgh, has further improved margins.

The Group has generated increasing amounts of cash over the last four years which has been utilised, together with external sources of finance, in the ongoing development of the Group including acquisitions.

Over the four year period ended 30 September 1995, the Group benefited from carried forward tax losses (which have now been utilised). The Group is likely to incur an effective tax rate of 33% in the year ending 30 September 1996.

Although a significant proportion of Group products are purchased from manufacturers which invoice in foreign currency (principally the US dollar, Yen and Deutschmark), Group profits have not fluctuated materially in spite of a substantial depreciation of Sterling over the period. The Group typically covers the majority of its foreign currency exposure in the forward currency markets.

Current Trading and Prospects

The Group's business continues to grow and current trading is proceeding in accordance with the Directors' expectations. Filters, in particular, have attractive growth prospects as a result of recent regulation to control electro magnetic interference in the European Union and the potential for similar regulations in other developed and developing economies. The Directors are pleased with the increase in sales of Group filter products and with the continuing growth in EUROiNDustrie's business over the nine months ended 30 June 1996 compared with the same period last year. As the Group is not involved in the semiconductor market, it is not affected by the volatility in that sector.

The Directors believe that the order book for the Group at the end of this financial year will be considerably in excess of that at the end of the financial year ended 30 September 1995 and that prospects for the year ending 30 September 1997 are good.

The disposal of Roxburgh's transformer business in July 1996 has enabled attention to be focused on further development of Roxburgh's filter manufacturing output.

The Directors believe that there is clear potential to develop additional distribution agencies across Europe and to confirm Deltron's position as a leading manufacturer of specialist filters and connectors supplied on an international basis.

Profit Forecast

As set out in further detail in Part III of this document, the Directors are forecasting that, in the absence of unforeseen circumstances, operating profit for the year ending 30 September 1996 will be not less than £2.75 million, an increase of 82% on the previous year, and that profit before taxation for the same year will be not less than £2.24 million, an increase of 79% on the previous year.

Pro Forma Financial Information

A *pro forma* profit forecast for the year ending 30 September 1996 and a *pro forma* statement of consolidated net assets of the Group as at 30 June 1996, together with the assumptions on which they are based, are set out in full in Part IV of this document. The profit and net asset figures have been adjusted to reflect both the effects of the net proceeds receivable by the Company from the Placing and the capital structure which will be in place immediately following Admission.

The *pro forma* financial information, which is for illustrative purposes only, shows a *pro forma* forecast profit before taxation of not less than £2.59 million and forecast adjusted *pro forma* earnings per Ordinary Share of not less than 9.5p for the year ending 30 September 1996. The *pro forma* consolidated net assets at 30 June 1996 would have amounted to £5.97 million.

Dividend Policy

The Ordinary Shares will, on Admission, rank in full for all dividends or distributions declared, paid or made thereafter. If the Ordinary Shares, which will be in issue immediately following the Placing, had been listed on the London Stock Exchange for the whole of the year ending 30 September 1996, based on the forecast *pro forma* earnings per Ordinary Share (as set out in Part IV of this document), the Directors would have expected

to recommend a dividend in respect of that year of 2.75p net per Ordinary Share. At the Placing Price, this notional dividend would (with the associated tax credit) represent a gross yield of 2.3%.

Following Admission, the Directors intend to declare an interim dividend and propose a final dividend in July and January respectively of each financial year, depending on the availability of sufficient distributable reserves. It is anticipated that the interim dividend will amount to approximately one-third of the total dividend payable in each year. The Directors intend to follow a progressive but prudent dividend policy. In the absence of unforeseen circumstances, the Directors expect that the first dividend will be the interim dividend for the year ending 30 September 1997, payable in August 1997.

Reasons for the Flotation

The Directors believe that the flotation will assist the Group in making further acquisitions and also enhance Deltron's stature as an international distributor and manufacturer of electronic components. Flotation should also provide additional capital for organic growth particularly in the Group's filter business. The stronger capital base and higher profile will also assist the development of new distribution alliances.

Moreover, the flotation will provide incentives to staff via the Group share option schemes, expand the Company's shareholder base and provide the shareholders who have invested in the Company over the last five years with both a market for their Ordinary Shares and an opportunity to realise a part of their investment.

Details of the Placing

The Placing comprises an offer of the Sale Shares and an offer of the Subscription Shares amounting in aggregate to 9,053,799 Ordinary Shares, valued at £13.6 million at the Placing Price. This represents approximately 49.2% of the issued ordinary share capital of Deltron immediately following the Placing. The Subscription Shares are being issued by the Company to raise £6.45 million net of expenses. The Placing has been fully underwritten by Granville & Co.

Employees of the Group are being given the opportunity to participate in the Placing in respect of a maximum of 26,000 Subscription Shares at the Placing Price, being 0.3% of the total number of Ordinary Shares which are the subject of the Placing.

PART II

ACCOUNTANTS' REPORTS

This section contains two accountants' reports by Coopers & Lybrand which are set out below. The first report is in relation to the Group for each of the four years ended 30 September 1995 and for the nine months ended 30 June 1996. The second report is in relation to the business and operating assets of Futers London (since renamed Deltron Components) acquired from Frederick Cooper plc with effect from 1 October 1994 for each of the two years ended 31 July 1994 and the two months ended 30 September 1994. The reports are included to comply with the requirements of the London Stock Exchange; the second report complies with the requirement to include an accountants' report on acquisitions which would have been treated as Super Class One under the Listing Rules of the London Stock Exchange had the Company been listed at the date of the acquisition of Futers London.

Accountants' Report on the Group

**Coopers
& Lybrand**

chartered accountants

Abacus House
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Gloucester Street
Cambridge CB3 0AN

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

The Directors
Granville & Co.
Mint House
77 Mansell Street
London E1 8AF

19 September 1996

Dear Sirs

I Introduction

We report in connection with the prospectus and listing particulars dated 19 September 1996 ("the Prospectus") of Deltron Electronics plc ("the Company") and its subsidiaries (together "the Group").

We have examined the audited accounts of the Group for each of the four years ended 30 September 1995 and for the nine months ended 30 June 1996 (together "the audited accounts").

The following acquisitions have been made by the Group during the period covered by the audited accounts:

- (a) a 100% shareholding in Roxburgh Electronics Limited ("Roxburgh") in September 1991;
- (b) certain assets and the Alps UK distribution franchise from Armon Electronics Limited ("Armon") in May 1993;
- (c) the trade and operating assets of Futers (London) ("Futers") a division of Frederick Cooper Electrical Products Limited in October 1994; and
- (d) a 74.2% shareholding in EUROiNDustrie SA and a direct 39.6% shareholding in its subsidiary C&K Composants SA (together "EI") in October 1995.

Morgan Brown & Spofforth, Chartered Accountants and Registered Auditors of 82 St. John Street, London EC1M 4JN audited the Group accounts for all of the above periods. Each report was unqualified.

The financial information set out in this report, which has been prepared on the basis of the accounting policies set out in section V below, is based upon the audited accounts of the Group, after making such adjustments as we consider necessary. Our work has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

In our opinion, for the purposes of the Prospectus, the financial information set out in sections II to V below gives a true and fair view of the state of affairs of the Group as at 30 September 1992, 1993, 1994 and 1995 and as at 30 June 1996 and of the profit or loss and cash flows of the Group for the periods then ended.

II Consolidated profit and loss accounts

	Notes	Years ended 30 September				Nine months ended 30 June
		1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Turnover	5.2	4,674	6,619	9,461	18,499	19,848
Cost of sales		(3,035)	(4,513)	(6,683)	(12,261)	(12,402)
Gross profit		1,639	2,106	2,778	6,238	7,446
Selling and distribution costs		(491)	(557)	(698)	(892)	(1,310)
Administrative costs		(1,133)	(1,231)	(1,403)	(3,836)	(4,180)
Operating profit	5.2, 5.3	15	318	677	1,510	1,956
Net interest payable	5.6	(177)	(156)	(157)	(258)	(382)
Profit/(loss) on ordinary activities before tax		(162)	162	520	1,252	1,574
Taxation	5.7	24	—	—	(345)	(527)
Profit/(loss) on ordinary activities after tax		(138)	162	520	907	1,047
Minority interests: equity		—	—	—	—	(98)
Dividends: non-equity	5.8	(17)	(79)	(75)	(223)	(105)
Profit/(loss) attributable to members of the Company		(155)	83	445	684	844
Dividends: equity	5.8	—	—	—	(87)	(26)
Retained profit/(loss) for the period		(155)	83	445	597	818
Dividends per share (pence)	5.9	—	—	—	21.0	6.2
Adjusted dividends per share (pence)*		—	—	—	0.83	0.25
Earnings/(loss) per share (pence)	5.9	(62.0)	30.8	149.7	164.9	200.7
Adjusted earnings/(loss) per share (pence)*	5.9, 5.22	(2.46)	1.22	5.94	6.54	7.96

There is no difference between the historical cost profit and the figures stated above.

*Adjusted for the pre-flotation capital re-organisation, referred to in note 5.22.

The amounts included above in respect of acquisitions are as follows:

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
	Roxburgh	Armon*	—	Futters	EI
Turnover	4,674	1,168	—	6,286	3,948
Cost of sales	(3,035)	(881)	—	(3,654)	(2,154)
Gross profit	1,639	287	—	2,632	1,794
Selling and distribution costs	(491)		—	(90)	(351)
Administrative costs	(1,133)		—	(2,111)	(815)
Operating profit	15		—	431	628

**The acquisition of Armon in 1993 was of a trade and not of a separately identifiable entity. As a result it is not possible to identify separately the overheads and operating profit relating to this acquisition.*

Included above are the following amounts which relate to the corsetry and transformer activities, operations no longer carried on by the Group but which do not qualify as discontinued as defined by Financial Reporting Standard No. 3.

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Turnover	364	467	557	1,075	613
Cost of sales	(182)	(266)	(346)	(635)	(412)
Gross profit	182	201	211	440	201

Statement of recognised gains and losses

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Retained profit/(loss) for the year	(155)	83	445	597	818
Exchange differences	—	—	—	—	(11)
Recognised gains and losses	(155)	83	445	597	807

Reconciliation of movements in shareholders' funds

	Years ended 30 September				Nine months ended 30 June
	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Profit/(loss) for the year after tax and minority interests	(138)	162	520	907	949
Dividends	(17)	(79)	(75)	(310)	(131)
	(155)	83	445	597	818
Exchange differences	—	—	—	—	(11)
New share capital issued	750	649	—	3,000	71
Share capital redeemed	—	—	—	(450)	(150)
Expenses of share issue	—	—	—	(78)	—
Goodwill acquired during the year	(500)	(570)	—	(1,242)	(1,324)
Net addition to/(reduction in) shareholders' funds	95	162	445	1,827	(596)
Opening shareholders' funds	—	95	257	702	2,529
Closing shareholders' funds	95	257	702	2,529	1,933

III Consolidated balance sheets

	Notes	As at 30 September				As at 30 June
		1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Fixed assets						
Tangible assets	5.10	1,084	1,158	1,389	3,608	4,217
Current assets						
Stocks	5.11	752	1,205	1,439	3,122	3,846
Debtors	5.12	1,115	2,096	2,412	4,071	7,461
Cash		203	265	25	165	250
		2,070	3,566	3,876	7,358	11,557
Creditors: amounts falling due within one year	5.13	(2,142)	(3,637)	(3,726)	(6,394)	(10,510)
Net current assets/ (liabilities)		(72)	(71)	150	964	1,047
Total assets less current liabilities		1,012	1,087	1,539	4,572	5,264
Creditors: amounts falling due after more than one year	5.13	(726)	(599)	(544)	(1,691)	(2,533)
Deferred income	5.14	(191)	(231)	(293)	(352)	(339)
Net assets		95	257	702	2,529	2,392
Capital and reserves						
Called up share capital	5.15	503	603	603	2,404	2,254
Share premium account	5.16	247	796	796	1,467	1,538
Capital redemption reserve	5.16	—	—	—	450	600
Profit and loss account	5.16	(155)	(72)	373	520	1,177
		595	1,327	1,772	4,841	5,569
Goodwill write-off reserve	5.16	(500)	(1,070)	(1,070)	(2,312)	(3,636)
Shareholders' funds		95	257	702	2,529	1,933
Equity minority interests	5.16	—	—	—	—	459
		95	257	702	2,529	2,392
Shareholders' funds comprise:						
Equity shareholders' funds		95	727	1,172	2,441	3,319
Goodwill write off reserve		(500)	(1,070)	(1,070)	(2,312)	(3,636)
		(405)	(343)	102	129	(317)
Non-equity shareholders' funds		500	600	600	2,400	2,250
		95	257	702	2,529	1,933

IV Consolidated cash flow statements

	Notes	Years ended 30 September				Nine months ended 30 June
		1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Net cash (outflow)/inflow from operating activities	5.19	(316)	(95)	781	1,584	897
Returns on investments and servicing of finance						
Interest paid		(177)	(157)	(165)	(261)	(390)
Interest received		—	1	8	3	8
Dividends paid		(17)	(50)	(66)	(305)	(174)
Net cash outflow from returns on investments and servicing of finance		(194)	(206)	(223)	(563)	(556)
Taxation						
UK tax (paid)/received		18	(8)	(29)	(50)	(48)
Overseas tax paid		—	—	—	—	(234)
		18	(8)	(29)	(50)	(282)
Investing activities						
Purchase of subsidiary undertakings and businesses	5.21	(1,559)	(665)	(200)	(3,929)	(1,768)
Purchase of tangible fixed assets		(133)	(147)	(218)	(1,213)	(585)
Receipt of grants		50	50	—	75	75
Proceeds from sale of tangible fixed assets		20	10	14	33	80
Net cash outflow from investing activities		(1,622)	(752)	(404)	(5,034)	(2,198)
Net cash (outflow)/inflow before financing		(2,114)	(1,061)	125	(4,063)	(2,139)
Financing						
Loans advanced	5.20	680	—	—	1,263	774
Loans repaid	5.20	—	—	(100)	(100)	(120)
Share capital issued	5.20	750	649	—	3,000	71
Costs of issue	5.20	—	—	—	(78)	—
Share capital redeemed	5.20	—	—	—	(450)	(150)
Payment of principal under finance leases	5.20	(69)	(49)	(55)	(143)	(165)
Net cash inflow/(outflow) from financing		1,361	600	(155)	3,492	410
Decrease in cash and cash equivalents	5.20	(753)	(461)	(30)	(571)	(1,729)

	As at 30 September				As at 30 June
Analysis of cash and cash equivalents	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Bank and cash balances	203	265	25	165	250
Bank overdrafts	(956)	(1,479)	(1,269)	(1,980)	(3,794)
Closing balance	(753)	(1,214)	(1,244)	(1,815)	(3,544)

V Notes to the consolidated financial statements

5.1 Principal accounting policies

Basis of accounting

The accounts are presented on the basis of the historical cost convention.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and all of its subsidiary undertakings which, for the years up to and including 30 September 1995, have been drawn up to 30 September. For the nine months ended 30 June 1996 interim accounts have been prepared on the same basis.

Compliance with Accounting Standards

These accounts have been prepared in accordance with all relevant United Kingdom Statements of Standard Accounting Practice and Financial Reporting Standards.

Turnover

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

Fixed assets and depreciation

Fixed assets are being depreciated so as to write off their cost over their expected useful lives at the following annual rates:

Plant and machinery and fixtures and fittings	—	10% on reducing balance
Motor vehicles, office equipment and tools	—	25% on straight line basis

Freehold buildings are depreciated over 50 years from 1 October 1992; freehold land is not depreciated. 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 proportionately over the periods of the agreements. Rentals under operating leases are charged to the profit and loss account as incurred.

Goodwill

Goodwill arising on acquisitions of subsidiary undertakings or businesses, representing the excess of the fair value of the consideration paid over the fair value of the separable net assets acquired, is written off to a goodwill write-off reserve.

Research and development expenditure

Research and development expenditure is charged against profits in the period in which it is incurred.

Stocks and work in progress

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

Foreign currency translation

Transactions in foreign currencies are translated at a monthly average exchange rate. Assets and liabilities in foreign currencies at the year end are translated at the closing rate; differences between this and the monthly average are included in cost of sales. The results and net assets of overseas subsidiary undertakings are translated at the closing rate. Differences arising on the re-translation of opening reserves are taken through the profit and loss reserve and reported in the statement of total recognised gains and losses.

Deferred taxation

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 taxation purposes.

Government grants

Government grants received in respect of capital expenditure are included in deferred income and released to profits over the life of the relevant fixed asset.

Pension costs

Pension costs relate to defined contribution schemes and are accounted for as they are incurred.

5.2 Segmental analysis

Turnover

All turnover is attributable to the Group's principal activity of designing, manufacturing and selling electronic components.

The geographical analysis of turnover by origin is as follows:

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
United Kingdom	4,674	6,619	9,461	18,499	15,900
France	—	—	—	—	3,948
Total	4,674	6,619	9,461	18,499	19,848

The geographical analysis of turnover by destination is as follows:

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
United Kingdom	4,649	6,583	9,324	15,793	12,575
European Community (excluding UK)	25	36	137	2,139	6,524
Far East	—	—	—	196	251
Other	—	—	—	371	498
Total	4,674	6,619	9,461	18,499	19,848

Operating profit

The geographical analysis of operating profit is as follows:

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
United Kingdom	15	318	677	1,510	1,372
France	—	—	—	—	584
Total	15	318	677	1,510	1,956

Net assets

The geographical analysis of the Group's net assets is as follows:

	As at 30 September				As at 30 June
	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
United Kingdom	95	257	702	2,529	1,324
France	—	—	—	—	1,068
Net assets	95	257	702	2,529	2,392

5.3 Operating profit

This is stated after charging/(crediting):

	Years ended 30 September				Nine months ended 30 June
	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Depreciation of fixed assets					
— owned	20	38	62	165	263
— leased	38	42	29	89	95
(Profit)/loss on disposal of tangible fixed assets	20	(1)	1	(8)	4
Amortisation of government grants	(9)	(10)	(13)	(16)	(13)
Auditors' remuneration					
— audit of the Company	1	1	1	2	3
— audit of the Group	18	12	23	24	33
— other services (see below)	1	6	3	8	4
Operating lease rentals					
— plant and machinery	54	55	62	68	63
— other	—	—	—	105	79
Research and development expenditure	152	108	117	243	276

In addition to the above, amounts totalling £44,000 in 1995 and £14,000 in 1996 were paid to the auditors and have been included in the costs of acquisitions made in those years.

5.4 Directors' emoluments

The amounts shown below were paid directly to the Directors unless indicated. F. Feldman carries out his duties primarily in France.

	Years ended 30 September				Nine months ended 30 June
	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
P.R. Gourmand (Chairman) (paid to Pineasti Limited)	—	14	25	33	32
C.J. Sawyer (paid to Hartshield Limited)	75	96	124	109	104
R.E. Tozer (paid to Corporate Services (Anglia) Limited)	63	87	101	93	88
Sir I.H. Cohen	—	—	—	2	9
F. Feldman	—	—	—	—	148
Total	138	197	250	237	381

The remuneration of the Directors does not include any benefits-in-kind or pension contributions except for £8,000 and £5,660 respectively paid in respect of F. Feldman and which are included in his total remuneration of £148,160 shown above.

5.5 Staff numbers and costs

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

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
Selling	17	20	27	30	43
Production	33	37	40	130	148
Administration	20	20	20	56	73
Total	70	77	87	216	264

The costs in respect of the above were as follows:

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Wages and salaries	702	780	824	2,724	2,793
Social security costs	74	71	80	293	315
Other pension costs	—	13	13	39	29
Total	776	864	917	3,056	3,137

5.6 Net interest payable

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Bank loans and overdrafts wholly repayable within five years	151	120	157	270	291
Bank loans and overdrafts not wholly repayable within five years	29	38	—	—	73
Finance lease interest	26	11	8	26	26
	206	169	165	296	390
Less interest capitalised	(29)	(12)	—	(35)	—
Interest payable	177	157	165	261	390
Bank interest receivable	—	(1)	(8)	(3)	(8)
Net interest payable	177	156	157	258	382

5.7 Taxation

Amounts charged/(credited) were as follows:

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
UK Corporation tax	(24)	—	—	345	314
Overseas tax	—	—	—	—	213
Total	(24)	—	—	345	527

5.8 Dividends

	Years ended 30 September				Nine months ended 30 June
	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Ordinary shares					
— paid during period	—	—	—	44	26
— proposed (paid in the following period)	—	—	—	43	—
Preference shares					
— paid during period	17	50	37	223	105
— proposed (paid in the following period)	—	29	38	—	—
Total	17	79	75	310	131

5.9 Earnings/(loss) and dividends per share

The earnings/(loss) and dividends per share have been calculated based on the result after taxation, preference share dividends and minority interests for each period and 250,200; 269,766; 297,230; 414,910 and 420,609 ordinary shares of 1p each, being the weighted average number of ordinary shares in issue and ranking for ordinary dividend during each period.

The earnings/(loss) and dividends per share after adjusting for the effect of the changes in the number of shares following the capital reorganisation referred to in note 5.22 below, has been calculated based on the result as above and 6,305,040; 6,798,855; 7,490,196; 10,455,734 and 10,599,335 ordinary shares being the weighted average number of ordinary shares which would have been in issue and ranking for ordinary dividend immediately following the capital reorganisation referred to in note 5.22 below during each period.

5.10 Tangible fixed assets

Cost	Freehold land and buildings £000	Leasehold improve- ments £000	Fixtures and fittings £000	Tools £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000	Total £000
As at 30								
September								
1991	—	—	—	—	—	—	—	—
Additions	38	—	21	—	—	21	64	144
Acquisitions	668	—	178	—	242	193	25	1,306
Disposals	—	—	—	—	—	(70)	—	(70)
As at 30								
September								
1992	706	—	199	—	242	144	89	1,380
Additions	105	—	8	—	16	15	14	158
Acquisitions	—	—	—	—	—	5	—	5
Disposals	—	—	—	—	(11)	—	—	(11)
As at 30								
September								
1993	811	—	207	—	247	164	103	1,532
Additions	120	—	8	—	75	96	38	337
Acquisitions	—	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	(70)	—	(70)
As at 30								
September								
1994	931	—	215	—	322	190	141	1,799
Additions	667	198	92	122	89	201	101	1,470
Acquisitions	225	—	9	87	658	29	20	1,028
Disposals	—	—	—	—	(4)	(92)	—	(96)
As at 30								
September								
1995	1,823	198	316	209	1,065	328	262	4,201
Additions	83	71	240	144	207	83	96	924
Acquisitions	—	3	161	—	3	72	17	256
Disposals	—	—	(21)	—	(110)	(20)	(5)	(156)
As at 30 June								
1996	1,906	272	696	353	1,165	463	370	5,225

Depreciation	Freehold land and buildings £000	Leasehold improve- ments £000	Fixtures and fittings £000	Tools £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000	Total £000
As at 30 September 1991	—	—	—	—	—	—	—	—
Charge for year	—	—	11	—	11	33	3	58
Acquisitions	—	—	98	—	96	72	2	268
Eliminated on disposals	—	—	—	—	—	(30)	—	(30)
As at 30 September 1992	—	—	109	—	107	75	5	296
Charge for year	12	—	9	—	13	37	9	80
Acquisitions	—	—	—	—	—	—	—	—
Eliminated on disposals	—	—	—	—	(2)	—	—	(2)
As at 30 September 1993	12	—	118	—	118	112	14	374
Charge for year	17	—	9	—	17	27	21	91
Acquisitions	—	—	—	—	—	—	—	—
Eliminated on disposals	—	—	—	—	—	(55)	—	(55)
As at 30 September 1994	29	—	127	—	135	84	35	410
Charge for year	27	4	12	30	85	57	39	254
Acquisitions	—	—	—	—	—	—	—	—
Eliminated on disposals	—	—	—	—	—	(71)	—	(71)
As at 30 September 1995	56	4	139	30	220	70	74	593
Charge for period	27	16	40	80	68	79	48	358
Acquisitions	—	—	93	—	2	28	6	129
Eliminated on disposals	—	—	(18)	—	(37)	(12)	(5)	(72)
As at 30 June 1996	83	20	254	110	253	165	123	1,008

Net book value	Freehold land and buildings £000	Leasehold improve- ments £000	Fixtures and fittings £000	Tools £000	Plant and machinery £000	Motor vehicles £000	Office equipment £000	Total £000
As at 30 September 1991	—	—	—	—	—	—	—	—
As at 30 September 1992	706	—	90	—	135	69	84	1,084
As at 30 September 1993	799	—	89	—	129	52	89	1,158
As at 30 September 1994	902	—	88	—	187	106	106	1,389
As at 30 September 1995	1,767	194	177	179	845	258	188	3,608
As at 30 June 1996	1,823	252	442	243	912	298	247	4,217

Included in tangible fixed assets are the following amounts in respect of gross interest capitalised as part of land and buildings and the net book value of assets held under finance leases:

	As at 30 September				As at 30 June
	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Cumulative gross interest capitalised	29	40	41	91	91
Net book value of assets held under finance leases	178	144	213	552	737

5.11 Stocks

	As at 30 September				As at 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Raw materials, consumables and work in progress	241	246	224	1,342	1,610
Finished goods and goods for resale	511	959	1,215	1,780	2,236
	752	1,205	1,439	3,122	3,846

5.12 Debtors: amounts falling due within one year

	As at 30 September				As at 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Trade debtors	1,030	1,923	1,962	3,457	6,562
Other debtors	29	35	164	103	351
ACT recoverable	6	23	52	12	12
Prepayments and accrued income	50	115	234	499	536
	1,115	2,096	2,412	4,071	7,461

5.13 Creditors

	As at 30 September				As at 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Due within one year					
Bank overdrafts	956	1,479	1,269	1,980	3,794
Loan instalments (see below)	—	100	100	327	327
Trade creditors	882	1,573	1,910	2,968	4,487
Corporation tax	—	—	—	233	509
ACT payable	—	9	9	31	—
Other taxation and social security	53	58	212	258	252
Accruals	128	66	127	280	598
Other creditors	74	285	4	99	299
Obligations under finance leases	49	38	57	175	244
Dividends payable	—	29	38	43	—
	2,142	3,637	3,726	6,394	10,510
Due after more than one year					
European Coal & Steel Community loan	480	480	480	360	240
Other loans	200	100	—	1,056	1,830
Obligations under finance leases	46	19	64	275	380
Other creditors (see below)	—	—	—	—	83
	726	599	544	1,691	2,533

The other creditors due after more than one year comprise an amount of FF624,000 due to F. Feldman, a Director, which is not due for payment until 1999.

Borrowings are analysed further as follows:

	As at 30 September				As at 30 June
	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Bank overdrafts	956	1,479	1,269	1,980	3,794
Bank loans					
— due within one year	—	—	—	147	147
— due within one and two years	—	—	—	147	232
— due within two and five years	—	—	—	369	802
— due after five years	—	—	—	—	256
	—	—	—	663	1,437
European Coal & Steel Community loan					
— due within one year	—	—	—	120	120
— due within one and two years	—	120	120	120	120
— due within two and five years	120	360	360	240	120
— due after five years	360	—	—	—	—
	480	480	480	480	360
Other loans					
— due within one year	—	100	100	60	60
— due within one and two years	100	100	—	60	60
— due within two and five years	100	—	—	180	180
— due after five years	—	—	—	300	300
	200	200	100	600	600
Finance leases					
— due within one year	49	38	57	175	244
— due within one and two years	32	16	43	155	212
— due within two and five years	14	3	21	120	168
	95	57	121	450	624
Total borrowings	1,731	2,216	1,970	4,173	6,815

As at 30 June 1996, the bank loans and overdrafts were secured by fixed and floating charges over the assets of the Group. The bank overdrafts bear interest at $1\frac{3}{4}\%$ over base rate up to the first £1 million and thereafter at 2% over base rate. The bank loans bear interest at rates ranging between $1\frac{1}{2}\%$ and 2% above base rate. The European Coal & Steel Community loan is secured by a guarantee via Midland Bank plc and bears interest at 11%. The other loans are secured by a fixed and floating charge over the assets of a subsidiary undertaking, Roxburgh Foxhills Limited, and bear interest at $2\frac{1}{4}\%$ over LIBOR.

No deferred tax has been provided during the period under review.

The amounts unprovided at the end of each period are analysed as follows:

	As at 30 September				As at 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Accelerated capital allowances	109	137	191	332	298
Other short term timing differences	—	—	—	—	(9)
	109	137	191	332	289
Less:					
Losses carried forward	(286)	(209)	(50)	—	—
	(177)	(72)	141	332	289

5.14 Deferred income

	Government grants £000
Balance at 30 September 1991	150
Recognised during the year	50
Released to profit and loss account in year	(9)
Balance at 30 September 1992	191
Recognised during the year	50
Released to profit and loss account in year	(10)
Balance at 30 September 1993	231
Recognised during the year	75
Released to profit and loss account in year	(13)
Balance at 30 September 1994	293
Recognised during the year	75
Released to profit and loss account in year	(16)
Balance at 30 September 1995	352
Released to profit and loss account in period	(13)
Balance at 30 June 1996	339

5.15 Share capital

The shares in issue at 30 June 1996, together with the authorised amount in each class, were as follows:

	Number	£
'A' ordinary shares of 1p each		
Authorised	283,597	—
Issued	157,100	1,571
'B' ordinary shares of 1p each		
Authorised	167,130	—
Issued	147,130	1,471
'C' ordinary shares of 1p each		
Authorised	118,984	—
Issued	118,984	1,190
Deferred shares of 1p each		
Authorised	27,778	—
Issued	27,778	278
'A' preference shares of £1 each		
Authorised	600,000	—
Issued	—	—
'B' preference shares of £1 each		
Authorised	2,250,000	—
Issued	2,250,000	2,250,000
		<u>2,254,510</u>

The movements in the number issued of each class of share are as follows:

	Ordinary shares Number	Ordinary shares (A) Number	Ordinary shares (B) Number	Ordinary shares (C) Number	Preference shares Number	Preference shares (A) Number	Preference shares (B) Number	Deferred shares Number
As at 26 September 1991	2	—	—	—	—	—	—	—
Converted	198	—	—	—	—	—	—	—
Reclassified	—	—	—	—	—	—	—	—
Issued	—	150,000	100,000	—	500,000	—	—	—
As at 30 September 1992	200	150,000	100,000	—	500,000	—	—	—
Issued	—	—	74,808	—	100,000	—	—	—
Reclassified	(200)	100	(27,678)	—	—	—	—	27,778
As at 30 September 1993 and 1994	—	150,100	147,130	—	600,000	—	—	27,778
Issued	—	—	—	118,984	—	—	2,250,000	—
Redeemed	—	—	—	—	(450,000)	—	—	—
Reclassified	—	—	—	—	(150,000)	150,000	—	—
As at 30 September 1995	—	150,100	147,130	118,984	—	150,000	2,250,000	27,778
Issued	—	7,000	—	—	—	—	—	—
Redeemed	—	—	—	—	—	(150,000)	—	—
Reclassified	—	—	—	—	—	—	—	—
As at 30 June 1996	—	157,100	147,130	118,984	—	—	2,250,000	27,778

On 27 September 1991, 150,000 'A' ordinary shares were issued equally to R. E. Tozer and C. J. Sawyer and 100,000 'B' ordinary shares and 500,000 preference shares were issued to the Independent Investment Company Public Limited Company ("IIC") to provide funds to the Company for the management buy-in of Roxburgh.

During the year ended 30 September 1993, further 'B' ordinary shares and preference shares were issued to IIC and certain 'B' ordinary shares were reclassified as deferred shares, all as indicated above, in order to raise funds for the Armon acquisition.

During the year ended 30 September 1995, 450,000 of the preference shares were redeemed and the remaining 150,000 preference shares were redesignated 'A' preference shares. In addition, the 'C' ordinary shares and 'B' preference shares referred to above were issued to Lloyds Development Capital Limited and 3i Group plc to finance the Futers acquisition.

Since 30 September 1995, a further 7,000 'A' ordinary shares have been issued pursuant to the exercise of share options.

The rights of the various classes of shares are summarised as follows:

(i) Dividends

'A' ordinary shares: entitlement is subordinated to the 'B' preference shares and the 'B' and 'C' ordinary share entitlement. After such prior dividend rights, the holders of the 'A' ordinary shares are entitled in any financial year first to an amount equal to the aggregate dividend paid on the 'C' ordinary shares. Thereafter, all further ordinary share dividends are paid equally between the 'A', 'B' and 'C' ordinary shares.

'B' ordinary shares: rank alongside the 'C' ordinary shares but behind the 'B' preference shares and holders are entitled to a net cash preferential dividend at 7% in the period from 1 November 1995 up to 30 September 1996 and 8% thereafter. Holders are also entitled to a cumulative participating dividend of 1.625% of net profits of the Company up to 30 September 1997 and thereafter at a rate of 3.25% of net profits of the Company. Holders are entitled to share in any dividends declared after the satisfaction of all prior rights equally with the holders of 'A' and 'C' ordinary shares.

'C' ordinary shares: rank alongside the 'B' ordinary shares but behind the 'B' preference shares and holders are entitled to a net cash preferential dividend at 7% in the period from 1 October 1995 up to 30 September 1997 and 8% thereafter. Holders are also entitled to a cumulative participating dividend of 7.5% of net profits of the Company up to 30 September 1997 and thereafter at a rate of 15% of net profit of the Company. Holders are entitled to share in any dividends declared after satisfaction of all prior rights equally with the holders of the 'A' and 'B' ordinary shares.

'B' preference shares: rank first in priority for dividend entitlement and holders are entitled to a net cash cumulative preferential dividend on the amount paid up on their shares in the period from 1 October 1995 to 30 September 1996 at 8% and thereafter at 9% per annum.

(ii) Priority and amounts receivable on a winding-up

Surplus assets of the Company remaining after payment of its liabilities are to be applied first in paying the holders of the 'B' preference shares an amount equal to the price per share payable on redemption together with any amount of arrears, deficiency or accruals on the 'B' preference share dividends, whether such dividends have been declared or earned or not, second in paying the holders of the 'B' and 'C' ordinary shares the amount paid or credited as paid up on each share, third in paying holders of the 'A' ordinary shares an amount equal to £1 per share or the amount paid up, if greater and finally, the balance is payable to the holders of the 'B' and 'C' ordinary shares *pari passu*.

(iii) Voting

Holders of the 'A', 'B' and 'C' ordinary shares are entitled to one vote per share at all general meetings of the Company. The holders of the 'B' preference shares have the right to receive notice of and to attend and speak at all general meetings of the Company but do not have the right to vote unless, at the date of the notice convening the meeting, the fixed dividend payable on the 'B' preference shares is three months or more in arrears or unless redemption is overdue for six months or more.

(iv) Conversion

On a takeover or a listing of the shares of the Company (as defined in the Company's

articles of association), each of the 'A', 'B' and 'C' ordinary shares automatically convert into ordinary shares of 1p ranking *pari passu* with the ordinary shares arising on equivalent conversion. The fixed preferential dividend on the 'B' and 'C' ordinary shares remain payable from the last fixed dividend date up to the date of conversion.

The 'B' preference shares must be redeemed in full in the event of a takeover or a listing at a redemption price of £1 per share.

As a result of the post balance sheet events referred to in Note 5.22 below, new articles of association will be adopted which do not include the above provisions. Upon admission of the ordinary shares in the capital of the Company to the Official List of the London Stock Exchange, the only classes of shares in issue will be ordinary shares of 5p each and deferred shares of 1p each. The special rights attaching to the deferred shares will be as follows:

- (a) the holders of the deferred shares will not have the right to receive notice of or attend, speak or vote at any general meeting nor will they be entitled to receive or participate in the profits or assets of the Company, nor will the Company be required to issue certificates in respect of the deferred shares; and
- (b) the Company will have the authority to appoint a person to execute on behalf of the holders of the deferred shares a transfer thereof to a custodian and/or to purchase all non-voting deferred shares in either case for an aggregate price of not more than 1p for all such deferred shares without obtaining the sanction of the holder or holders thereof.

At 30 June 1996, there were the following options over 'A' and 'B' ordinary shares of 1p each:

Number of shares	Price per share
7,000	£3.50
30,000	£5.85
16,723	£7.00
16,520	£10.00
19,278	£12.50
1,750	£15.00

Options granted over 500 of the above 'A' ordinary shares at an exercise price of £10 per share have subsequently lapsed. The remaining options are exercisable at any time within the period of seven years from the date of their grant (the expiry of the latest of these seven year periods is in December 2002) except for options granted over 4,000 'A' ordinary shares at an exercise price of £15 per share which vest at the rate of 1,000 'A' ordinary shares per year on the expiry of each of the years to 30 September 1999 and for options granted over 3,000 'A' ordinary shares at an exercise price of £10 per share which are subject to the achievement of profit related performance conditions. The options referred to above are prior to any adjustment resulting from the capital re-organisation of the Company effected by the resolutions referred to in paragraph 3(g) of Part V of the Prospectus.

5.16 Reserves and minority interests

	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Goodwill write-off reserve £000	Minority interests £000
As at 30 September 1991	—	—	—	—	—
Loss for the year	—	—	(155)	—	—
Arising on shares issued	247	—	—	—	—
Arising on acquisitions	—	—	—	(500)	—
As at 30 September 1992	247	—	(155)	(500)	—
Profit for the year	—	—	83	—	—
Arising on shares issued	549	—	—	—	—
Arising on acquisitions	—	—	—	(570)	—
As at 30 September 1993	796	—	(72)	(1,070)	—
Profit for the year	—	—	445	—	—
As at 30 September 1994	796	—	373	(1,070)	—
Profit for the year	—	—	597	—	—
Arising on shares issued	749	—	—	—	—
Share issue costs	(78)	—	—	—	—
Transfer on redemption of shares	—	450	(450)	—	—
Arising on acquisitions	—	—	—	(1,242)	—
As at 30 September 1995	1,467	450	520	(2,312)	—
Profit for the period	—	—	818	—	98
Exchange differences	—	—	(11)	—	—
Arising on shares issued	71	—	—	—	—
Transfer on redemption of shares	—	150	(150)	—	—
Arising on acquisitions	—	—	—	(1,324)	361
As at 30 June 1996	1,538	600	1,177	(3,636)	459

5.17 Commitments

Capital expenditure contracted but not provided for and annual commitments under operating leases were as follows:

	As at 30 September				As at 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Capital expenditure contracted but not provided for	—	—	662	301	297
Operating leases—land and buildings					
Expiring within one year	—	—	—	—	—
Expiring within two to five years	—	—	—	—	—
Expiring in more than five years	—	—	—	155	135
	—	—	—	155	135
Operating leases—other					
Expiring within one year	100	61	61	38	4
Expiring within two to five years	—	—	—	—	106
Expiring in more than five years	—	—	—	—	—
	100	61	61	38	110

5.18 Pensions

The Group operates defined contribution schemes for certain UK employees. The assets of the schemes are held separately from those of the relevant Group company in an independently administered fund.

5.19 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Operating profit	15	318	677	1,510	1,956
Release of government grants	(9)	(10)	(13)	(16)	(13)
Foreign exchange movements	—	—	—	—	(11)
Depreciation of tangible fixed assets	58	80	91	254	358
(Profit)/loss on sale of fixed assets	20	(1)	1	(8)	4
(Increase)/decrease in stocks	(77)	(163)	(234)	(496)	(327)
(Increase)/decrease in debtors	(25)	(964)	(212)	(232)	(1,893)
Increase/(decrease) in creditors	(297)	645	471	572	823
Net cash (outflow)/inflow from operating activities	(315)	(95)	781	1,584	897

5.20 Changes in financing

	Years ended 30 September				Nine months ended 30 June
	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000
Share capital (including premium)					
Opening balance	—	750	1,399	1,399	3,871
Net cash flow from financing	750	649	—	2,472	(79)
Closing balance	750	1,399	1,399	3,871	3,792
Loans and finance lease obligations					
Opening balance	—	775	737	701	2,193
Net cash flows from financing	611	(49)	(155)	1,020	489
Inception of finance lease contracts	11	11	119	257	339
Acquisition of finance lease contracts	153	—	—	215	—
Closing balance	775	737	701	2,193	3,021
Cash and cash equivalents					
Opening balance	—	(753)	(1,214)	(1,244)	(1,815)
Net cash outflow before the effect of foreign exchange rates	(753)	(461)	(30)	(571)	(1,729)
Closing balance	(753)	(1,214)	(1,244)	(1,815)	(3,544)

5.21 Acquisitions

	Book value £000	Revaluation £000	Accounting policy alignment £000	Fair value £000
Acquisition of Roxburgh, September 1991				
Net assets acquired				
Fixed assets	997	41	—	1,038
Stocks	637	—	38	675
Debtors	1,083	—	—	1,083
Creditors	(1,434)	—	(150)	(1,584)
Bank loans and overdrafts	(917)	—	—	(917)
Hire purchase and finance leases	(153)	—	—	(153)
	213	41	(112)	142
Goodwill				500
				642
Satisfied by:				
Cash paid				561
Acquisition expenses				81
				642

	Book value £000	Revalu- ation £000	Accounting policy alignment £000	Fair value £000
Acquisition of Armon, May 1993				
Assets acquired				
Fixed assets	5	—	—	5
Stocks	290	—	—	290
	<u>295</u>	<u>—</u>	<u>—</u>	<u>295</u>
Goodwill				<u>570</u>
				<u>865</u>
Satisfied by:				
Cash paid on acquisition				595
Cash paid in May 1994				200
Acquisition expenses				<u>70</u>
				<u>865</u>
	Book value £000	Revalu- ation £000	Accounting policy alignment £000	Fair value £000
Acquisition of Futers, October 1994				
Net assets acquired				
Fixed assets	1,210	(230)	48	1,028
Stocks	1,136	—	51	1,187
Debtors	1,467	—	—	1,467
Bank and cash	2	—	—	2
Creditors	(780)	—	—	(780)
Hire purchase and finance leases	(215)	—	—	(215)
	<u>2,820</u>	<u>(230)</u>	<u>99</u>	<u>2,689</u>
Goodwill				<u>1,242</u>
				<u>3,931</u>
Satisfied by:				
Cash paid				3,750
Acquisition expenses				<u>181</u>
				<u>3,931</u>

	Book value £000	Revalu- ation £000	Accounting policy alignment £000	Fair value £000
Acquisition of EI, October 1995				
Net assets acquired				
Fixed assets	127	—	—	127
Stocks	397	—	—	397
Debtors	1,572	—	—	1,572
Bank and cash	367	—	—	367
Creditors	(1,291)	—	—	(1,291)
Overdrafts	(2)	—	—	(2)
	<u>1,170</u>	<u>—</u>	<u>—</u>	<u>1,170</u>
Minority interests				(361)
Goodwill				<u>1,324</u>
				<u>2,133</u>
Satisfied by:				
Cash paid				1,974
Acquisition expenses				<u>159</u>
				<u>2,133</u>

The summarised profit and loss account of the EI Group from 1 January 1995, the beginning of its financial year, to the date of acquisition was as follows:

	£000
Turnover	<u>3,343</u>
Operating profit	<u>405</u>
Taxation	<u>(158)</u>
Profit after taxation	<u>247</u>

There were no other recognised gains and losses in the above period.

The Company has agreed to make a payment of FF500,000 (estimated to equate to £62,500) to each of F. Feldman and P. Romano (one of the vendors of EI) if the property of EI at Vichy attains a market value exceeding FF2 million (estimated to equate to £250,000) at any time before 10 October 1997.

Further details regarding the purchase of the minority share in EI are set out in note 5.22.

The acquisitions contributed the following to cash flows in each year:

	Futters	EI
	1995	1996
	£000	£000
Net operating cash inflow	866	410
Net returns on investments and servicing of finance	(58)	—
Taxation paid	—	234
Investing activities	(712)	(111)

The acquisition of Armon in 1993 was of a trade and not of a separately identifiable entity. As a result, it is not possible to identify separately cashflows relating to its acquisition.

The net outflow of cash and cash equivalents in respect of acquisitions in each period was as follows:

	Years ended 30 September				Nine months ended 30 June
	1992	1993	1994	1995	1996
	£000	£000	£000	£000	£000
Cash consideration paid	561	595	200	3,750	1,974
Acquisition expenses	81	70	—	181	159
Bank and cash balances acquired	—	—	—	(2)	(367)
Bank overdrafts acquired	917	—	—	—	2
	1,559	665	200	3,929	1,768

5.22 Post balance sheet events

By resolutions passed at an Extraordinary General Meeting of the Company held on 4 September 1996 which will become effective on Admission of the ordinary shares of the Company to the Official List of the London Stock Exchange ("Admission"), the following changes to the Company's share capital will be effected:

- automatic conversion of the 423,214 issued 'A', 'B' and 'C' ordinary shares of 1p each into ordinary shares of 1p each;
- consolidation of the 423,214 ordinary shares of 1p each into 84,642 Ordinary Shares of 5p each and four Deferred Shares of 1p each; and
- a bonus issue of 10,580,350 new Ordinary Shares of 5p.

£2.25 million of the proceeds of the issue of new Ordinary Shares referred to above will be used to redeem all of the existing 'B' preference shares.

On the later of Admission or 30 September 1996, the Company will make dividend payments totalling £135,376 on the existing 'B' preference shares and 'B' and 'C' ordinary shares. On Admission, the Company will acquire the minority interest in EI for a consideration of FF5 million which will be satisfied as to £300,000 by the issue of 200,000 Ordinary Shares and the balance (estimated to be £325,000) in cash, and a further payment in 1999 (which will not exceed FF7.4 million) depending on the average annual profit before taxation of EI for the three year period ending 31 December 1998.

The consolidated balance sheet of the Group as at 30 June 1996 contains a goodwill write off reserve of £3.6 million reflecting goodwill arising on the acquisitions of the Armon and Futters businesses and of the shares in Roxburgh, EUROiNDustrie and C&K Composants SA. It is proposed, pursuant to special resolutions of the Company, Roxburgh and Deltron

Components, passed on 4 September 1996 conditionally on Admission, to eliminate this reserve and any further goodwill arising on the acquisition of the minority interest in EUROiNDustrie through reductions of capital in each of these companies which the Directors expect will be confirmed by appropriate court order and become effective by the end of November 1996.

Yours faithfully

Coopers & Lybrand

Accountants'
Report on
Futters London

Coopers
& Lybrand

chartered accountants

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77 Mansell Street
London E1 8AF

19 September 1996

Dear Sirs

I Introduction

We report in connection with the prospectus and listing particulars dated 19 September 1996 ("the Prospectus") of Deltron Electronics plc ("the Company") and its subsidiaries (together "the Group").

On 4 October 1994, and with effect from 1 October 1994, the Company, through its wholly-owned subsidiary Deltron Components Limited ("Components") acquired the trade and operating assets of Futters London (together "Futters") from Frederick Cooper Electrical Products Limited ("FCEP") a subsidiary of Frederick Cooper plc ("FC").

Futters was a trading division of FCEP and at no time during the two years and two months ended 30 September 1994 ("the Reporting Period") did Futters exist as a separate statutory entity. Consequently, separate audited financial statements of Futters have not been prepared for any part of the Reporting Period. The accounts of Futters during the Reporting Period were included as part of the audited financial statements of FCEP which were consolidated into the audited financial statements of FC. Both these companies had an accounting reference date of 31 July.

The auditors of FCEP and FC during the Reporting Period were KPMG, Chartered Accountants and Registered Auditors, 2 Cornwall Street, Birmingham B3 2DL. Financial information on Futters from 1 October 1994 to 30 June 1996 is included within the financial information set out in the accountants' report on the Group in Part II of the Prospectus.

The financial information set out in sections II to V below is based on the unaudited management accounts of Futters for the Reporting Period to which no adjustments were considered necessary.

We have examined the unaudited management accounts referred to above. Our work has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

During the Reporting Period certain central costs and management charges were allocated to Futers by FCEP, no taxation charges were allocated to Futers by FCEP and Futers was funded via an inter-company account with FCEP and the movements on this are reflected in the cash flow statements.

In our opinion, for the purposes of the Prospectus the financial information set out in sections II to V below gives a true and fair view of the state of affairs of Futers as at 31 July 1993 and 1994 and at 30 September 1994 and of the profit and cash flows of Futers for the periods then ended.

II Profit and loss accounts

		Years to 31 July		2 months to 30 September
		1993	1994	1994
	Notes	£000	£000	£000
Turnover	5.2	6,089	6,095	1,071
Cost of sales		(4,149)	(4,225)	(726)
Gross profit		1,940	1,870	345
Selling and distribution costs		(56)	(87)	(13)
Administrative costs		(1,569)	(1,329)	(211)
Operating profit	5.3	315	454	121
Net interest receivable/(payable)	5.5	11	2	(1)
Retained profit for the period	5.10	326	456	120

There is no difference between the historical cost profit and the figures stated above. All activities are in respect of continuing operations.

III Balance sheets

	Notes	As at 31 July		As at 30
		1993	1994	September
		£000	£000	£000
Fixed assets				
Tangible fixed assets	5.6	1,122	1,197	1,210
Current assets				
Stocks	5.7	925	1,159	1,143
Debtors	5.8	1,275	1,274	1,491
Cash		563	175	129
		2,763	2,608	2,763
Creditors: amounts falling due within one year	5.9	(1,082)	(1,242)	(1,290)
Net current assets		1,681	1,366	1,473
Net assets		2,803	2,563	2,683
Capital and reserves				
FCEP capital employed	5.10	2,803	2,563	2,683

IV Cash flow statements

	Notes	Years to 31 July		2 months to 30
		1993	1994	September
		£000	£000	£000
Net cash (outflow)/inflow from operating activities	5.11	826	563	(10)
Returns on investments and servicing of finance				
Interest paid		—	—	(1)
Interest received		11	2	—
Net cash outflow/(inflow) from returns on investments and servicing of finance		11	2	(1)
Investing activities				
Purchase of tangible fixed assets		(115)	(296)	(35)
Proceeds from sale of tangible fixed assets		27	39	—
Net cash outflow from investing activities		(88)	(257)	(35)
Net cash (outflow)/inflow before financing		749	308	(46)
Financing				
Transfer of funds to FCEP		(495)	(696)	—
Net cash outflow from financing		(495)	(696)	—
Increase/(decrease) in cash and cash equivalents	5.12	254	(388)	(46)

V Notes to the consolidated financial statements

5.1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off their cost by equal annual instalments over their expected useful lives as follows:

Freehold buildings	—	1% <i>per annum</i>
Motor vehicles	—	25% <i>per annum</i>
Other fixed assets	—	10% to 25% <i>per annum</i>

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

Research and development

Research and development expenditure is written off as incurred.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. All foreign exchange differences are taken to the profit and loss account.

5.2 Segmental analysis

Turnover

All turnover is attributable to the principal activity of designing, manufacturing and selling electronic components.

All turnover, by origin, arose in the UK.

The geographical analysis of turnover by destination is as follows:

	Years to 31 July		2 months to 30 September
	1993	1994	1994
	£000	£000	£000
United Kingdom	4,303	4,384	783
European Community (excluding UK)	1,361	1,261	202
Far East	175	169	32
Other	250	281	54
Total	6,089	6,095	1,071

5.3 Operating profit

This is stated after charging/(crediting):

	Years to 31 July		2 months to 30 September
	1993	1994	1994
	£000	£000	£000
Depreciation of fixed assets	247	220	22
Profit on disposal of tangible fixed assets	11	(38)	—
Operating lease rentals			
— plant and machinery	—	—	—
— other	—	12	2

5.4 Staff numbers and costs

The average number of persons employed by Futers was as follows:

	Years to 31 July		2 months to 30 September
	1993	1994	1994
	Number	Number	Number
Direct labour	64	50	50
Indirect labour	30	33	36
Administration	34	34	33
Total	128	117	119

The costs in respect of the above were as follows:

	Years to 31 July		2 months to 30 September
	1993	1994	1994
	£000	£000	£000
Wages and salaries including social security costs	1,944	1,859	201
Other pension costs	30	27	6
Total	1,974	1,886	207

5.5 Net interest payable

	Years to 31 July		2 months to 30 September
	1993	1994	1994
	£000	£000	£000
Bank loans and overdrafts wholly repayable within five years	—	—	1
Bank interest receivable	(11)	(2)	—
Net interest (receivable)/payable	(11)	(2)	1

5.6 Tangible fixed assets

Cost	Freehold land and buildings £000	Plant and equipment £000	Press tools £000	Fixtures and fittings £000	Motor vehicles £000	Computers £000	Heating installation £000	Total £000
As at 31 July 1992	480	1,193	520	99	112	77	39	2,520
Additions	—	40	36	4	17	17	—	114
Disposals	—	(7)	—	—	(71)	—	—	(78)
As at 31 July 1993	480	1,226	556	103	58	94	39	2,556
Additions	—	216	44	—	26	10	—	296
Disposals	—	(252)	—	—	(31)	—	—	(283)
As at 31 July 1994	480	1,190	600	103	53	104	39	2,569
Additions	—	—	32	—	—	3	—	35
As at 30 September 1994	480	1,190	632	103	53	107	39	2,604

Depreciation	Freehold land and buildings £000	Plant and equipment £000	Press tools £000	Fixtures and fittings £000	Motor vehicles £000	Computers £000	Heating installation £000	Total £000
As at 31 July 1992	15	643	322	83	77	55	33	1,228
Charge for year	5	78	132	5	5	18	4	347
Eliminated on disposals	—	(7)	—	—	(34)	—	—	(41)
As at 31 July 1993	20	714	454	88	48	73	37	1,434
Charge for year	4	94	97	5	5	13	2	220
Eliminated on disposals	—	(251)	—	—	(31)	—	—	(282)
As at 31 July 1994	24	557	551	93	22	86	39	1,372
Charge for period	1	14	4	1	1	1	—	22
Eliminated on disposals	—	—	—	—	—	—	—	—
As at 30 September 1994	25	571	555	94	23	87	39	1,394

Net book value	Freehold land and buildings £000	Plant and equipment £000	Press tools £000	Fixtures and fittings £000	Motor vehicles £000	Computers £000	Heating installation £000	Total £000
As at 31 July 1992	465	550	198	16	35	22	6	1,292
As at 31 July 1993	460	512	102	15	10	21	2	1,122
As at 31 July 1994	456	633	49	10	31	18	—	1,197
As at 30 September 1994	455	619	77	9	30	20	—	1,210

5.7 Stocks

	As at 31 July	As at 30 September
	1993	1994
	£000	£000
Stocks and work in progress	925	1,159

5.8 Debtors: amounts falling due within one year

	As at 31 July	As at 30 September
	1993	1994
	£000	£000
Trade debtors	1,208	1,211
Amounts owed by group undertaking	1	6
Prepayments and accrued income	66	57
	1,275	1,274

5.9 Creditors

	As at 31 July		As at 30 September
	1993	1994	1994
	£000	£000	£000
Due within one year			
Trade creditors	460	682	550
Amounts owed to group undertaking	29	67	286
Accruals and deferred income	593	493	454
	<u>1,082</u>	<u>1,242</u>	<u>1,290</u>

5.10 FCEP capital employed

	£000
As at 31 July 1992	2,972
Profit for the year	326
Repaid during the year	<u>(495)</u>
As at 31 July 1993	2,803
Profit for the year	456
Repaid during the year	<u>(696)</u>
As at 31 July 1994	2,563
Profit for the period	<u>120</u>
As at 30 September 1994	<u>2,683</u>

5.11 Reconciliation of operating profit to net cash inflow from operating activities

	Years to 31 July		2 months to 30 September
	1993	1994	1994
	£000	£000	£000
Operating profit	315	454	121
Depreciation of tangible fixed assets	247	220	22
(Profit)/loss on sale of fixed assets	11	(38)	—
(Increase)/decrease in stocks	10	(234)	16
(Increase)/decrease in debtors	153	1	(217)
Increase in creditors	90	160	48
Net cash inflow/(outflow) from operating activities	<u>826</u>	<u>563</u>	<u>(10)</u>

5.12 Changes in financing

Analysis of cash and cash equivalents

	Years to 31 July		2 months to 30 September
	1993	1994	1994
	£000	£000	£000
Opening balance	309	563	175
Net cash inflow/(outflow)	254	(388)	(46)
Closing balance	563	175	129

	As at 31 July		As at 30 September
	1993	1994	1994
	£000	£000	£000
Bank and cash balances	563	175	129

Yours faithfully

Coopers & Lybrand

PART III

PROFIT FORECAST AND ASSOCIATED LETTERS

Profit Forecast for the Year Ending 30 September 1996

The Directors forecast that, on the bases and assumptions set out below and in the absence of unforeseen circumstances, the profits for the year ending 30 September 1996 will be not less than shown below:

	Forecast
	£000
Operating profit	2,754
Net interest payable	(508)
Profit before taxation	2,246
Taxation	(746)
Profit after taxation	1,500
Minority interest	(106)
Preference dividends	(195)
Profit attributable to members of the Company	1,199

Bases and assumptions

The Directors' profit forecast for the year ending 30 September 1996 has been prepared in accordance with the accounting policies normally applied by the Group which are described in section 5.1 of the first accountants' report set out in Part II of this document. The profit forecast has been based on the audited accounts of the Group for the nine months ended 30 June 1996 and the Directors' forecast for the remaining three months of the year, taking into account the following principal assumptions:

- (a) there will be no significant changes in trading relationships with suppliers or customers;
- (b) there will be no significant changes in wage rates or other costs;
- (c) interest rates and the basis and rates of taxation, both direct and indirect, will not change materially;
- (d) there will be no significant effect upon trading profits resulting from a movement in the exchange rate between Sterling and the French franc; and
- (e) there will be no other material changes in the economic or political environments in which the Group operates.

Letters Relating
to the Profit
Forecast

Coopers
& Lybrand

chartered accountants

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The Directors
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19 September 1996

Dear Sirs

Deltron Electronics plc ("the Company")

We have reviewed the accounting policies and calculations for the profit forecast of the Company and its subsidiary undertakings (together the "Group") for the year ending 30 September 1996 as set out on page 62 of the prospectus and listing particulars of the Company dated 19 September 1996 ("the Prospectus").

The profit forecast, for which the Directors of the Company are solely responsible, includes the audited accounts of the Group for the nine months ended 30 June 1996 and forecasts for the three months ending 30 September 1996.

In our opinion, the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors of the Company set out on page 62 of the Prospectus, and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

Coopers & Lybrand



GRANVILLE

GRANVILLE & CO.

Mint House · 77 Mansell Street · London E1 8AF

The Directors
Deltron Electronics plc
Suffolk House
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CB8 7AA

19 September 1996

Dear Sirs

We have discussed with the Directors of Deltron Electronics plc (the "Company") the profit forecast of the Company and its subsidiary undertakings for the year ending 30 September 1996 set out on page 62 of the prospectus and listing particulars of the Company dated 19 September 1996 together with the bases and assumptions upon which the profit forecast is made. We have also discussed the accounting policies and calculations for the profit forecast with Coopers & Lybrand and have considered their letter dated 19 September 1996 addressed to yourselves and ourselves on this matter.

We consider that the profit forecast, for which the Directors of the Company are solely responsible, has been prepared after due and careful enquiry by the Directors.

Yours faithfully
for and on behalf of
Granville & Co.

A M Perkin
Director

J D Wellesley Wesley
Managing Director

PART IV

PRO FORMA FINANCIAL INFORMATION

Set out below is a *pro forma* profit forecast of the Group for the year ending 30 September 1996 and a *pro forma* statement of consolidated net assets of the Group at 30 June 1996. The *pro forma* financial information is provided for illustrative purposes only and, because of its nature, it cannot give a complete picture of the financial position of the Group.

The *pro forma* financial information is based on the profit forecast of the Group for the year ending 30 September 1996, as set out in Part III of this document, and the audited consolidated balance sheet of the Group as at 30 June 1996, as set out in Part II of this document. Both the profit forecast and the balance sheet have been adjusted to reflect the effects of the following transactions, on the assumption that they had been completed at the beginning of the year ending 30 September 1996 (in respect of the *pro forma* profit forecast) and on 30 June 1996 (in respect of the *pro forma* statement of consolidated net assets):

- (i) the receipt of the estimated net proceeds of the Placing due to the Company of £6.45 million, on the assumption that the estimated expenses of the Placing of £850,000 will be charged to the share premium account;
- (ii) the receipt of approximately £441,000 from the exercise of options and warrants over 2,674,067 Ordinary Shares which are expected to be exercised on Admission; and
- (iii) the application of the estimated net proceeds in (i) and (ii) above to:
 - (a) repay approximately £4.6 million of existing borrowings; and
 - (b) redeem the outstanding £2.25 million of the 'B' preference shares.

In addition, the *pro forma* statement of consolidated net assets has been adjusted to reflect the acquisition of the outstanding minority interest in EUROiNDustrie, funded by an issue of 200,000 Ordinary Shares at the Placing Price, an initial cash payment of approximately £325,000 and a further payment, which depends on the future profits of EUROiNDustrie, of an amount which the Directors expect to be approximately £713,000, payable in 1999.

Pro Forma Profit Forecast

The *pro forma* profit forecast of the Group for the year ending 30 September 1996 is set out below:

	Per profit forecast £000	Adjust- ments £000	<i>Pro forma</i> £000
Operating profit	2,754	—	2,754
Net interest payable ⁽¹⁾	(508)	349	(159)
Profit before taxation	2,246	349	2,595
Taxation ⁽²⁾	(746)	(115)	(861)
Profit after taxation	1,500	234	1,734
Minority interest	(106)	—	(106)
Preference dividends	(195)	195	—
Profit attributable to members of the Company	1,199	429	1,628
Forecast <i>pro forma</i> earnings per Ordinary Share ⁽³⁾			8.9p
Forecast adjusted <i>pro forma</i> earnings per Ordinary Share ⁽⁴⁾			9.5p

Notes:

1. Net interest payable has been reduced to reflect the application of part of the net proceeds of the Placing and exercise of options and warrants to reduce bank borrowings.
2. Taxation on the adjustments has been calculated at the UK corporation tax rate of 33%.
3. The forecast *pro forma* earnings per Ordinary Share has been calculated on the basis of the *pro forma* profit attributable to members of the Company and 18,405,726 Ordinary Shares, being the number of Ordinary Shares in issue immediately following Admission.
4. The forecast adjusted *pro forma* earnings per Ordinary Share has been further adjusted by eliminating the £106,000 minority interest in EUROiNDustrie to reflect the acquisition of that interest on Admission. This acquisition will be funded as to £300,000 by the issue of 200,000 Ordinary Shares at the Placing Price, an initial cash payment of approximately £325,000 and a further payment, which depends on the future profits of EUROiNDustrie, payable in 1999 which the Directors expect to be approximately £713,000. The Directors consider that this adjustment reflects the ongoing financial position of the Group.

Pro Forma Statement of Consolidated Net Assets

The *pro forma* statement of consolidated net assets of the Group at 30 June 1996, is set out below:

	Per accountants' report £000	Net proceeds of Placing and option exercise £000	Sub- total £000	Acquisi- tion of EI minority £000	<i>Pro forma</i> £000
Fixed assets					
Tangible assets	4,217	—	4,217	—	4,217
Current assets					
Stocks	3,846	—	3,846	—	3,846
Debtors	7,461	—	7,461	—	7,461
Cash	250	—	250	—	250
	11,557	—	11,557	—	11,557
Creditors: amounts falling due within one year	(10,510)	3,572	(6,938)	(325)	(7,263)
Net current assets	1,047	3,572	4,619	(325)	4,294
Total assets less current liabilities	5,264	3,572	8,836	(325)	8,511
Creditors: amounts falling due after more than one year	(2,533)	1,065	(1,468)	(713)	(2,181)
Deferred income	(339)	—	(339)	—	(339)
Net assets	2,392	4,637	7,029	(1,038)	5,991

Notes:

1. The adjustments in respect of the net proceeds of the Placing, the exercise of options and warrants on Admission and the acquisition of the outstanding minority interest in EUROINDustrie are summarised on page 65 above.
2. The 'B' preference share dividend for the six months ending 30 September 1996, which is estimated by the Directors to be £90,000, has not been reflected in the above *pro forma* information, since it is not due until after 30 June 1996.

Letter Relating
to the *Pro*
Forma Financial
Information

Coopers
& Lybrand

chartered accountants

Abacus House
Castle Park
Gloucester Street
Cambridge CB3 0AN

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

The Directors
Granville & Co.
Mint House
77 Mansell Street
London E1 8AF

19 September 1996

Dear Sirs

Deltron Electronics plc ("the Company")

We have reviewed the accounting policies and calculations for the *pro forma* profit forecast for the year ending 30 September 1996 and the *pro forma* statement of consolidated net assets (together the "*pro forma* financial information") at 30 June 1996 of the Company and its subsidiary undertakings (together the "Group") which are set out on pages 65 to 67 of the prospectus and listing particulars of the Company dated 19 September 1996 ("the Prospectus") and for which the Directors of the Company are solely responsible.

In our opinion, the *pro forma* financial information has, so far as the calculations and accounting policies are concerned, been properly compiled on the basis of the assumptions made by the Directors of the Company set out on pages 65 to 67 of the Prospectus and is presented on a basis consistent with the accounting policies normally adopted by the Group. Further, in our opinion, the adjustments reflected in the *pro forma* financial information are appropriate for the purpose of reflecting the transactions described on pages 65 to 67 of the Prospectus.

Yours faithfully

Coopers & Lybrand

PART V

ADDITIONAL INFORMATION

The Company

- (a) The Company was incorporated under the Companies Act 1985 ("the Act") on 21 August 1991 as a private company limited by shares with the name of Clearpath Limited and registered in England and Wales with number 2614913.

On 30 March 1992, the Company changed its name to Roxburgh Holdings Limited and on 7 October 1994, the Company changed its name to Deltron Electronics Limited.

On 30 August 1996, the Company was re-registered as a public limited company under the Act and its name was changed to Deltron Electronics plc.

- (b) The Company's registered office and principal place of business is Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA.

Subsidiary Undertakings

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 and incorporated in England and Wales as a private limited company, other than Roxburgh, which is incorporated in Scotland as a private limited company and EUROiNDustrie S.A. and C&K Composants S.A. ("C&K") each of which is incorporated in France as a Société Anonyme. The registered office of each of Deltron Components Limited, Roxburgh Foxhills Limited, Futers (London) Limited and Roxburgh Printers Limited is Suffolk House, Fordham Road, Newmarket, Suffolk CB8 7AA. The registered office of C&K Composants S.A. is 69/71 Rue du Chevaleret, 75013 Paris, France. The registered office of EUROiNDustrie S.A. is 21 Vichy Rhue, Creuzier le Vieux, 03300, Cusset, France. The registered office of Roxburgh Electronics Limited is at 11 Walker Street, Edinburgh, EH3 7NE, Scotland.

Name	Principal activity	Issued share capital
*Deltron Components Limited	Manufacture and distribution of electronic and building products and components	£10,000
*Roxburgh Electronics Limited	Design, manufacture and sale of electronic equipment	£359,029
**EUROiNDustrie S.A.	Distribution of electronic products and components	FF1,000,000
***C&K Composants S.A.	Distribution of electronic products and components	FF1,000,000
Roxburgh Foxhills Limited	Property holding company	£2
Futers (London) Limited	Dormant	£21,408
Roxburgh Printers Limited	Dormant	£10,000

* On Admission, the issued share capitals of Deltron Components and Roxburgh will be increased to £11,245 and £359,664 respectively by way of capitalisation of loan monies owing to the Company.

** The Company owns 74.2% of the issued share capital of EUROiNDustrie S.A. and, on Admission, will, pursuant to the Earn-Out Agreement referred to in paragraph 10(d) below, then own 99.2% of EUROiNDustrie and have the right to purchase all of the other issued shares in the capital of EUROiNDustrie as set out in paragraph 10(c) below.

*** The Company either directly or indirectly owns 84.12% of the issued share capital of C&K and has a right to purchase all of the other issued shares in the capital of C&K as set out in paragraph 10(c) below.

The issued share capital of each subsidiary undertaking comprises ordinary shares and is fully paid.

3. Share Capital

- (a) As at 19 September 1993, the Company had an authorised share capital of £603,877.31 divided into 192,823 "A" ordinary shares of 1p each, 167,130 "B" ordinary shares of 1p each, 27,778 deferred shares of 1p each and 600,000 cumulative redeemable participating preference shares of £1 each and an issued share capital of £603,250.08 divided into 150,100 "A" ordinary shares of 1p each, 147,130 "B" ordinary shares of 1p each, 27,778 deferred shares of 1p each and 600,000 cumulative redeemable participating preference shares of £1 each.
- (b) By Special Resolutions passed at an extraordinary general meeting of the Company on 5 October 1994, each of the issued 600,000 cumulative redeemable participating preference shares of £1 each were redesignated as "A" preference shares in the Company and the authorised share capital was increased to £2,855,974.89 divided into 283,597 "A" ordinary shares of 1p each, 167,130 "B" ordinary shares of 1p each, 118,984 "C" ordinary shares of £1 each, 27,778 deferred shares of 1p each ("Deferred Shares"), 600,000 "A" preference shares of £1 each and 2,250,000 "B" preference shares of £1 each by the creation of 90,774 new "A" ordinary shares of 1p each, 118,984 "C" ordinary shares of 1p each and 2,250,000 "B" preference shares of £1 each.
- (c) On 5 October 1994 118,984 "C" ordinary shares of 1p each and 2,250,000 "B" preference shares of £1 each were issued, credited as fully paid, for cash pursuant to the subscription agreement referred to in paragraph 10 below, in the case of the "B" preference shares at par and in the case of the "C" ordinary shares at a premium of 629p.
- (d) By 31 March 1996, all of the 600,000 issued "A" preference shares of £1 each had been redeemed at a cost of £603,750.
- (e) In May 1996, 5,000 "A" ordinary shares were allotted to P.R. Gourmand and 2,000 "A" ordinary shares were allotted to Sir I. Cohen pursuant to the exercise of options under the 1993 Scheme at exercise prices of £3.50 per share in the case of 3,000 of the 'A' ordinary shares issued to P.R. Gourmand and at £15 per share in the case of the other shares.
- (f) By resolutions passed on 4 September 1996 the authorised share capital of the Company was increased from £2,855,974.89 to £2,967,159.89 by the creation of 2,223,700 Ordinary Shares and the Directors were expressly authorised to allot such shares for the purposes of Section 80 of the Act outside the pre-emption provisions of Section 89 of the Act and one such Ordinary Share was issued at par to Adam Greaves, of Gouldens, solicitors to the Company.
- (g) By resolutions passed on 4 September 1996, which will come into effect on Admission:
 - (i) each of the "A", "B" and "C" ordinary shares of 1p each in the Company was automatically converted into an ordinary share of 1p each;
 - (ii) the Directors were authorised to redeem the 2,250,000 "B" preference shares in issue at £1 per share out of the proceeds of the Placing;
 - (iii) authorisation was given for the cancellation of all 600,000 of the unissued "A" preference shares, all 2,250,000 shares representing redeemed "B" preference shares following the redemption authorised in paragraph 3(g) (ii) above, and all 146,497 of the unissued ordinary shares of 1p each arising following the conversion referred to in paragraph 3(g)(i) above and, as a result, the share capital of the Company was reduced from £2,967,159.89 to £115,694.92;
 - (iv) every five of the ordinary shares of 1p in issue following the conversion referred to in paragraph 3(g)(i) above, were consolidated into one Ordinary Share; and the balance of the four issued ordinary shares of 1p not so converted (as they would have resulted in fractions) were converted into deferred shares of 1p each ranking *pari passu* with the existing deferred shares;

- (v) the authorised share capital was increased by £1,147,082.90 (by the creation of 22,941,658 new Ordinary Shares) to £1,262,777.82, divided into 25,250,000 Ordinary Shares and 27,782 Deferred Shares;
 - (vi) authorisation was given for a capitalisation issue of 10,580,350 new Ordinary Shares;
 - (vii) 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 £1,100,000, such authority to expire on the date falling 15 months after the date of Admission or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 1997; and
 - (viii) the Directors were empowered, during the period referred to in paragraph 3(g)(vii) above, to allot equity securities (as defined in Section 94(2) of the Act) as if Section 89(1) of the Act did not apply to such allotment in respect of rights issues, pursuant to the Subsequent Option Agreements referred to in paragraph 7(c) below, for the purposes of the placing of the Subscription Shares and otherwise up to £45,000 in nominal amount.
- (h) By a resolution of the Directors passed on 4 September 1996, pursuant to the authority given by the resolution referred to in paragraph 3(g) above and conditionally on Admission, 10,580,350 new Ordinary Shares were allotted and distributed credited as fully paid to ordinary shareholders *pro rata* to existing shareholdings by way of capitalisation of £529,017.50 of the amount that will, on Admission, stand to the credit of the share premium account of the Company.
 - (i) By a resolution of the Directors passed on 4 September 1996, pursuant to the authority given by the resolution referred to in paragraph 3(g) above and conditionally on Admission, it was resolved that the 2,250,000 "B" Preference Shares of £1 each in issue be redeemed at par out of the proceeds of the issue of new Ordinary Shares pursuant to the Placing.
 - (j) By a resolution of the Directors passed on 4 September 1996, it was resolved that the following new Ordinary Shares be issued as a result of the exercise, conditional on Admission, of the following existing warrants and share options:
 - (i) a warrant to subscribe for 126,000 new Ordinary Shares at an aggregate exercise price of £23,246.60, as adjusted to take into account the capital reorganisation referred to in paragraph 3(g) above, granted to C.J. Sawyer pursuant to an agreement dated 27 April 1993 as amended;
 - (ii) a warrant to subscribe for 126,000 new Ordinary Shares at an aggregate exercise price of £23,246.60, as adjusted to take into account the capital reorganisation referred to in paragraph 3(g) above, granted to R.E. Tozer pursuant to an agreement dated 27 April 1993 as amended;
 - (iii) options over 162,845 new Ordinary Shares at an aggregate exercise price of £64,920.50, as adjusted to take into account the capital reorganisation referred to in paragraph 3(g) above, granted to C.J. Sawyer and R.E. Tozer pursuant to the Initial Option Agreements referred to in paragraph 7(c) below;
 - (iv) an option over 581,868 new Ordinary Shares at an aggregate exercise price of £29,093.40, as adjusted to take into account the capital reorganisation referred to in paragraph 3(g) above, granted to C.J. Sawyer pursuant to the Subscription Agreement referred to in paragraph 10(a) below;

- (v) an option over 581,868 new Ordinary Shares at an aggregate exercise price of £29,093.40, as adjusted to take into account the capital reorganisation referred to in paragraph 3(g) above, granted to R.E. Tozer pursuant to the Subscription Agreement referred to in paragraph 10(a) below;
 - (vi) a warrant to subscribe for 504,000 new Ordinary Shares at an aggregate exercise price of £117,000, as adjusted to take into account the capital reorganisation referred to in paragraph 3(g) above, granted in favour of Ivory & Sime Enterprise Capital Plc pursuant to an agreement dated 27 April 1993; and
 - (vii) options over 591,486 new Ordinary Shares at an aggregate subscription cost of £154,970 as adjusted to take into account the capital reorganisation referred to in paragraph 3(g) above), granted to various employees and officers of the Company pursuant to the 1993 Share Option Scheme.
- (k) Subject to Admission, 200,000 Ordinary Shares will be issued to F. Feldman as consideration under the terms of the Earn-Out Agreement referred to in paragraph 10(d) below.
 - (l) Immediately following Admission, and prior to the Court confirming the reduction of its capital referred to in paragraph 4 below, the authorised share capital of the Company will be £1,262,777.82 divided into (i) 25,250,000 Ordinary Shares of which 18,405,726 Ordinary Shares (representing 72.9% of the authorised share capital) will have been issued fully paid or credited as fully paid and 6,844,274 Ordinary Shares (representing 27.1% of the authorised share capital) will be unissued; and (ii) 27,782 Deferred Shares all of which will be issued.
 - (m) 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 which 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 resolutions referred to in paragraph 3(f) and 3(g) above.
 - (n) Listing of the Ordinary Shares is not being sought, nor is it currently expected to be sought, on any Stock Exchange other than the London Stock Exchange.
 - (o) The Ordinary Shares have not and will not be registered under the United States Securities Act 1933 or under the Securities Laws of Canada, Australia or Japan and may not, subject to certain exemptions, be sold within the United States of America, Canada, Australia or Japan.
 - (p) 125,000 Ordinary Shares have been placed with independent market makers at the Placing Price.
 - (q) Following the Placing, at least 25% of the Ordinary Shares will be in the hands of the public in EU member states.
 - (r) Save as disclosed in this paragraph and in paragraph 10 below, 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.

- (s) Save as disclosed in this paragraph and paragraphs 7 and 9 no share of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option.
- (t) The Directors have no present intention to issue any of the unissued Ordinary Shares following Admission, except on the exercise of options under the Share Option Schemes and arrangements referred to in paragraph 9 below, 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.

Reduction of Capital

It is proposed to eliminate the negative reserve of £3,635,891 on the consolidated balance sheet of the Group as at 30 June 1996 and the maximum amount of goodwill arising on the acquisition of the balance of the EUROiNDustrie shares under the Earn Out Agreement referred to in paragraph 10(d) below through reductions of capital in the Company, Roxburgh and Deltron Components. For these purposes resolutions were passed by shareholders in each of the Company, Roxburgh and Deltron Components on 4 September 1996, conditionally upon Admission and which will be implemented on the appropriate Court order being granted whereby;

- (i) all of the 27,782 deferred shares then in issue, £600,000 then standing to the credit of the capital redemption reserve of the Company and up to £3,595,622 standing to the credit of the share premium account of the Company on Admission will be cancelled;
- (ii) £569,682 of the amount standing to the credit of the share premium account of Roxburgh following a capitalisation of certain intercompany loans (which capitalisation is itself conditional on Admission) will be cancelled;
- (iii) £1,242,017 of the amount standing to the credit of the share premium account of Deltron Components following a capitalisation of certain intercompany loans (which capitalisation is itself conditional on Admission) will be cancelled

and the special reserves arising on such cancellations will be used to offset the goodwill giving rise to the negative reserve and arising on the acquisition of the balance of the EUROiNDustrie shares. The reductions will not become effective unless the Court approves them. Application for these approvals will be made as soon as practicable after Admission and it is expected that the Court orders should be obtained by the end of November 1996.

Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a holding company. The objects of the Company are set out fully in Clause 3 of the Memorandum of Association which is available for inspection at the address set out in paragraph 16 below.

The Articles of Association (the "Articles") adopted by the resolutions of the Company referred to in paragraph 3(g) above which will become effective on Admission, 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% 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 shall be retained by the Company and that any right to receive any additional 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) Variation of rights

If at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class of share may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. No such consent is required in respect of the Deferred Shares which are to be cancelled pursuant to the reduction of capital referred to in paragraph 4 above.

(f) Alteration of capital

The Company may by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate all or any of its share capital;
- (iii) 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
- (iv) 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.

(g) 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 therefor, 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 Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272) including any modification thereof or any regulations in substitution therefor made under section 207 of the Companies Act 1985 for the time being in force.

(h) Directors

- (i) Each of the Directors is entitled to receive for his services in each year such sum as the Board may determine provided that such fees shall not exceed in aggregate £70,000 per annum or such other figure as the Company may in general meeting from time to time agree. The Directors are also entitled to be repaid all travelling and hotel expenses incurred by them in or about the performance of their duties as Directors. The Board may also grant special remuneration to any Director who, being called upon, performs any special duties outside his ordinary duties as a Director.
- (ii) A Director shall not be disqualified from his office by contracting with the Company, nor is any contract or arrangement entered into on behalf of the Company in which any Director is in any way interested liable to be avoided, nor is any director so contracting or being so interested liable to account to the Company for the profit realised thereby, but the nature of his interest must be declared by the Director at a meeting of the board.
- (iii) Save as provided below, a Director may not vote in respect of any contract or arrangement or any other proposal in which he (or any person connected with him within the meaning of Section 346 of the Act) has any material interest otherwise than by virtue of his interest

in shares or debentures or other securities of or otherwise in or through the Company. A Director will not be counted in the quorum for a meeting in relation to any resolution on which he is debarred from voting.

(iv) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in a quorum) in respect of any resolution concerning any of the following matters:-

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

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

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

(dd) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of a beneficial interest in 1% or more of any class of share capital of such company or of the voting rights available to the members of the relevant company;

(ee) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefit scheme which is approved by or subject to the approval of the Inland Revenue or relating to any arrangement for the benefit of employees generally which does not accord to him as a director any privilege or advantage not generally accorded; or

(ff) any proposal concerning the purchase and/or maintenance of an insurance policy under which a Director may benefit.

References in this paragraph (iv) to a Director also include any person connected with him as referred to in paragraph (iii).

(v) There is no requirement for Directors to hold qualification shares.

(vi) The Articles do not specify any age limit for Directors, who may remain in office when they are over 70.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and uncalled capital, and to issue debentures and other securities. The Directors must ensure that the aggregate amount for the time being of all borrowings of the Company and its subsidiaries (other than owing by the Company and any of its subsidiary undertakings in respect of intra group borrowings) shall not at the date of any such borrowings, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £10 million and an amount equal to three times the Adjusted Capital and Reserves (as defined in the Articles).

(j) **Deferred Shares**

The special rights attaching to the Deferred Shares (which, subject to the approval of the Court, are to be cancelled as described in paragraph 4 above) are as follows:

- (i) the holders of the Deferred Shares do not have the right to receive notice of or attend, speak or vote at any General Meeting nor are they entitled to receive or participate in the profits or assets of the Company, nor is the Company required to issue certificates in respect of the Deferred Shares;
- (ii) the Company has authority to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof (and/or an agreement to transfer the same) to a custodian and/or to purchase all the Deferred Shares in either case for an aggregate price of not more than 1p for all such Deferred Shares, without obtaining the sanction of the holder or holders thereof.

Premises

The following are the principal premises owned or leased by members of the Group:

Premises	Area Occupied	Tenure	Year Lease Commenced	Length of Lease	Rent per annum
Atkinsons Way Foxhills Industrial Park Scunthorpe North Lincolnshire DN15 8QJ	5,481.2 sq m	Freehold	—	—	—
Atlas Works Atlas Road, Acton London NW10 6DN	3,623.2 sq m	Leasehold	13.12.1985	21 years	£105,000
36a High Street Harlesden London NW10	3,901.9 sq m	Freehold	—	—	—
Suffolk House Fordham Road Newmarket, Suffolk CB8 7AA	565 sq m	Leasehold	1996	10½ years	£36,000
Vichy 21 Vichy Rhue Creuzier le Vieux 03300 Cusset Vichy, France	525 sq m	Leasehold	1986	15 years	FF 183,400
Paris 69 Rue du Chevaleret 75013 Paris, France	440 sq m	Leasehold	1996	9 years	FF 400,000

Directors' and Other Interests

- (a) Except for their interests in options as set out in 7(b) and (c) below, the interests of the Directors, all of which are beneficial unless otherwise stated, in the issued share capital of the Company which:
- (i) are required to be notified by each Director to the Company pursuant to section 324 or section 328 of the Act; or
 - (ii) are required pursuant to section 325 of the Act to be entered in the register referred to therein; or

- (iii) are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under paragraph 7(a)(i) or (ii) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director;

will be, immediately prior to and immediately following Admission, as follows:

Director	No. of Ordinary Shares prior to Admission	No. of Ordinary Shares following Admission	Percentage of issued ordinary share capital following Admission
P.R. Gourmand	126,000	75,600	0.41
C.J. Sawyer	2,891,260	1,891,260	10.28
R.E. Tozer	2,891,260	1,891,260	10.28
F. Feldman	—	200,000	1.09
Sir I.H. Cohen	50,400	64,000	0.27

The number of Ordinary Shares prior to Admission above takes into account the capital reorganisation effected (conditionally upon Admission) by the resolution referred to in paragraph 3(g) above.

- (b) Immediately following Admission, F. Feldman will hold an option over 126,000 Ordinary Shares under the 1993 Share Option Scheme exercisable at an exercise price of 49.6p per share. The right to exercise this option in respect of 50,400 of these Ordinary Shares has already vested and the right to exercise the option in respect of the balance of the Ordinary Shares will vest at the rate of 25,200 Ordinary Shares per annum subject to F. Feldman remaining employed by the Group in the relevant financial years to 30th September 1999. The option will lapse to the extent not exercised by December 2002.
- (c) Immediately following Admission, pursuant to option agreements (the "Initial Option Agreements") dated 5 October 1994 (as amended by agreements dated 19 September 1996) and further option agreements dated 19 September 1996 (the "Subsequent Option Agreements"), each of C.J. Sawyer and R.E. Tozer will hold further options to subscribe for Ordinary Shares on the following basis:

Name	No. of Ordinary Shares	Latest time for Exercise	Exercise Price (p) per share
C.J. Sawyer	38,542	30.9.2001	39.68
C.J. Sawyer	179,902	30.9.2001	49.60
C.J. Sawyer	400,000	18.9.2006	150.00
R.E. Tozer	38,517	30.9.2001	39.68
R.E. Tozer	179,902	30.9.2001	49.60
R.E. Tozer	333,333	18.9.2006	150.00

The options exercisable at 150p per Ordinary Share will be over a maximum of £600,000 of Ordinary Shares in the case of C.J. Sawyer and £500,000 in the case of R.E. Tozer, both exercisable at the Placing Price. These options are subject to performance conditions linked to the growth in the earnings per share of the Company in the period after Admission. Further details of the Subsequent Option Agreements are set out in paragraph 9(d) below.

- (d) Immediately following Admission, further options, details of which are set out below as adjusted (where relevant) to take into account the capital reorganisation referred to in paragraph 3(g) above, (excluding the options granted to Directors referred to in paragraph 7(b) and (c) above) will be outstanding pursuant to the 1993 Share Option Scheme and the 1996 Employee and Executive Share Option Schemes.

Share Option Scheme	No. of Ordinary Shares	Exercise Price (p) per share
1993 Share Option Scheme	126,030	13.88
1993 Share Option Scheme	146,993	39.68
1993 Share Option Scheme	142,810	59.52
1996 Executive Share Option Scheme*	200,000	150.00
1996 Employee Share Option Scheme*	109,333	150.00

* Options under these schemes are proposed to be granted at the exercise price shown, being the Placing Price, subject to Inland Revenue approval. If such approval is not obtained, the options will be granted at such higher price as is agreed with the Inland Revenue.

In the case of the options granted under the 1993 Share Option Scheme, those over 75,600 Ordinary Shares are subject to achievement of performance conditions, those over 233,117 Ordinary Shares may only be exercised after the announcement of the results of the Company for the year ending 30 September 1997 and those over 233,117 Ordinary Shares may only be exercised after the announcement of the results of the Company for the year ending 30 September 1998.

Of these options, those over 200,000 Ordinary Shares granted under the 1996 Executive Share Option Scheme may not be exercised unless the earnings per share of the Company over three consecutive accounting periods commencing on or after 1st October 1996 grow by more than 5% per annum on average, after making any necessary adjustments to reflect any increase in inflation.

The options granted under the 1993 Share Option Scheme must be exercised within seven years of their date of grant. The latest of these seven year periods expires in December 2002. The options under the Executive and Employee Share Option Schemes will be granted prior to Admission and will lapse on the tenth anniversary of their date of grant.

- (e) In addition to the Directors' interests described above, the Directors are aware of the following interests which will, immediately following Admission, represent 3% or more of the issued ordinary share capital of the Company:

Name	No. of Ordinary Shares	Percentage of issued share capital following Admission
Ivory & Sime Enterprise Capital plc	3,378,343	18.35
Lloyds Development Capital Limited	1,198,939	6.51
3i Group plc	666,124	3.62

Save as described above, the Directors are not aware of any person who, immediately following Admission, will be interested directly or indirectly (within the meaning of Part VI of the Act) in 3% or more of the ordinary share capital of the Company, or who could directly or indirectly, jointly or severally, exercise control over the Company.

- (f) Save as disclosed in paragraphs 7(g), 10(d) and 12 below, 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 outstanding or unperformed.

- (g) F. Feldman is owed FF624,000 by EUROiNDustrie, under an interest free unsecured loan which is repayable on the due date for payment of the balance of consideration under the Earn-Out Agreement referred to in paragraph 10(d) below. Save for this loan, there are no loans or guarantees granted or provided by the Group to or for the benefit of any of the Directors which are outstanding.
- (h) R.E. Tozer was a director of Fenland Aluminium Limited which was wound up in May 1984. The deficiency for secured creditors amounted to £17,600 and for unsecured creditors amounted to £132,000.
- (i) C.J. Sawyer was a non-executive director of Fresh Bite Chilled Foods Limited, at the request of 3i Group plc. Fresh Bite Chilled Foods Limited was placed in administrative receivership in November 1995 as a result of trading difficulties and the ill health of a key manager. The deficiency as regards unsecured creditors amounted to approximately £768,000.
- (j) Sir I.H. Cohen was appointed non-executive chairman of the Optima Group Limited on 1 September 1995 at the request of NatWest Ventures Limited. Shortly after Sir I.H. Cohen was appointed, it became apparent that the company had financial and trading difficulties. Optima Group Limited was placed into receivership on 3 May 1996 with an estimated deficiency as regards unsecured creditors of some £2.8 million.

8. Directors Service Contracts and Emoluments

- (a) On 19 September 1996, the Company entered into an agreement with Hartshield Limited ("Hartshield") for the provision of the services of C.J. Sawyer as chief executive of the Company. This Agreement replaced an earlier agreement dated 5 October 1994 between the Company and Hartshield and provides that the services of C.J. Sawyer will be made available to the Company unless and until the engagement is terminated by not less than twelve months written notice by either party given at any time after the first anniversary of Admission. In consideration of the provision of these services, Hartshield is entitled to a basic fee of £150,000 *per annum* together with an annual bonus payment linked to Group profitability. Hartshield is also entitled to an additional fee *per annum* equal to 15% of the annual basic fee. There are no provisions in the contract for compensation payable upon termination of the contract with due notice, although on early termination, Hartshield may be entitled to submit a claim for damages for breach of contract. C.J. Sawyer has separately undertaken to comply with certain of the restrictive covenants set out in this agreement. There are no other arrangements which it is necessary to disclose to enable investors to estimate the possible liability of the Company upon early termination of the contract.
- (b) On 19 September 1996, the Company entered into an agreement with Corporate Services (Anglia) Limited ("Anglia") for the provision of the services of R.E. Tozer as Finance Director of the Company. This Agreement replaced an earlier agreement dated 5 October 1994 between the Company and Anglia and provides that the services of R.E. Tozer will be made available to the Company unless and until the engagement is terminated by not less than twelve months written notice by either party given at any time after the first anniversary of Admission. In consideration of the provision of these services, Anglia is entitled to a basic fee of £125,000 *per annum* together with an annual bonus payment linked to Group profitability but not exceeding one half of the basic annual fee. Anglia is also entitled to an additional fee *per annum* equal to 15% of the annual basic fee. There are no provisions in the contract for compensation payable upon termination of the contract with due notice, although, on early termination, Anglia may be entitled to submit a claim for damages for breach of contract. R.E. Tozer has separately undertaken to comply with certain of the restrictive covenants set out in this agreement. There are no other arrangements which it is necessary to disclose to enable investors to estimate the possible liability of the Company upon early termination of the contract.

- (c) On 19 September 1996, the Company entered into an agreement with F. Feldman, which was supplemental to an existing Agreement between EUROiNDustrie and F. Feldman of 10 October 1995 as amended by supplemental agreement of 19 September 1996 between F. Feldman, EUROiNDustrie and C&K ("the French Service Agreement"). Pursuant to this agreement ("the Group Agreement"), F. 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 EUROiNDustrie and C&K. F. 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 twelve months written notice by either party.

Pursuant to the French Service Agreement, F. Feldman is engaged as commercial director of EUROiNDustrie and is entitled to a monthly salary of FF106,950, together with an additional FF106,950 each year paid to him in two instalments in June and December. F. Feldman is entitled to the use of a car, the reimbursement of expenses and a contribution to personal pension plans and life assurance. The French Service Agreement continues indefinitely unless terminated by EUROiNDustrie. In such circumstances, F. Feldman is entitled to compensation, save in circumstances of gross misconduct. In the event that the French Service Agreement is terminated prior to expiry of three years following the commencement date, F. Feldman is entitled to a sum equal to the difference between the aggregate remuneration actually received pursuant to the French Service Agreement and the sums he would have received had the French Service Agreement continued for the full three year period, together with a sum of FF1 million.

In the event of termination after this three year period, F. Feldman is entitled to FF1 million together with an additional payment equal to 15% of the gross amount of F. Feldman's annual remuneration from the date of termination to the date of his retirement at 62 years of age. The French Service Agreement also provides for an additional payment to F. Feldman equal to 33% of salary throughout such period as EUROiNDustrie and C&K wish to enforce non-competition covenants contained in the French Service Agreement.

Save as set out above, there are no other arrangements which it is necessary to disclose to enable investors to estimate the possible liability of the Company or EUROiNDustrie or C&K upon early termination of the French Service Agreement or the Group Agreement.

- (d) Under the terms of their letters of engagement as non-executive directors of the Company, dated 19 September 1996, P.R. Gourmand and Sir I. Cohen are entitled to an annual fee of £36,000 *per annum* and, £12,000 *per annum* respectively (plus value added tax, if applicable). Their engagement will continue until the 1998 annual general meeting and, thereafter, subject to re-election, if applicable, unless and until terminated by twelve months' and six month's notice respectively, expiring on or after the date of that meeting. In the case of P.R. Gourmand, his services are supplied by his company, Pineasti Limited.
- (e) The aggregate emoluments of the Directors of the Company (including benefits in kind) for the year ended 30 September 1995 amounted to £236,152 and for the year ending 30 September 1996 (which also include emoluments paid to F. Feldman and Sir I. Cohen) will be approximately £508,000.
- (f) Save as set out in the agreements referred to in paragraphs 8(a), (b), (c) and (d) above, the total emoluments of the Directors will not be varied as a result of Admission.

9. Share Option Schemes and Terms of Individual Options

Immediately following Admission, the share option schemes summarised in paragraph 7(b) to (d) above and paragraphs 9(a) to (c) below will be in place. In addition, C.J. Sawyer and R.E. Tozer will be entitled to options under the Initial Option Agreements and Subsequent Option Agreements. Further details of the Subsequent Option Agreements are set out in paragraph 9(d) below.

(a) The 1993 Share Option Scheme

The following sets out the principal terms of the 1993 Share Option Scheme under which no further options are to 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;
- (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; and
- (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 has been approved by the Inland Revenue under the Income and Corporation Taxes Act 1988. Section B of the 1996 Executive Share Option Scheme is not designed for Inland Revenue approval and is intended primarily for executives who have, or are to be granted, 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, the approved section of the 1996 Executive Share Option Scheme and the unapproved section of the 1996 Executive Share Option Scheme are in all material respects identical.

The operation of the 1996 Executive Share Option Scheme will be 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 under the approved section of the 1996 Executive Share Option Scheme within six weeks of its approval by the Inland Revenue and, under the unapproved section of the 1996 Executive Share Option Scheme, within six weeks of the 1996 Executive Share Option Scheme's adoption by the Board. Thereafter, 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 share 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 (other than a scheme for the benefit of the majority of employees) in any three year period may not exceed 3% of the Company's issued ordinary share capital, nor, when aggregated with Ordinary Shares issued and issuable pursuant to rights granted within the previous five years under any employees' share scheme, may it exceed 5% of such share capital.

Furthermore, over any ten year period ending on a date of grant, the total number of Ordinary Shares issued and issuable pursuant to grants made 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), may not exceed 5% of the Company's issued ordinary share capital nor, when aggregated with the number of Ordinary Shares issued and issuable under any employees' share scheme, may it exceed 10% of the Company's issued ordinary share capital.

Ordinary Shares issued and remaining issuable in respect of rights granted prior to Admission under the 1993 Executive Share Option Scheme, the Initial Option Agreements and the Subsequent Option Agreements shall not be taken into account in calculating the 1996 Executive Share Option Scheme limits set out above.

- (vi) Individual limits
Under the approved section of the 1996 Executive Share Option Scheme, grants of options will be 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 the unapproved section 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 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 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 to be granted under the 1996 Executive Share Option Scheme prior to Admission will be granted subject to the condition that they will only be exercised if, in any three year period after the date of grant, the earnings per share of the Company grow by more than 5% per annum on average in real terms.

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.

(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 to 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 under the Income and Corporation Taxes Act 1988. Save to the extent required to obtain Inland Revenue approval, the approved section of the 1996 Employee Share Option Scheme and the unapproved section of the 1996 Employee Share Option Scheme are in all material respects identical.

The operation of the 1996 Employee Share Option Scheme will be 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, and it is intended that it will not be made available to those who participate in the 1996 Executive Share Option Scheme.

(iii) Grant of options

Options may be granted under the approved section of the 1996 Employee Share Option Scheme within six weeks of its approval by the Inland Revenue and, under the unapproved section of the 1996 Employee Share Option Scheme, within six weeks of the adoption of the 1996 Employee Share Option Scheme by the Board. Thereafter, 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 option 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, when aggregated with Ordinary Shares issued and issuable pursuant to rights granted within the previous five years under any other employees' share scheme, may not exceed 5% of the Company's issued ordinary share capital at that time.

Furthermore, over any ten year period ending on a date of grant, the total number of Ordinary Shares issued and issuable pursuant to grants made under the 1996 Employee Share Option Scheme and any other employees' share scheme may not exceed 10% of the Company's issued ordinary share capital at that time.

Ordinary Shares issued and remaining issuable in respect of rights granted prior to Admission under the 1993 Employee Share Option Scheme, the Initial Option Agreements and the Subsequent Option Agreements will not be taken into account in calculating the 1996 Employee Share Option Scheme limits set out above.

(vi) Individual limits

Under the approved section of the 1996 Employee Share Option Scheme, grants of options will be 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 the unapproved section 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 its 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 9(b)(viii), (ix) and (x) of the summary of the 1996 Executive Share Option Scheme.

(d) The Subsequent Option Agreements

The options granted to C.J. Sawyer and R.E. Tozer under the Subsequent Option Agreements have been granted on the following terms:

(i) Performance condition

The options will only become exercisable (subject as described below) if, in any three year period after the date of the Subsequent Option Agreements, the aggregate earnings per share of the Company exceed 3.31 times the earnings per share (the "Initial Earnings Per Share") of the Company at the time of the Subsequent Option Agreements determined in accordance with the provisions of the Subsequent Option Agreements. This would represent growth of 5% *per annum* in earnings per share. All the options granted under the Subsequent Option Agreements will become exercisable if such aggregate earnings per share are equal to or exceed 4.368 times the Initial Earnings Per Share. This would represent growth of 20% *per annum* in earnings per share. If the aggregate earnings per share is between these minimum and maximum targets, the number of shares over which options become exercisable is adjusted *pro rata*.

Notwithstanding the achievement of the targets described above, no options are exercisable until, over any three year period, normalised earnings per share have grown by more than 2% *per annum* on average in real terms.

(ii) Exercise of options

Subject to the achievement of the performance conditions described above, options are exercisable at any time between three and ten years after the date of the Subsequent Option Agreements except that in normal circumstances no more than 50% of the Options can be exercised before four years from the date of the Subsequent Option Agreements.

Options which become exercisable remain exercisable thereafter irrespective of the Company's subsequent performance.

Options will normally lapse on the optionholder ceasing to be a director of the Company. However, options will become exercisable immediately (irrespective of the period for which the option has been held and notwithstanding that the performance conditions have not been fulfilled) on the death of the optionholder or if the optionholder ceases to be a director due to ill health, retirement, or the company of which he is a director ceasing

to be a member of the Deltron Group. 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 a director for any other reason.

(iii) Amendment

The Board may amend the Subsequent Option Agreements in any respect provided that:

- (i) if the proposed amendment is unfavourable to the optionholder it obtains his consent;
- (ii) if the proposed amendment is to the material advantage of the optionholder the prior consent of the Company in general meeting is obtained, save that the Board may, without obtaining such consent, alter a performance condition described above if it believes such condition (as amended) would be a fairer measure of the optionholder's performance and such condition (as amended) would not be more difficult to satisfy than the original condition.

(iv) Miscellaneous

The Subsequent Option Agreements also contain provisions similar to the provisions described in paragraphs 9(b)(viii) and (ix) of the summary of the 1996 Executive Share Option Scheme.

10. 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 in the two years preceding publication of this document and are or may be material:

- (a) an agreement dated 5 October 1994 made between the Company (1) R.E. Tozer & others (2) Ivory & Sime Enterprise Capital Plc (3) Lloyds Development Capital Limited ("Lloyds") (4) 3i Group plc ("3i") (5) and The Independent Investment Company Public Limited Company (6) ("the Subscription Agreement") under which each of Lloyds and 3i agreed to subscribe for 118,984 "C" ordinary shares of 1p each in the Company and 2,250,000 "B" preference shares of £1 each in the Company for an aggregate consideration of £2,999,599.20. The Company gave normal warranties and indemnities to Lloyds, 3i and the other institutional investors in the Company regarding the business and assets of the Group (subject to the contents of the disclosure letter). The maximum liability of the Company for breach of any warranties under the Subscription Agreement is £3 million and no claim may be brought in respect of any such breach after the expiry of two months following the date upon which the audited consolidated financial statements of the Group for the year ended 30 September 1996 are approved by members of the Company in general meeting. By a supplemental agreement dated 4 September 1996, it has been agreed that the Subscription Agreement will, conditional only on Admission, be terminated;
- (b) an agreement dated 5 October 1994, and made between Frederick Cooper Plc ("Cooper") (1) Deltron Components (then called Roxburgh Components Limited) (2) and the Company (3) ("the Futters Agreement") pursuant to which Deltron Components agreed to purchase the business of manufacture and supply of electronic and other components carried on by Cooper in the name of Futters for an aggregate consideration of £3.75 million. Pursuant to the Futters Agreement, Deltron Components agreed to assume and perform all of the obligations of Cooper under various assumed contracts and to pay and discharge various assumed liabilities. The Company was a party to the Futters Agreement as guarantor for the performance of the obligations of Deltron Components and Cooper provided warranties and indemnities in favour of Deltron Components (and the Company) in relation to the Futters business;

- (c) an agreement dated 10 October 1995 and made between F. Feldman and others (1) and the Company (2) ("the EUROiNDustrie Agreement"), pursuant to which the Company agreed to acquire 74.2% of the issued share capital of EUROiNDustrie and 39.6% of the share capital of C&K Composants S.A. ("C&K") (60% of the share capital of C&K was already owned by EUROiNDustrie). The aggregate consideration paid by the Company pursuant to the EUROiNDustrie Agreement was an initial amount of FF14,946,800 (£1,898,006 at the then exchange rate of £1=FF7.875) satisfied in cash on completion, and a further amount of approximately £76,000, paid in June 1996. Pursuant to the EUROiNDustrie Agreement, F. Feldman and the other vendors provided warranties and indemnities in favour of the Company in relation to the business of EUROiNDustrie and C&K, subject to certain disclosures and other limitations. The remaining issued shares in EUROiNDustrie and C&K are held by individual shareholders (being F. Feldman, members of his family and subsidiaries or directors of Deltron) and (save for those the subject of the Earn-Out Agreement referred below) are held in order to comply with the requirements of French law for Société Anonyme status. Deltron has the right to acquire these latter shares at any time for nominal consideration;
- (d) an agreement dated 16 October 1995 and made between F. Feldman (1) and the Company (2), as amended by a letter dated 25 June 1996 and a further agreement of 19 September 1996 ("the Earn-Out Agreement"), pursuant to which F. Feldman agreed to sell and the Company agreed to purchase on a deferred basis the shares in EUROiNDustrie not acquired by the Company pursuant to the EUROiNDustrie Agreement ("the Minority Shares"). Under the terms of the Earn-Out Agreement, the Company will purchase F. Feldman's shares in EUROiNDustrie on Admission. The purchase price for the shares is a minimum of FF7,400,000 (£925,000) (less any dividends declared or paid on the Minority Shares between 1 October 1995 and completion of the Earn-Out Agreement) and a maximum of FF 12,400,000 (£1,550,000) (less any dividends referred to above) depending on the average annual pre-tax profits of EUROiNDustrie and C&K during the three year period to 31 December 1998. FF5,000,000 (£625,000) of the purchase price will be satisfied on Admission through the payment of FF2,600,000 (£325,000) in cash and as to the balance by the issue to F. Feldman of 200,000 Ordinary Shares credited as fully paid. The balance of the purchase price will be payable on determination of the pre-tax profits referred to above. The exchange rate used for illustrative purposes in this paragraph is £1=FF8.0, being the mid-rate applicable on 17 September 1996;
- (e) an agreement dated 26 July 1996 and made between Roxburgh (1) and C&K Switches Limited (2) ("the Lemark Transformer Agreement") pursuant to which Roxburgh agreed to sell the business of the design manufacture, sale and repair of transformers carried on by Roxburgh under the name "Lemark", for an aggregate consideration of £268,714. Pursuant to the Lemark Transformer Agreement, Roxburgh sold all of the assets, stocks and goodwill relating to the business together with the benefit (subject to the burden) of relevant sales and purchase orders. Roxburgh also gave warranties and indemnities in respect of the business, subject to the contents of a disclosure letter;
- (f) a placing agreement dated 19 September 1996 and made between the Company (1) the Directors (2) the Optionholders therein mentioned (3) and Granville & Co. (4) ("the Placing Agreement") pursuant to which Granville & Co. has agreed to act as sponsor and (conditional *inter alia* upon Admission on or before 31 October 1996 or such later date as Granville & Co. and the Company may agree) agreed to procure placees to subscribe the Subscription Shares and to purchase or procure purchasers for 2,220,467 Sale Shares from the Vendors party to the Placing Agreement in each case at the Placing Price.

Under the Placing Agreement:

- (i) the Company has agreed to pay Granville & Co. a fee and commissions equal to $\frac{3}{4}\%$ of the gross monies raised by the Company under the Placing;

- (ii) such Vendors have agreed, *inter alia*, to pay commissions of $\frac{3}{4}\%$ of the value at the Placing Price of the Sale Shares sold by them under the Placing;
 - (iii) the Company has agreed to pay all other costs and expenses of and incidental to the Placing and related arrangements (other than the commissions and the Stamp Duty or the Stamp Duty Reserve Tax payable on the transfer of Ordinary Shares by existing shareholders pursuant to the Placing which are to be paid by such Vendors or under the Institutional Placing Agreement referred to below) together with VAT on all such costs and expenses and on the fees and commissions referred to in paragraph (i) above;
 - (iv) the Directors and the Company have given certain warranties and indemnities to Granville & Co. as to the accuracy of the information in this document and as to other matters in relation to the Group and its business. In addition, the executive Directors have given indemnities to the Company and Granville & Co. in respect of certain taxation matters, including capital transfer tax and inheritance tax;
 - (v) Granville & Co. may terminate the Placing Agreement if, *inter alia*, the Company or the Directors are in material breach of their obligations under the same prior to Admission; and
 - (vi) the Directors and connected shareholders have undertaken except in limited circumstances, not to sell any of the Ordinary Shares held by them following Admission without the consent of Granville & Co. prior to the publication of the annual results of the Group for the year ending 30 September 1997;
- (g) a placing agreement dated 19 September 1996 and made between the Company (1) Lloyds Development Capital Limited ("Lloyds"), (2) Ivory & Sime Enterprise Capital PLC ("I&S") (3) 3i Group plc (4) (together "the Institutional Vendors") and Granville & Co. (5) ("the Institutional Placing Agreement") pursuant to which Granville & Co. has (conditionally *inter alia* upon Admission on or before 31 October 1996 or such later date as it and the Company may agree) agreed as principal to purchase from the Institutional Vendors 1,966,666 Sale Shares at the Placing Price and to use its reasonable endeavours to procure placees to purchase the same as part of the Placing arrangements. Under the Institutional Placing Agreement, the Institutional Vendors have agreed to pay commissions to Granville & Co. equal to $\frac{3}{4}\%$ of the value at the Placing Price of the Sale Shares sold by them. Lloyds and I&S have undertaken, except in limited circumstances, not to sell any of the Ordinary Shares held by them following Admission without the consent of Granville & Co. prior to the publication of the interim results of the Group for the six months ending 31 March 1997.

1. Litigation

No member of the Group is engaged in, nor has pending or threatened against it, any legal or arbitration proceedings which may have, or have had during the twelve months prior to the publication of this document, a significant effect on the financial position of the Group.

2. Indebtedness

At the close of business on 23 August 1996, the Group had outstanding borrowings or indebtedness in the nature of borrowing of £6.61 million, all of which are secured.

- (a) Save as aforesaid and set out in paragraph (b) below, and apart from intra-group liabilities, neither the Company nor any of its subsidiaries had outstanding at the close of business on 23 August 1996 any loan capital outstanding or created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments and finance lease obligations, guarantees or other contingent liabilities.

- (b) The Company has agreed to make a payment of FF500,000 (estimated to equate to £62,500) to each of F. Feldman and P. Romano (one of the vendors of EI) if the property of EI at Vichy attains a market value exceeding FF2 million (estimated to equate to £250,000) at any time before 10 October 1997.

At the close of business on 23 August 1996, the Group had cash balances of £402,516.

13. Working Capital The Directors believe that, having regard to the bank facilities available to the Group and the net proceeds receivable by the Group pursuant to the Placing, the working capital available to the Group is sufficient for its present requirements.

14. Taxation

- (a) **Close company status**
The Directors have been advised that the Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988. The Directors have been further advised that immediately following Admission, the Company is unlikely to be a close company.
- (b) **Tax clearance**
Clearance has been obtained from the Inland Revenue under the provisions of section 707 of the Income and Corporation Taxes Act 1988 that the provisions of section 703 of that Act (cancellation of tax advantages from certain transactions in securities) do not apply to the reorganisation of share capital described in paragraph 3(g) above or to the Placing.
- (c) **Dividends**
Under current UK legislation, no tax will be withheld from any dividend paid by the Company. However, when paying a dividend, the Company is required to remit to the Inland Revenue an amount of advance corporation tax ("ACT"). For the year ending 5 April 1997, ACT is payable at a rate which for dividends is related to the lower rate of income tax, currently 20%. Consequently, the rate is 20/80ths of the dividend paid (equivalent to 20% of the sum of the cash dividend plus the ACT).

For individual shareholders resident in the United Kingdom for taxation purposes, a tax credit is available, equal to 20% of the aggregate of the dividend and the ACT thereon. For example, on a dividend of £80, a tax credit of £20 would be available. This credit may be set off against their total income tax liability or, in appropriate cases, claimed as a cash repayment. This tax credit satisfies the liability to UK income tax at both the lower and the basic rate.

UK resident shareholders who are liable to pay tax at the higher rate will have to account for tax at such rate on the aggregate amount by which the dividend and the associated tax credit exceeds the tax credit received. For these purposes, dividends are treated as the top slice of the individual's income.

A UK resident corporate shareholder will not usually be liable to UK corporation tax on any dividend received from the Company and will generally be able to treat any such dividend (together with the associated tax credit) as franked investment income.

Whether a shareholder who is not resident for tax purposes in the United Kingdom is entitled to the benefit of a tax credit in respect of any dividend received from the Company, will depend in general on the terms of any applicable double taxation convention or agreement between the United Kingdom and his country of residence for tax purposes. Any such shareholder should consult his tax adviser as to whether or not he is entitled to reclaim any part of the tax credit, the procedure for claiming payment and what relief or credit may be available in the jurisdiction in which they are resident for tax purposes.

(d) Stamp duty and Stamp Duty Reserve Tax

The Directors have been advised as follows in relation to Stamp Duty and Stamp Duty Reserve Tax:

- (i) where Ordinary Shares, the subject of the Placing, are issued directly to and registered in the name of the ultimate Placee, no liability to Stamp Duty or Stamp Duty Reserve Tax will arise;
- (ii) in any other circumstance, there will be charge to Stamp Duty Reserve Tax on the sale of the Sale Shares to Placees in the Placing at the rate of 50p per £100 or part £100 of consideration payable. The Vendors have undertaken to account for any Stamp Duty or Stamp Duty Reserve Tax payable in respect of the Sale Shares sold by them respectively under the Placing arrangements.

The above statements are intended only as a general guide to the current tax position under UK taxation law and practice. A shareholder who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the United Kingdom should consult his or her professional adviser without delay.

5. General

- (a) Coopers & Lybrand have given and not withdrawn their written consent to the issue of this document with the inclusion herein of the Accountants' Reports in Part II and their letters in Parts III and IV of this document together with the references to them and their name in the form and context in which they appear, having also authorised the contents of Part II and their letters in Parts III and IV for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- (b) Granville & Co. has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its letter in Part III of this document together with the references to it and its name in the form and context in which they appear, having also authorised the contents of its letter in Part III for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- (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, having also authorised the contents of the section headed "The UK market in the future" in Part I of this document for the purposes of section 152(1)(e) of the Financial Services Act 1986. M.E. Williams & Associates are management consultants with expertise in the electronic components industry. They produce monthly statistics and annual forecasts for AFDEC.
- (d) There has been no significant change in the trading or financial position of the Group since 30 June 1996, the latest date to which audited consolidated accounts of the Group have been prepared.
- (e) The expenses of, and incidental to, the Placing, including registration and listing fees, printing, advertising and distribution costs, legal and accounting fees and expenses, are estimated to amount to approximately £850,000 and are payable by the Company. Approximately £54,000 of this amount will be payable as commissions to financial intermediaries as part of the Placing arrangements.
- (f) The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in conjunction with the application for listing save under the terms of the Placing.
- (g) The Ordinary Shares are in registered form.
- (h) The financial information relating to the Group contained in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Copies of the audited accounts of the Company and its subsidiaries for the four years ended 30 September 1995 have been delivered to the Registrar of Companies. These accounts contained unqualified auditors' reports

as required by section 235 of the Act. Messrs Morgan Brown & Spofforth of 82 St John Street, London EC1M 4JN, Chartered Accountants and Registered Auditors, have audited the accounts of the Group for each of the last four financial years. Save for the financial information contained within, extracted from, or derived from, the Accountants' Reports set out within Part II of this document, no other information in this document has been audited by Messrs Morgan Brown & Spofforth.

- (i) The Placing Price represents a premium of 145p over the nominal value of an Ordinary Share.
- (j) Temporary documents of title will not be issued. It is expected that share certificates will be despatched by post at the risk of the persons to be issued with them on 30 September 1996.

16. 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 Gouldens, 22 Tudor Street, London EC4Y 0JJ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until 3 October 1996:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of the Group for the four years ended 30 September 1995 and for the nine months ended 30 June 1996;
- (c) the AFDEC Statistical Forecasts for 1996 referred to on page 9.
- (d) the Accountants' Reports set out in Part II and the statement of adjustments relating to the Accountants' Report on the Group;
- (e) the rules of each of the 1993 Share Option Scheme, the 1996 Executive Share Option Scheme and the 1996 Employee Share Option Scheme and copies of the option agreements of C.J. Sawyer and R.E. Tozer referred to in paragraph 7(c) above;
- (f) the contracts for the Directors' service and letters of engagement referred to in paragraph 8 above;
- (g) the material contracts referred to in paragraph 10 above;
- (h) the written consents referred to in paragraph 15 above;
- (i) the letters from Coopers & Lybrand and from Granville & Co. contained within Parts III and IV of this document; and
- (j) this document.

Dated 19 September 1996 ✓