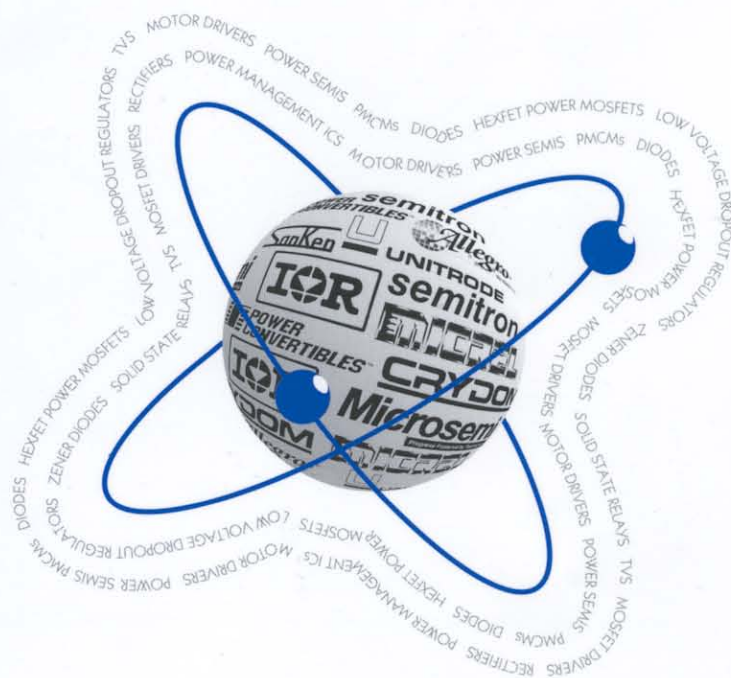


SSS

SOLID STATE SUPPLIES PLC



Admission to AIM

If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

This document, which is an Admission Document in relation to the Alternative Investment Market of the London Stock Exchange, has been drawn up as a prospectus in accordance with the Public Offers of Securities Regulations 1995 and a copy has been delivered for registration to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of those Regulations.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of English Trust Company Limited, 12a Charterhouse Square, London EC1M 6AX from the date of this document and for 14 days from the time and date on which Admission takes place, which is expected to be 26th June, 1996.

SOLID STATE SUPPLIES PLC

*(Incorporated in England and Wales under the Companies Act 1948)
(Registered No. 771335)*

**Placing of
1,250,000 Ordinary Shares of 5p each at a price of 80p per share
Admission to the Alternative Investment Market**

**NOMINATED ADVISER
English Trust Company Limited**

**NOMINATED BROKER
Charles Stanley & Company Limited**

<i>Authorised</i>		Share Capital	<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>	following the Placing	<i>Amount</i>	<i>Number</i>
£450,000	9,000,000	Ordinary Shares of 5p each	£312,500	6,250,000

Application has been made for the whole of the ordinary share capital of Solid State Supplies PLC in issue immediately following the Placing to be admitted to trading on the Alternative Investment Market of the London Stock Exchange. It is emphasised that no application is being made for admission of these securities to the Official List of the London Stock Exchange.

The Alternative Investment Market is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List of the London Stock Exchange. The London Stock Exchange has not itself examined this document.

English Trust Company Limited, which is regulated by the Securities and Futures Authority Limited, is acting for the Company and no one else in connection with the Placing and the admission of the Company's Ordinary Shares to trading on AIM. Accordingly, English Trust will not be responsible to anyone other than the Company for providing the protections afforded to its own clients nor for affording advice in connection with the Placing or the admission of the Company's Ordinary Shares to trading on AIM. No representation, express or implied, is made by English Trust as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

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DEFINITIONS

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

“Act”	the Companies Act 1985, as amended
“Admission”	admission of the existing Ordinary Shares and the Placing Shares to trading on AIM
“AIM”	the Alternative Investment Market of the London Stock Exchange Limited
“Book to Bill Ratio”	the relationship between the value of orders received and the value of goods despatched in any particular period
“Charles Stanley”	Charles Stanley & Company Limited, regulated by the Securities and Futures Authority Limited and a member of the London Stock Exchange, the Company’s Nominated Broker
“Company” or “Solid State”	Solid State Supplies PLC
“Directors” or “Board”	the board of directors of the Company
“English Trust”	English Trust Company Limited, regulated by the Securities and Futures Authority Limited, the Company’s Nominated Adviser
“Issue Price”	80p per Placing Share
“London Stock Exchange”	London Stock Exchange Limited
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company
“Placing”	the placing of the Placing Shares at the Issue Price
“Placing Agreement”	the agreement relating to the Placing, details of which are set out in paragraph 7 of Part 3
“Placing Shares”	the 1,250,000 new Ordinary Shares which are the subject of the Placing

KEY INFORMATION

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

- * Solid State's principal business is the distribution of electronic components for general use in the industrial, automotive, mobile phone, computer and military markets.
- * The Company has franchise agreements to supply the products of nine electronic component manufacturers, mainly into the UK market.
- * The Directors believe that Solid State secures a strong position with its franchisors because, with its relatively focused product range, it is able to offer each manufacturer a high degree of commitment.
- * Solid State's customers include major UK electronics companies and it is not dependent on any single customer.
- * 1,250,000 new Ordinary Shares have been conditionally placed at 80p per share to raise net proceeds of approximately £830,000 for the Company. None of the Company's existing shareholders are selling shares in the Placing.
- * Subject to the availability of distributable reserves, the Directors intend to pay dividends in respect of the current year ending 31st March, 1997, beginning with an interim dividend in or about January 1997.

FINANCIAL RECORD

An Accountants' Report on the Company by BDO Stoy Hayward, Chartered Accountants, for the three years ended 31st March, 1996 is set out in Part 2. The recent trading record of Solid State is summarised below:

	<i>Year ended 31st March</i>		
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	<u>2,722</u>	<u>3,304</u>	<u>4,226</u>
Operating profit	162	320	423
Other income	29	34	16
Interest payable	(34)	(22)	(21)
Profit before taxation and exceptional items	<u>157</u>	<u>332</u>	<u>418</u>
Exceptional item	-	175	-
Profit before taxation	157	507	418
Taxation	(38)	(137)	(110)
Profit after taxation	<u><u>119</u></u>	<u><u>370</u></u>	<u><u>308</u></u>

As shown above, the Company's turnover has increased by over 50 per cent. since the year ended 31st March, 1994, which has led to a sustained rise in operating profit.

The exceptional profit in 1995 related to the disposal of the Company's minority investment in Semitron Industries Limited, which remains one of Solid State's suppliers.

MARKET INFORMATION

Issue Price	80p
Number of Ordinary Shares in issue following the Placing	6,250,000
Market capitalisation following the Placing at the Issue Price	£5,000,000
The Placing Shares as a percentage of the enlarged issued share capital	20 per cent.
Net proceeds of the Placing to be received by the Company	£830,000
Profit after tax for the year ended 31st March, 1996	£308,000
Adjusted historic earnings per share before the Placing*	6.2p
Price/earnings multiple on the existing share capital at the Issue Price	12.9 times

* Based on the profit after tax of £308,000 divided by the 5,000,000 Ordinary Shares in issue prior to the Placing.

DIRECTORS, SECRETARY AND ADVISERS

Directors: Gordon Leonard Comben, *Chairman*
William George Marsh, *Managing Director*
Jeffrey Richard Hugh Biggs, *Marketing Director*
Gary Stephen Marsh, *Operations Director*
Peter Haining, FCA, *Non-Executive Director*
Lewis Cyril Ashby Newnham, *Non-Executive Director*
all of Unit 2, Eastlands Lane, Paddock Wood, Kent TN12 6BU

Company Secretary and Registered Office: Peter Haining, FCA
Solid State Supplies PLC
Unit 2
Eastlands Lane
Paddock Wood
Kent TN12 6BU

Nominated Adviser: English Trust Company Limited
12a Charterhouse Square
London EC1M 6AX

Nominated Broker: Charles Stanley & Company Limited
25 Luke Street
London EC2A 4AR

Auditors and Reporting Accountants: BDO Stoy Hayward
8 Baker Street
London W1M 1DA

Solicitors to the Company and to the Issue: Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

Bankers: Midland Bank plc
100 High Street
Tonbridge
Kent TN9 1AN

Registrars: Independent Registrars Group Limited
Balfour House
390/398 High Road
Ilford
Essex IG1 1NQ

PART 1

INTRODUCTION

Solid State's principal business is the distribution of electronic components for general use in the industrial, automotive, mobile phone, computer and military markets. It also provides added value in the form of technical support to its customers. The Company has franchise agreements to supply the products of nine electronic component manufacturers, mainly into the UK market.

The Company is raising £1 million, before expenses, through a placing of 1,250,000 new Ordinary Shares at 80p per share. The net proceeds of the Placing, amounting to approximately £830,000, will be used to repay some bank borrowings, to finance increased stock levels of existing suppliers' products and to enable the Company to stock new products as further franchises are acquired.

The Company's existing shareholders will not be selling any shares in the Placing.

HISTORY AND BUSINESS

Solid State's business was founded in 1971 when Gordon Comben left International Rectifier Corporation, where he had worked for three years, and began distributing electronic components. In 1974 Bill Marsh joined the Company, also from International Rectifier. Gordon Comben and Bill Marsh have gradually built up the business through the acquisition of new franchises and the Company now has 27 employees. Following the Placing, Gordon Comben and Bill Marsh, together with their wives, will hold 48 per cent. and 32 per cent. of the enlarged issued share capital respectively.

Solid State distributes a range of electronic and electrical products for use in manufacturing and research and development. Its product lines mainly comprise semiconductors, but also include switches, relays, integrated circuits, capacitors and associated products. The Company's product range is continuing to expand in line with those of its suppliers. Solid State carries over 7,000 products from its suppliers. The Company is accredited to BS9000 (incorporating BS5750: Part 2) and has European CECC approval.

The Company's head office is at Paddock Wood, near Tunbridge Wells in Kent and it has a small regional sales office in Bristol. The Company owns a freehold property, which is its former office and is now surplus to its requirements. The property is currently unoccupied but the Directors expect that new tenants will be found in the near future.

FRANCHISE ARRANGEMENTS

The following table lists the main manufacturers whose products Solid State currently supplies under its franchise arrangements:

Company	Franchise Agreed	Group Headquarters	Product Summary
International Rectifier Corporation	1978	US	Power MOSFETs, IGBTs, Microelectronic Relays, High Voltage ICs, Rectifiers
Semitron Industries Limited	1987	UK	Gas Discharge Tubes, Transient Absorption Diodes
Crydom Limited	1988	US	Solid State Relays, Power Modules
Micrel Inc.	1991	US	LDO Voltage Regulators, Power MOSFET Drivers, Power Supply Components
Microsemi Corporation	1993	US	Rectifiers, TVS, PIN Diodes, Zener Diodes, Small Signal Transistors
Unitrode Corporation	1993	US	PWM ICs, PSU Support ICs, Battery Management ICs, Communications ICs
Allegro Microsystems Inc.	1995	US	Bipolar and MOS Mixed Signal ICs, Motor Drivers, Power Drivers, Hall Effect Sensors
SanKen Electric Company Limited	1995	Japan	Power Multichip Modules, LEDs, Power Bipolar Transistors, High Voltage Diodes
Power Convertibles Corporation	1996	US	Isolated DC-DC Converters

The Company's major supplier is International Rectifier, a US company with a manufacturing facility in Surrey, which nominated Solid State as its UK "Distributor of the Year" in 1995. The International Rectifier franchise was the first major franchise awarded to Solid State and its products have always provided a significant proportion of the Company's sales, representing 54 per cent. of turnover in the year to 31st March, 1996. However, although the amount of business with International Rectifier is increasing, the proportion which it represents of the Company's overall sales has steadily decreased due to the acquisition and growth of additional franchises. Micrel is the Company's second most significant supplier, with its products representing 12 per cent. of last year's turnover. Micrel gave Solid State the award for the "Highest European Distribution Sales in 1995".

Solid State's most recently acquired franchise is with Power Convertibles of Tucson Arizona, which has a manufacturing facility in the Republic of Ireland and with whom a franchise agreement was signed in February 1996. Solid State's only major non-US suppliers are SanKen, a Japanese company which markets its products through Allegro Microsystems, and Semitron, a UK manufacturer for whom Solid State has acted as a distributor since 1987.

The Directors believe that Solid State secures a strong position with its franchisors because, with its relatively focused product range, it is able to offer each manufacturer a high degree of commitment. The Company also adopts a policy of restricting the overlap between product ranges while at the same time seeking to maintain sufficient stock holdings to satisfy its customers. Solid State's franchisors are significant manufacturers which benefit from this well defined marketing approach.

In line with industry practice, Solid State's franchise agreements are generally terminable on between one and three months' notice and contain stock rotation and price protection provisions. Stock rotation allows Solid State to return a limited percentage of slow moving stock to the manufacturers and to replace it with an equal value of new stock. Except where special terms are negotiated, price protection provisions provide that in the event of a manufacturer reducing its recommended selling price, Solid State can claim credit to cover any loss that would arise from the sale of stock at the reduced price.

SALES AND MARKETING

The majority of Solid State's larger customers, who include major UK electronics companies, organise their purchasing on a divisional or site basis and the Company provides technical support in order to add value to the client relationship. The Company is not dependent on any single customer and in the year ended 31st March, 1996, no account represented more than 3.5 per cent. of turnover and the top ten customers only accounted for 22 per cent. of turnover. Solid State has over 1,100 active customer accounts.

The number of customer accounts has increased over the years and the Directors consider that this will continue to be the case. The Company's ability to retain and increase its customer base has been achieved to a large extent by an expansion in the product range offered together with a stock holding policy which reflects customer needs and anticipates their future requirements.

The Company's sales team contacts its customers on a regular basis and keeps them informed of new product developments. An efficient delivery procedure enables the Company to offer same day shipment on stock items for orders received by 4.15 p.m.

Solid State offers a high level of service to its customers by providing applications advice, technical support and design advice for analogue and power circuits, on request. The Company makes no additional charge for this service.

The Directors believe that the Company can continue to expand its sales by increasing the range of products it distributes, increasing its level of business with existing customers, selling the products of its existing suppliers to new customers and acquiring new franchises.

COMPETITION

Electronic component manufacturers generally deal through distributors and only sell directly to their customers in respect of very large orders. Therefore, if such a customer wished to purchase a relatively small quantity from a manufacturer, it is likely that the order would be referred to an authorised distributor such as Solid State.

Manufacturers vary in the number of authorised distributors which they appoint to sell their products. No manufacturer with which the Company deals has appointed more than five other independent distributors

in the UK and Solid State is the only authorised distributor currently approved by Power Convertibles. The Directors believe that the technical support which Solid State provides to its customers is an important factor in securing orders.

Whilst competition also exists from non franchised distributors, such competition is only likely to be effective in times of product shortages as authorised distributors will usually have a price advantage.

REASONS FOR THE PLACING AND USE OF FUNDS

1,250,000 new Ordinary Shares, representing 20 per cent. of the enlarged issued share capital of the Company, have been conditionally placed with clients of Charles Stanley at 80p per share. The Placing, which has been fully underwritten by English Trust, will raise net proceeds of approximately £830,000 for the Company. The principal terms of the Placing Agreement are summarised in paragraph 7 of Part 3 of this document. The Placing is conditional on Admission taking place.

The net proceeds of the Placing will be used to repay some bank borrowings, to finance increased stocks of products from existing suppliers, thereby allowing the Company to expand its business, and to finance stocks required in connection with the acquisition of new franchises. The Company is currently in discussions with two companies in connection with new franchises. The planned expansion would require the employment of two new sales executives.

In addition, the Directors believe that the Company's marketing capability would be improved if it had the ability to offer customers electronic linkage through e-mail and the Internet, and to produce technical data in relation to its products on CD Rom. Solid State also intends to offer electronic trading to its customers through the Company's new computer system, which is expected to be on line by the end of 1996. The Directors believe that these facilities will add significantly to the service which the Company provides to its customers.

The Directors also believe that a quotation on AIM will raise the profile of the Company in the market in which it operates.

FINANCIAL RECORD

An Accountants' Report on the Company by BDO Stoy Hayward, Chartered Accountants, for the three years ended 31st March, 1996 is set out in Part 2. The recent trading record of Solid State is summarised below:

	<i>Year ended 31st March</i>		
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	2,722	3,304	4,226
Operating profit	162	320	423
Other income	29	34	16
Interest payable	(34)	(22)	(21)
Profit before taxation and exceptional items	157	332	418
Exceptional item	-	175	-
Profit before taxation	157	507	418
Taxation	(38)	(137)	(110)
Profit after taxation	119	370	308

As shown above, the Company's turnover has increased by over 50 per cent. since the year ended 31st March, 1994, which has led to a sustained rise in operating profit.

The exceptional profit in 1995 related to the disposal of the Company's minority investment in Semitron Industries Limited, which remains one of Solid State's suppliers.

CURRENT TRADING AND PROSPECTS

The results for the year ended 31st March, 1996 were in line with the Directors' expectations. The level of bookings and billings were up by 33 per cent. and 28 per cent. respectively on the previous year and the gross profit margin increased by a little over 1 per cent.

The Book to Bill Ratio for the year ended 31st March, 1996 moved from 1.10 to 1.14, reflecting the increased lead times associated with most products during the past twelve months. However, there are signs that demand for products in high volume markets, such as computers and mobile phones, is levelling out which, combined with an increase in production capability by the manufacturers, should mean that product availability is likely to result in some improvement in the level of goods invoiced.

In the two months to 31st May, 1996, Solid State has experienced an increase in bookings of approximately 30 per cent. as compared with the same period last year, which has been achieved without any reduction in operating margins. The Book to Bill Ratio for the two months to 31st May, 1996 was 1.08, which is a level at which the Directors feel comfortable as it indicates that the Company will be able to maintain the quality of service which it provides to its customers. The Company does not supply into the volatile market for computer memory products.

The Directors believe that the electronic components market will continue to show significant organic growth over the next decade, particularly in the market segments in which the Company is active. The Company also expects to benefit from an increase in the range of products manufactured by its existing suppliers as well as from the acquisition of new franchises. The Directors believe that with the current franchises, an established market presence and an experienced corporate management team in place, Solid State is well positioned for future growth.

DIVIDEND POLICY

Historically, the Company has paid dividends to its shareholders and has adopted a progressive dividend policy. For the year ended 31st March, 1996, dividends totalling £139,000 (net) were declared, which is equivalent to 2.78p (net) per share on the 5,000,000 Ordinary Shares in issue prior to the Placing, and represented a gross yield of 4.34 per cent. at the Issue Price of 80p.

Subject to the availability of distributable reserves, the Directors intend to pay dividends in respect of the current year ending 31st March, 1997, beginning with an interim dividend in or about January 1997. In the future, the Directors anticipate paying an interim dividend of approximately one third of the total dividend in or about January of each year, with a final dividend being paid in or about July of each year. The Directors intend that dividends will be covered at least twice by earnings per share. The Ordinary Shares now being placed will rank in full for all dividends and other distributions declared, made or paid in respect of the ordinary share capital of the Company after their date of issue save that they will not rank for the dividend declared in respect of the year ended 31st March, 1996.

DIRECTORS

The Board comprises:

Gordon Leonard Comben, aged 56, Chairman

Gorden Comben began his career in the Merchant Navy and trained as a radio officer. He joined Plessey in 1959 and then worked for Texas Instruments in its internal sales department before joining Mullard Equipment in 1964 as a sales engineer. In 1968 Mr Comben joined International Rectifier as an area sales manager and by 1969 had become European Distribution Sales Manager. In 1971 he left International Rectifier to set up his own business, Solid State.

William George Marsh, aged 58, Managing Director

Bill Marsh gained an HNC qualification in electronic engineering before starting work at Hackbridge Transformers in 1954. In 1960 he joined the Royal Air Force as an air radar fitter and in 1962 he moved to Hewitt Rectifiers where he worked as a design engineer and later as a contracts engineer. In 1968 he joined International Rectifier as an area sales manager, rising to the position of General Sales Manager (Northern Europe) before leaving in 1974 to join Solid State as Managing Director.

Jeffrey Richard Hugh Biggs, aged 35, Marketing Director

Jeffrey Biggs began his career as an assembly and test engineer with Jelly Electronics Limited in 1980. He joined the Company in 1981 as an internal sales engineer and has since held a number of posts including Area Sales Manager and Product Manager. He was appointed Marketing Director in April 1996.

Gary Stephen Marsh, aged 30, Operations Director

Gary Marsh joined the Company in 1986 having gained an HND in business and finance studies. He has held various positions within the Company including that of Sales Office Manager prior to his appointment as Operations Director in April 1996. Gary Marsh is Bill Marsh's son.

Peter Haining FCA, aged 39, Non-Executive Director and Company Secretary

Peter Haining qualified as a chartered accountant in 1980 and later worked at Binder Hamlyn. He left Binder Hamlyn in 1992, together with three colleagues, to establish The Kings Mill Partnership, who were the Company's previous auditors. As well as fulfilling a role as non-executive Director, Peter Haining will have specific responsibility for reviewing and advising on the Company's budgets and financial affairs. The Kings Mill Partnership, of which Mr Haining remains a partner, will continue to undertake some accountancy work for the Company, for which they will be remunerated at a normal commercial rate.

Lewis Cyril Ashby Newnham, aged 59, Non-Executive Director

Cyril Newnham is a chartered accountant who has held senior management posts in major companies, both in the UK and overseas. He has held a number of directorships, including having been chairman of GTI Corporation and of Telemetrix PLC, both of which are involved in the electronics industry. He currently conducts a management consultancy practice.

A number of the Company's employees have indicated their intention to participate in the Placing.

CORPORATE GOVERNANCE

The Company intends to comply, so far as is practicable, with the recommendations of best practice in the governance of public companies as set out in the Cadbury Committee Code of Best Practice.

The Company will hold at least four Board meetings regularly throughout the year at which reports on the Company's operations, together with the Company's finance reports, will be considered. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

An Audit Committee has been established which consists of Cyril Newnham (who will always chair the meeting) and Gordon Comben. It will meet at least twice each year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, for meeting the auditors and for reviewing the reports from the auditors relating to accounts and internal control systems. It will meet at least once a year with the auditors without other executive board members present.

A Remuneration Committee has been established which consists of Peter Haining and Cyril Newnham. It will review the performance of the executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. It will be a rule of the Remuneration Committee that no Director shall participate in discussions or decisions concerning his own remuneration.

RISK FACTORS

- * A substantial part of the Company's turnover is derived from its franchise agreement with International Rectifier. However, the acquisition of new franchises continues to reduce Solid State's reliance on this supplier.
- * In accordance with normal industry practice, the majority of Solid State's franchise agreements are terminable on one to three months' notice.
- * The Ordinary Shares will not be admitted to the Official List of the London Stock Exchange but will be traded on AIM. This should not be taken as implying that there will be a liquid market in the Ordinary Shares. An investment in the Company's Ordinary Shares may thus be difficult to realise.

PART 2

ACCOUNTANTS' REPORT ON THE COMPANY

The following is the text of an Accountants' Report on the Company by BDO Stoy Hayward, Chartered Accountants and Registered Auditors.



BDO Stoy Hayward

The Directors
Solid State Supplies PLC
Unit 2
Eastlands Lane
Paddock Wood
Kent
TN12 6BU
and

The Directors
English Trust Company Limited
12a Charterhouse Square
London
EC1M 6AX

21 June, 1996

Dear Sirs

SOLID STATE SUPPLIES PLC

Solid State Supplies PLC ("the Company") is a company incorporated and registered in England and Wales. The Company was incorporated on 20 August 1963 as Balstrabrix Limited and changed its name to Carter Lane Dealers Limited ("CLD") on 20 September 1963 and again on 4 April 1990 to Solid State Supplies Limited. Solid State Supplies Limited was re-registered as a public limited company on 20 October 1995.

The financial information set out in this report is based upon the audited financial statements of the Company for the three years ended 31 March 1996 (the "Relevant Periods") after making such adjustments as we considered necessary.

We have examined the audited financial statements of the Company for the Relevant Periods. Our work has been carried out in accordance with the Auditing Guideline: Prospectuses and the Reporting Accountant. No audited financial statements have been prepared for the Company in respect of any period subsequent to 31 March 1996.

The Kings Mill Partnership have been auditors to the Company throughout the Relevant Periods. BDO Stoy Hayward were joint auditors for the year ended 31 March 1996. The audit reports in respect of each of the Relevant Periods were unqualified.

In our opinion, the financial information set out below gives, for the purposes of the document of which this report forms a part, a true and fair view of the results and cash flows of the Company for each of the Relevant Periods and of the state of affairs at the end of each of the Relevant Periods and we accept responsibility for this report accordingly.

1. Accounting Policies

The following principal accounting policies have been consistently applied throughout the Relevant Periods by the Company.

(a) *Basis of accounting*

The financial statements are prepared under the historical cost convention modified by the revaluation of freehold and long leasehold properties.

(b) *Turnover*

The turnover is stated net of value added tax and represents sales invoiced to customers on the despatch of goods.

(c) *Depreciation*

Depreciation is provided on all tangible fixed assets, apart from the freehold and long leasehold properties, at rates calculated to write off the cost, less estimated residual value, of each asset fairly over its expected useful life.

Short leasehold property	-	straight line over minimum life of the lease
Fittings and equipment	-	25% per annum on a reducing balance basis
Computer	-	20% per annum on a straight line basis
Motor vehicles	-	25% per annum on a reducing balance basis

No depreciation is provided in respect of the freehold property since, in the opinion of the Directors, its estimated residual value is greater than its book value.

(d) *Hire purchase contracts*

Tangible fixed assets acquired under hire purchase agreements are capitalised and included with other tangible fixed assets. All interest and charges are written off to the profit and loss account on a straight line basis.

(e) *Stock*

Stock is stated at the lower of cost and realisable value.

(f) *Deferred taxation*

Provision is made for taxation deferred in respect of material timing differences, except where the liability to taxation is not expected to arise in the foreseeable future. The provision is calculated using the liability method at the maximum rate expected to apply at the time of crystallisation of the liability.

(g) *Fixed asset investments*

Investments in unlisted securities which represent less than 20% of the nominal value of the allotted share capital are stated at cost unless, in the opinion of the Directors, a provision is required for a permanent diminution in value.

Investment properties are included in the balance sheet at their open market value where this differs significantly from cost.

(h) *Compliance with accounting standards*

The financial statements have been prepared in accordance with applicable accounting standards.

2. Profit and Loss Accounts

	Notes	Year ended 31 March 1994 £000	Year ended 31 March 1995 £000	Year ended 31 March 1996 £000
Turnover	6(a)	2,722	3,304	4,226
Cost of sales		(1,923)	(2,290)	(2,877)
Gross profit		799	1,014	1,349
Selling expenses and distribution costs		(383)	(424)	(587)
Administrative expenses		(254)	(270)	(339)
Operating profit	6(b)	162	320	423
Other income		29	34	16
Interest payable	6(d)	(34)	(22)	(21)
Exceptional item	6(e)	-	175	-
Profit on ordinary activities before taxation		157	507	418
Tax on profit on ordinary activities	6(f)	(38)	(137)	(110)
Profit on ordinary activities after taxation		119	370	308
Dividends	6(g)	(67)	(126)	(139)
Retained profit for the year	6(q)	52	244	169

All amounts relate to continuing activities.

3. Statements of Total Recognised Gains and Losses

	Year ended 31 March 1994 £000	Year ended 31 March 1995 £000	Year ended 31 March 1996 £000
Profit for the financial year	119	370	308
Unrealised loss on revaluation of properties	-	-	(115)
Total recognised gains and losses	119	370	193

4. Balance Sheets

	Notes	As at 31 March 1994 £000	As at 31 March 1995 £000	As at 31 March 1996 £000
Fixed assets				
Tangible assets	6(i)	216	261	303
Investment property	6(j)	244	244	153
Investments		35	-	-
		<u>495</u>	<u>505</u>	<u>456</u>
Current assets				
Stock	6(k)	557	672	1,109
Debtors	6(l)	696	944	1,118
		<u>1,253</u>	<u>1,616</u>	<u>2,227</u>
Creditors: amounts falling due within one year	6(m)	<u>(921)</u>	<u>(1,083)</u>	<u>(1,635)</u>
Net current assets		<u>332</u>	<u>533</u>	<u>592</u>
Total assets less current liabilities		<u>827</u>	<u>1,038</u>	<u>1,048</u>
Creditors: amounts falling due after more than one year	6(m)	<u>(138)</u>	<u>(105)</u>	<u>(61)</u>
Net assets		<u>689</u>	<u>933</u>	<u>987</u>
Capital and reserves				
Share capital	6(p)	60	60	100
Revaluation reserve	6(q)	171	171	56
Profit and loss account	6(q)	458	702	831
Shareholders' funds		<u>689</u>	<u>933</u>	<u>987</u>

5. Cash Flow Statements

		<i>Year ended</i> 31 March 1994 £000	<i>Year ended</i> 31 March 1995 £000	<i>Year ended</i> 31 March 1996 £000
Net cash inflow from operating activities	6(r)	274	115	205
Returns on investments and servicing of finance				
Interest paid (net)		(34)	(22)	(20)
Rent received		29	34	15
Dividends paid		(66)	(126)	(99)
		(71)	(114)	(104)
Taxation				
Tax paid		(35)	(50)	(122)
Investing activities				
Purchase of fixed assets		(77)	(89)	(117)
Proceeds of sale of tangible fixed assets		36	13	6
Proceeds of sale of investment		-	210	-
		(41)	134	(111)
Financing activities				
Inception of hire purchase agreements		21	20	16
Repayment of long term loans		(79)	(86)	(77)
		(58)	(66)	(61)
Increase/(decrease) in cash and cash equivalents	6(s)	69	19	(193)
Cash and cash equivalents at beginning of period	6(s)	(214)	(145)	(126)
Cash and cash equivalents at end of period	6(s)	(145)	(126)	(319)
Represented by:				
Bank overdraft		(145)	(126)	(319)
		(145)	(126)	(319)

6. Notes to the Financial Information

(a) Turnover

The turnover and profit before taxation are attributable to the one principal activity of the Company. There were no significant exports.

(b) Operating profit

	Year ended 31 March 1994 £000	Year ended 31 March 1995 £000	Year ended 31 March 1996 £000
This is arrived at after charging:			
Directors' remuneration	50	51	72
Depreciation and amortisation	33	26	42
Auditors' remuneration	5	5	5
Loss on disposal of tangible fixed assets	4	5	1
Hire of plant and machinery	2	2	3
	<u> </u>	<u> </u>	<u> </u>

In addition, the auditors received fees totalling £4,670 for accounting and taxation services (1995: £2,550, 1994: £4,500)

(c) Employees

The average monthly number of employees during each period, including Directors, was:

	Number	Number	Number
Selling and distribution	15	10	13
Management and administration	8	12	12
	<u> </u>	<u> </u>	<u> </u>
	23	22	25

Staff costs for all employees, including Directors, consists of:

	£000	£000	£000
Wages and salaries	321	380	515
Social security costs	35	40	50
Other pension costs	8	10	12
	<u> </u>	<u> </u>	<u> </u>
	364	430	577

The pension schemes operated by the Company are defined contribution schemes. The pension cost charge represents the contributions payable by the Company.

Directors' remuneration (excluding pension contributions)

	£000	£000	£000
Chairman	12	12	20
Highest paid Director	17	18	28
	<u> </u>	<u> </u>	<u> </u>
	Number	Number	Number
£Nil - £5,000	1	1	1
£5,001 - £10,000	1	-	-
£10,001 - £15,000	1	2	1
£15,001 - £20,000	1	1	1
£25,001 - £30,000	-	-	1
	<u> </u>	<u> </u>	<u> </u>

The Company paid a management charge to Little Trees Limited in respect of the services as a director of Mrs J M Comben. This amounted to £10,200 (1995: £1,400, 1994: £Nil).

	<i>Year ended</i> 31 March 1994 £000	<i>Year ended</i> 31 March 1995 £000	<i>Year ended</i> 31 March 1996 £000
<i>(d) Interest payable</i>			
Interest payable on:			
Bank loans and overdrafts	29	18	15
Hire purchase agreements	4	4	6
VAT assessment	1	-	-
	<u>34</u>	<u>22</u>	<u>21</u>
<i>(e) Exceptional item</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Profit on disposal of investment	-	175	-
<i>(f) Tax on profit on ordinary activities</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Corporation tax at 27.9% (1995: 30.1%, 1994:25%) based on the adjusted results for the year	38	137	118
Over provision in prior year	-	-	(8)
	<u>38</u>	<u>137</u>	<u>110</u>
<i>(g) Dividends</i>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Interim dividends paid	67	126	99
Final dividends proposed	-	-	40
	<u>67</u>	<u>126</u>	<u>139</u>
<i>(h) Earnings per share</i>			
Earnings per share as reported	<u>£1.19</u>	<u>£3.70</u>	<u>£3.08</u>
Earnings per share as adjusted	<u>2.4p</u>	<u>7.4p</u>	<u>6.2p</u>

The earnings per share as reported is based on the profit on ordinary activities for the year divided by the number of shares in issue as adjusted for bonus issues during the three years ended 31 March 1996.

The earnings per share as adjusted is based on the profit on ordinary activities for the year divided by the number of shares in issue following the capital reconstruction on 20 June 1996 (see note (p)).

(i) *Tangible fixed assets*

	<i>Freehold property £000</i>	<i>Short leasehold property £000</i>	<i>Motor vehicles £000</i>	<i>Furniture equipment and computers £000</i>	<i>Total £000</i>
Cost or valuation					
At 1 April 1995	120	17	111	163	411
Acquisitions in the year	-	10	83	23	116
Disposals in the year	-	-	(13)	-	(13)
Revaluation	(25)	-	-	-	(25)
At 31 March 1996	<u>95</u>	<u>27</u>	<u>181</u>	<u>186</u>	<u>489</u>
Accumulated depreciation					
At 1 April 1995	-	6	49	95	150
Charge for the year	-	4	29	9	42
On disposals in the year	-	-	(6)	-	(6)
At 31 March 1996	<u>-</u>	<u>10</u>	<u>72</u>	<u>104</u>	<u>186</u>
Net book value					
At 31 March 1996	<u>95</u>	<u>17</u>	<u>109</u>	<u>82</u>	<u>303</u>
At 31 March 1995	<u>120</u>	<u>11</u>	<u>62</u>	<u>68</u>	<u>261</u>

The freehold property was acquired in 1978 at an historic cost of £39,230, and was professionally valued at £95,000, by a member of the Royal Institute of Chartered Surveyors in May 1996. The valuation was on the basis of open market value based on existing use.

The net book value of motor vehicles held under hire purchase contracts at 31 March 1996 amounted to £96,837 (1995: £56,376). Depreciation charged in the financial statements in respect of these vehicles amounted to £26,729 (1995: £18,791). In addition, computer equipment with a net book value of £32,486 was held under hire purchase contracts (1995: £36,096). Depreciation charged in the year in respect of this equipment amounted to £3,610 (1995 : £Nil).

Additions to motor vehicles include one vehicle purchased by the Company from Mr W G Marsh (a Director of the Company) for a consideration of £8,500; this represented its open market value.

The Company was committed to capital expenditure on further computer equipment of £15,000 at 31 March 1996 (1995: £15,000).

(j) *Investment property*

	<i>Long leasehold property £000</i>
Cost or valuation	
At 1 April 1995	244
Revaluation	(91)
At 31 March 1996	<u>153</u>

The long leasehold was acquired in 1984 and has been reclassified as an investment property in order to reflect the nature of the holding. The property has been professionally valued at £152,000 by a member of the Royal Institute of Chartered Surveyors in May 1996. The valuation was on the basis of open market value based on existing use.

Solid State Supplies PLC

(k) *Stock*

	<i>As at 31 March 1995 £000</i>	<i>As at 31 March 1996 £000</i>
Finished goods (held for resale)	672	1,109

(l) *Debtors*

	<i>£000</i>	<i>£000</i>
Trade debtors	891	1,093
Other debtors	40	2
Advanced corporation tax	-	10
Prepayments	13	13
	<u>944</u>	<u>1,118</u>

The advanced corporation tax will not be recoverable before 1 January 1998.

(m) *Creditors*

	<i>£000</i>	<i>£000</i>
Amounts falling due within one year		
Bank overdraft	126	319
Bank loans	75	49
Trade creditors	664	958
Hire purchase creditors	29	37
Corporation tax	109	107
Other taxes and social security	71	82
Proposed dividends	-	40
Other creditors	1	35
Accruals	8	8
	<u>1,083</u>	<u>1,635</u>

	<i>£000</i>	<i>£000</i>
Amounts falling due over one year		
Bank loans	70	18
Hire purchase creditors	35	43
	<u>105</u>	<u>61</u>

The long term loans are repayable as follows:

	<i>£000</i>	<i>£000</i>
Within 1-2 years	51	18
Within 2-5 years	<u>19</u>	<u>-</u>
	<u>70</u>	<u>18</u>

The bank loans incur interest charged quarterly in arrears at 2% over Midland Bank plc base rate. One loan was repaid during the year ended 31 March 1996 and the other is scheduled for repayment in equal monthly instalments until July 1998. The Company has maintained its monthly contributions despite the falling interest rates with the result that the loan is expected to be cleared in advance of the due date.

Both the bank loans and the bank overdraft were and are secured by a fixed and floating charge over the assets of the Company

(n) *Deferred taxation*

No material tax liability would arise on the disposal of the freehold property at its current valuation.

No provision has been made for the clawback of capital allowance claimed on the acquisition of the long leasehold property which would arise in the event of a disposal by the Company of its interest within twenty-five years of its purchase, which was in 1984. The tax liability arising from the clawback would amount to approximately £40,000 (1995: £40,000).

(o) *Contingent liabilities and commitments*

There were no contingent liabilities as at 31 March 1994, 1995, and 1996.

(p) *Share capital*

Authorised, allotted, issued and fully paid:

	<i>As at</i> 31 March 1995 £000	<i>As at</i> 31 March 1996 £000
'A' Ordinary shares of £1 each	50	90
'B' Ordinary shares of £1 each	10	10
	<u>60</u>	<u>100</u>

On 16 June 1995, the share capital of the Company was increased to a total of £100,000 by the creation of a further 40,000 'A' ordinary shares of £1 each to rank pari passu with the existing 'A' ordinary shares.

On the same day, the new shares were issued to existing holders of the 'A' ordinary shares on the basis of four new shares for every five held at that date, by means of the capitalisation of £40,000 of retained revenue reserves.

On 20 June 1996 there was a capital reconstruction (subject to admission to the Alternative Investment Market taking place) in which the 'A' Ordinary shares and 'B' Ordinary shares were reclassified as ordinary shares of £1 each. Each ordinary share of £1 was sub-divided into 20 ordinary shares of 5p each and a bonus issue of 3,000,000 ordinary shares of 5p each was then issued out of the retained distributable reserves.

(q) *Reconciliation of movements in shareholders' funds*

	<i>Share capital £000</i>	<i>Reval- uation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 April 1993	50	171	416	637
Issue of bonus shares	10	-	(10)	-
Retained profit for the year	<u>-</u>	<u>-</u>	<u>52</u>	<u>52</u>
At 31 March 1994	60	171	458	689
Retained profit for the year	<u>-</u>	<u>-</u>	<u>244</u>	<u>244</u>
At 31 March 1995	60	171	702	933
Issue of bonus shares	40	-	(40)	-
Revaluation of properties	-	(115)	-	(115)
Retained profit for the year	<u>-</u>	<u>-</u>	<u>169</u>	<u>169</u>
At 31 March 1996	<u>100</u>	<u>56</u>	<u>831</u>	<u>987</u>

(r) *Reconciliation of operating profit to net cash outflow from operating activities*

	Year ended 31 March 1994 £000	Year ended 31 March 1995 £000	Year ended 31 March 1996 £000
Operating profit	162	320	423
Depreciation and amortisation	33	26	42
Loss on sale of tangible fixed assets	4	5	1
(Increase) in stock	(56)	(115)	(437)
(Increase)/decrease in debtors	(33)	(248)	(163)
(Decrease)/increase in creditors	164	127	339
Net cash inflow from operating activities	274	115	205

(s) *Analysis of cash and cash equivalents*

	<i>Bank overdrafts £000</i>
Balance at 31 March 1994	(145)
Net cash inflow/(outflow)	19
Balance at 31 March 1995	(126)
Net cash inflow/(outflow)	(193)
Balance at 31 March 1996	(319)

(t) *Leasing commitments*

As at 31 March 1996, the Company had annual commitments under operating leases as follows:

	<i>As at 31 March 1995 £000</i>	<i>As at 31 March 1996 £000</i>
<i>Buildings:</i>		
Leases expiring in more than five years	17	17
<i>Plant and machinery:</i>		
Leases expiring in less than one year	-	-
Leases expiring in one to five years	1	5
	1	5

7. Audited financial statements

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985, as amended ("the Act"). Statutory accounts for the Relevant Periods, together with the auditors' reports under Section 235 of the Act in respect of such statutory accounts, have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the Act. The auditors' reports in respect of all periods were unqualified and did not contain a statement under sub-sections 237 (2) or (3) of the Act.

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985, as amended.

Yours faithfully

BDO Stoy Hayward

Chartered Accountants and Registered Auditors

PART 3

ADDITIONAL INFORMATION

1. RESPONSIBILITY

To the best of the Directors' knowledge the information contained herein is in accordance with the facts and makes no omission likely to affect the import of such information. All the Directors whose names, functions and addresses are set out on page 6 of this document accept responsibility accordingly.

2. THE COMPANY

The Company was incorporated and registered in England and Wales on 20th August, 1963 with registered number 771335 under the Companies Act 1948 as a private limited company under the name Balstrabrix Limited. On 20th September, 1963 the Company changed its name to Carter Lane Dealers Limited. On 4th April, 1990 the Company changed its name to Solid State Supplies Limited. On 20th October, 1995 it re-registered as a public limited company. The principal legislation under which the Company operates is the Companies Act 1985 as amended by the Companies Act 1989. The registered office, head office and the principal place of business in the United Kingdom of the Company is at Unit 2, Eastlands Lane, Paddock Wood, Kent, TN12 6BU. The Company has no subsidiary or associated undertakings.

3. SHARE CAPITAL

3.1 The current authorised and issued share capital of the Company is £100,000 divided into 90,000 fully paid 'A' ordinary shares of £1 each and 10,000 fully paid 'B' ordinary shares of £1 each. Following Admission and the Placing, the authorised share capital of the Company will be £450,000 divided into 9,000,000 Ordinary Shares and the issued share capital will be £312,500 divided into 6,250,000 fully paid Ordinary Shares.

3.2 At an Extraordinary General Meeting of the Company held on 20th June, 1996 the Directors were, subject to Admission, granted authority by the Company to allot relevant securities (as defined in Section 80 of the Act) for a period ending on the Company's next Annual General Meeting or on 31st December, 1997 whichever is the earlier up to an aggregate nominal amount of £316,666 and, subject to Admission, were empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash as if Section 89 of the Act did not apply to such allotments provided that such power is limited to:-

- (a) the allotment and issue of 1,250,000 Ordinary Shares ;
- (b) the allotment of equity securities in connection with an issue to holders of Ordinary Shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory authority or any stock exchange; and
- (c) the allotment (otherwise than pursuant to sub-paragraph (a) and (b) above) of equity securities up to an aggregate nominal amount of £15,625 ;

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1997 or on 31st December, 1997, whichever is the earlier.

3.3 The power referred to at paragraph 3.2(a) above will be utilised for the purposes of the Placing.

3.4 Subject to Admission, on 20th June, 1996, £150,000 (being part of the amount standing to the credit of the profit and loss account of the Company) was capitalised in paying up in full amongst the members, 3,000,000 Ordinary Shares pursuant to a bonus issue ("the Bonus Issue").

3.5 Subject to Admission, on 20th June, 1996, 1,250,000 Ordinary Shares were allotted pursuant to the Placing at a price of 80p per Ordinary Share.

3.6 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 and apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the power referred to in paragraph 3.2 above.

- 3.7 No share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- 3.8 Other than in respect of the Bonus Issue and the Placing, there is no present intention to issue any of the authorised but unissued share capital of the Company. Further, without the prior approval of ordinary shareholders in general meeting:-
- (a) no issue of Ordinary Shares will be made which will effectively alter the control of the Company or the nature of its business; and
 - (b) no material issue of Ordinary Shares (other than to ordinary shareholders pro rata to their existing holdings) will be made within one year from the date hereof.

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

- 4.1 Subject to Admission, the Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a general commercial company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association. The liability of the members of the Company is limited.
- 4.2 The Articles of Association of the Company adopted on 20th June, 1996 conditionally on Admission becoming effective on or before 26th June, 1996 or such later date as the Directors and English Trust may agree ("the Articles") contain provisions, inter alia, to the following effect:-

(A) VOTING RIGHTS

- (i) Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.
- (ii) No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a direction notice in the manner described in paragraph (B) below.

(B) RESTRICTIONS ON ORDINARY SHARES

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to Section 212 of the Act and is in default in supplying to the Company information thereby required within a prescribed period after the service of such notice the Directors may serve on such member or on any such person a notice (a "direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that the member shall not be entitled to vote at any general meeting or class meeting of the Company. Where the default shares represent at least 0.25 per cent. of the shares the direction notice may in addition direct that any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares subject to the transfer or the transfer is an approved transfer. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(C) RETURN OF CAPITAL ON WINDING-UP

If the Company shall be wound-up, the Liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the Company and may, with like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members as the Liquidator,

with the like sanction, shall think fit but so that no member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

(D) VARIATION OF CLASS RIGHTS AND ALTERATION OF CAPITAL

- (i) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Act and any other act relating to companies ("the Statutes"), be modified, abrogated or varied either with the consent in writing of the holders of three-fourths 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. To every such separate general meeting the provisions of Sections 369, 370, 376 and 377 of the Act and the provisions of the Articles relating to general meetings shall apply, mutatis mutandis, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.
- (iii) Subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.
- (iv) Subject to the provisions of the Act and the Articles, all unissued shares of the Company are at the disposal of the Directors.
- (v) Subject to the provisions of the Statutes, any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the Company or the shareholders on the terms and in the manner provided for by the Articles.
- (vi) Subject to the provisions of the Act, the Company may purchase its own shares (including any redeemable shares) provided that the Company shall not purchase its own shares if there are outstanding any convertible shares which remain capable of being converted, unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of each class of such convertible shares.

(E) TRANSFER OF SHARES

The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The Directors may likewise refuse to register any transfer in favour of more than four persons jointly. The Directors may decline to recognise any instrument of transfer unless it is left at the registered office to be registered, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended by the Directors for any period (not exceeding 30 days in any year).

(F) DIVIDENDS AND DISTRIBUTIONS ON LIQUIDATION TO SHAREHOLDERS

- (i) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

- (ii) The Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates.
- (iii) No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Statutes.
- (iv) On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.
- (v) The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.
- (vi) Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

5. DIRECTORS' AND OTHER INTERESTS

5.1 (a) The interests of the Directors, their immediate families and persons connected with them within the meaning of Section 346 of the Act in the issued share capital of the Company (which have been notified to the Company pursuant to Sections 324 and 328 of the Act) as they appear in the Register of Directors' Interests maintained under Section 325 of the Act and as they are expected to be immediately following Admission are as follows:-

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of existing share capital</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>Percentage of enlarged share capital</i>
G. L. Comben	3,000,000	60.0	3,000,000	48.0
W. G. Marsh	2,000,000	40.0	2,000,000	32.0
J. R. H. Biggs	-	-	62,500	1.0
G. S. Marsh	-	-	25,000	0.4
P. Haining	-	-	2,500	0.0
L.C.A. Newnham	-	-	10,000	0.2

- (1) The interest of Mr. G. L. Comben includes 300,000 Ordinary Shares held by his wife, Mrs J. M. Comben.
 - (2) The interest of Mr. W. G. Marsh includes 200,000 Ordinary Shares held by his wife, Mrs B. D. M. Marsh.
 - (3) The interest of Mr J. R. H. Biggs is held by his wife, Mrs C. A. Biggs.
 - (4) The interest of Mr L.C.A. Newnham is held through Quinprop Limited.
 - (5) The interests of the Directors are beneficial.
- (b) Save as set out in paragraph 5.1(a) above, following Admission no Director will have any interest in the share capital of the Company.
- (c) Save as set out in paragraph 5.1(a) above, no persons have been entitled to exercise or to control the exercise of 10 per cent. or more of the votes able to be cast on all, or substantially all, matters at General Meetings of the Company during the twelve months preceding the date of this document.
- 5.2 The Directors expect that immediately following Admission no shareholders (other than those disclosed at paragraph 5.1(a) above) will be interested in 10 per cent. or more of the enlarged issued share capital of the Company.
- 5.3 (a) Subject to Admission, each of the executive Directors has a service agreement with the Company for a term of 12 months commencing on 20th June, 1996 and determinable by 12 months' notice given by either party to the other expiring at any time thereafter. Under their respective agreements G. L. Comben, W. G. Marsh, J. R. H. Biggs and G. S. Marsh are entitled to receive an annual remuneration of £36,000, £36,000, £32,000 and £32,000 respectively. The service agreements also make provision for company cars and certain other benefits and in the cases of

G.L. Comben and W.G. Marsh the Company will contribute a maximum of 33 per cent. of their basic salary to their respective personal pension schemes. The Board may also, at its absolute discretion and on the recommendation of the Remuneration Committee, vote to any executive Director such additional benefit by way of bonus or otherwise as it deems appropriate.

- (b) Pursuant to the Board's discretion referred to at paragraph 5.3(a) above, the Directors have set, subject to certain criteria, a profit target for the accounting period ending 31st March, 1997. The Directors propose to award each of J. R. H. Biggs and G. S. Marsh a bonus payment of 10 per cent. of the amount by which the profit before tax for that period exceeds such target.
- (c) Pursuant to a consultancy agreement dated 20th June, 1996 and conditional upon Admission, P. Haining was appointed a consultant to the Company with responsibility for reviewing and advising on the Company's budgets and financial affairs. The agreement is for a term of 3 years at a fee of £500 per day (exclusive of Value Added Tax) plus expenses. Such services are expected to be provided for a minimum of 12 days per annum.
- (d) Save as set out in paragraph 5.3(a) above, there are no existing or proposed service contracts between the Directors and the Company.

5.4 In the financial year ended 31st March, 1996, the aggregate of the remuneration paid and benefits in kind granted to the Directors by the Company was £72,000. The aggregate of the remuneration payable (excluding benefits in kind) to the Directors in respect of the year ending 31st March, 1997 under the arrangements in force at the date of this document, is expected to amount to approximately £150,000.

5.5 Set out below are the details of the directorships other than that of the Company held over the previous five years by each of the Directors:-

<i>Director</i>	<i>Company</i>
G. L. Comben	Little Trees Limited Semitron Industries Limited (resigned 1994)
W. G. Marsh	Charlwood (Management) Company Limited
L.C.A. Newnham	<i>Current</i> Ellerby Investments Limited SA (and group companies below) Construction Materials International Limited Contracting Services International Limited Ellerby Services Limited Engineering Services International Limited Engineering Management Services International Limited Fendrome Limited Interbuild Insurance Limited Lama International Contractors Limited Linkage Investments Limited MRC International Limited A. Roberts (Civil Engineering) Limited Sterling Projects Limited <i>Tawneydown Plc</i> <i>Former*</i> Titan International Limited (and group companies below) Titan International (Holdings) Limited Titan Insurance Limited London Finance (IOM) Limited Telemetrix PLC (and group companies below) The Trend Group Limited Trend Communications Limited Trend Datalink Limited Trend Telecommunications Limited Zetex PLC Consolidated Lighting (Private) Limited Standard Telephones & Cables (Zimbabwe) (Private) Limited GTI Corporation (and group company below) Electronic Supply Corporation

*resigned as a director of all the above companies in 1992.

- 5.6 No Director has any unspent convictions or has been declared bankrupt or was a director of any company at the time of or within the twelve months preceding its receivership or liquidation and none of the Directors has had any public criticism by any statutory or regulatory authority.

6. TAXATION

- 6.1 Under current UK taxation legislation, the Company does not have to withhold any tax from dividend payments it makes. However, when it pays a dividend, the Company is generally required to account to the UK Inland Revenue for advance corporation tax ("ACT") except to the extent that the dividend is paid out of franked investment income. The rate of ACT for dividends is related to the lower rate of income tax and is currently equal to one quarter of the cash dividend paid. ACT paid by the Company can be set off against its liability to corporation tax, subject to certain limits and restrictions.

An individual shareholder who is resident in the United Kingdom for tax purposes will be required to include the dividend and associated tax credit in calculating his total income for the United Kingdom tax purposes, but may set off the tax credit against his income tax liability. The value of the tax credit is currently one quarter of the cash dividend received (ie. twenty per cent. of the aggregate of the cash dividend received and the associated tax credit). The dividend (and related tax credit) will be treated as the top slice of the individual's income for tax purposes. In the case of a UK resident shareholder liable to income tax at only the lower rate or the basic rate, the tax credit will be treated as discharging the individual's liability to income tax in respect of the dividend. There will be no further tax to pay and no right to claim payment of any part of the tax credit from the Inland Revenue. In the case of a UK resident individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but will not fully match his liability to income tax in respect of the dividend, in which case the individual will have to pay additional tax, equal (at present rates) to 20 per cent. of the dividend plus the related tax credit, to the extent that such sum, when treated as the top slice of his income, falls above the threshold for higher rate income tax. To the extent that a UK resident individual's total tax credits exceed his overall UK tax liability, he may claim to have any excess paid to him by the Inland Revenue.

Subject to certain exceptions for some insurance companies with overseas business, a corporate shareholder which is resident in the United Kingdom (for tax purposes) will generally be able to treat any dividend received together with the related tax credit as franked investment income. A UK resident corporate shareholder will not normally be liable to United Kingdom corporation tax on any dividend received.

Subject to certain exceptions for Commonwealth citizens, citizens of countries within the European Community or of Iceland, Liechtenstein or Norway, residents of the Isle of Man or the Channel Islands and certain others, the right of a shareholder who is not resident in the United Kingdom (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double taxation convention between the United Kingdom and the country in which he is resident. A shareholder who is not resident in the United Kingdom (for tax purposes) should consult his own tax adviser concerning his tax liabilities on dividends received, his entitlement to reclaim any part of the tax credit and, if he is so entitled, the procedure for doing so. A shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law.

- 6.2 Except in relation to depositary receipt arrangements or clearance services (where special rules apply) no charge to stamp duty or stamp duty reserve tax ("SDRT") will arise on the issue and registration in the names of applicants for new Ordinary Shares under the Placing.

Transfers on sale of shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 50p per £100 or part thereof) and an unconditional agreement to transfer such shares, if not completed by a duly stamped transfer will be subject to SDRT (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration paid).

The above statements are intended only as a guide to the general tax position as at the date of this document for shareholders who are resident in the UK for tax purposes, and hold shares as investments rather than as securities to be realised in the course of a trade. They are based on current UK legislation and Inland Revenue practice.

Any person who is in doubt as to his taxation position or requires more detailed information than the general outline above should consult his professional advisers.

7. PLACING AGREEMENT

- (a) Under an Agreement (“the Placing Agreement”) dated 21st June 1996 and made between the Company (1), the Executive Directors (2) and English Trust (3), English Trust has agreed (conditionally, inter alia, upon Admission taking place not later than 26th June, 1996, or such later date as the Company and English Trust may agree, as agent for the Company, to arrange for placees to subscribe for the Placing Shares at the Issue Price or, failing that, itself to subscribe for the Placing Shares at the Issue Price. 121,250 of the Placing Shares have been set aside for subscription by Directors and employees of the Company.
- (b) Under the Placing Agreement the Company has agreed to pay to English Trust a fee of £50,000 and a commission of 3 per cent. of the value of the Placing Shares at the Issue Price together in each case with any applicable Value Added Tax. Out of such commissions English Trust will pay a commission to the Nominated Broker, Charles Stanley.
- (c) The Placing Agreement contains warranties by the Company and the Executive Directors as to the accuracy of the information contained in this document and other matters relating to the Company and its business and an indemnity from the Company and G. L. Comben and W. G. Marsh. English Trust is entitled to terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it.
- (d) The Placing Agreement provides for the Company to pay the costs and expenses of and incidental to the Placing and the application for Admission, including accountancy and legal fees and expenses, printing and advertising charges, the fees and expenses of the Registrars and the fees payable to the London Stock Exchange. No expenses are being specifically charged to subscribers under the Placing.
- (e) G. L. Comben and W. G. Marsh have undertaken not to dispose of any Ordinary Shares until the publication of the preliminary announcement of the Company’s results for the year ending 31st March, 1997.

The Company has also appointed English Trust to act as its nominated adviser following Admission, for which English Trust will be paid an annual retainer of £15,000 (plus Value Added Tax if applicable).

Save for the Placing Agreement, no contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within the two years prior to the date of this document which are or may be material.

8. MISCELLANEOUS

- 8.1 There has been no significant change in the financial or trading position of the Company since 31st March, 1996 the date to which the last audited accounts of the Company were made up.
- 8.2 In the opinion of the Company, having made due and careful enquiry, the working capital available to the Company is sufficient for its present requirements.
- 8.3 At the close of business on 31st May, 1996, the Company had outstanding total indebtedness of £575,000, comprising secured loans of £502,000 and hire purchase commitments of £73,000.
Save as disclosed above the Company did not have outstanding at 31st May, 1996 any loan capital (including term loans) outstanding or created but unissued, any mortgages, charges or any borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, obligations under finance leases, guarantees on other material contingent liabilities.
- 8.4 Pursuant to statutory instrument number 1996/189, the Company’s creditor payment policy for the year to 31st March, 1997 for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment.
- 8.5 There are no legal or arbitration proceedings active, pending or threatened against, or being brought by, the Company which are having or may have a significant effect on the Company’s financial position.

- 8.6 The total costs and expenses relating to Admission and the Placing (including underwriting commissions) are payable by the Company and are estimated to amount to £170,000 (excluding Value Added Tax).
- 8.7 BDO Stoy Hayward has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its report and the references to such report and its name in the form and context in which they are respectively included and accepts responsibility for such report.
- 8.8 The financial information set out in this document relating to the Company does not constitute statutory accounts of the Company within the meaning of Section 240 of the Act. The Kings Mill Partnership, Chartered Accountants, of Tubwell House, New Road, Crowborough, East Sussex TN6 2QH have reported upon the statutory accounts of the Company for each of the two financial years ended 31st March, 1995, within the meaning of Section 235 of the Act. BDO Stoy Hayward, Chartered Accountants, of 8 Baker Street, London W1M 1DA and the Kings Mill Partnership, Chartered Accountants, have reported jointly upon the statutory accounts of the Company for the financial year ended 31st March, 1996, within the meaning of Section 235 of the Act. Each such report was unqualified within the meaning of Section 262(1) of the Act and did not contain a statement under Sections 237(2) or (3) of the Act. Statutory accounts of the Company for each of such financial years have been delivered to the Registrar of Companies in England and Wales pursuant to Section 242 of the Act.
- 8.9 Definitive share certificates relating to the Company's Ordinary Shares are expected to be despatched to shareholders on 1st July, 1996.
- 8.10 In the Directors' opinion the minimum amount to be raised pursuant to the Placing for the purposes set out in paragraph 21(a) of Section 1 of the POS Regulations is £600,000 which will be applied as follows:
- | | |
|--|----------|
| (a) The purchase price of property | £Nil |
| (b) Commissions and expenses payable under the Placing | £170,000 |
| (c) Repayment of borrowings | £430,000 |
| (d) Working capital | £Nil |

There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the Placing or from the Company's existing resources.

9. AVAILABILITY OF DOCUMENTS

Copies of this document will be available free of charge to the public at the registered office of English Trust Company Limited, 12a Charterhouse Square, London EC1M 6AX during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days following the date of this document.

Dated 21st June, 1996.