

This document is important and requires your immediate attention, If you are in any doubt about the contents of this document or about what action you should take you should immediately seek your own personal advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

This document contains information given in connection with the proposed issue of up to 3,389,831 Ordinary Shares in the Company at 118p per share.

Application has been made for these securities to be admitted to trading on the Alternative Investment Market of the London Stock Exchange. It is expected that admission will become effective and that the securities will commence trading on AIM on 14 June 1996. It is emphasised that no application is being made for admission of these securities to the Official List of the London Stock Exchange.

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

Notwithstanding that this document is an admission document drawn up in accordance with paragraphs 16.10 and 16.11 of the Rules of the London Stock Exchange (as amended), this document does not constitute a prospectus and has not been registered with the Registrar of Companies under Regulation 4(2) of the Public Offers of Securities Regulations 1995.

THEO FENNEL PLC

(Incorporated in England and Wales: Registered No. 1955534)

Placing of 3,601,696 Ordinary Shares at 118p per share

**Admission to trading on the
ALTERNATIVE INVESTMENT MARKET**

**Nominated Adviser and Nominated Broker to the Company:
HENDERSON CROSTHWAITE INSTITUTIONAL BROKERS LIMITED**

Share capital immediately following the Placing

Authorised Number	Amount		Issued and fully paid Number	Amount
30,000,000	£1,500,000	In Ordinary Shares of 5p each	16,177,831	£808,892

The Ordinary Shares now being placed will, following allotment, rank *pari passe* in all respects with the Ordinary Shares of the Company now in issue and will have the right to receive all dividends after the date of this document declared or paid on the Ordinary Shares of the Company.

To the best of the Directors' knowledge and belief (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 makes no omission likely to affect the import of such information. All the Directors, whose names, addresses and functions are as set out on page 4, accept responsibility accordingly.

Copies of this document will be available during normal business hours on any weekday (except Saturdays and public holidays) from the registered office of the Company and from the offices of Henderson Crosthwaite Institutional Brokers Limited, 32 St. Mary At Hill, London EC3P 3AJ for a period of 14 days from the date of admission to AIM.

The contents of this document have been prepared by and are the sole responsibility of the Directors of Theo Fennell PLC.

It should be noted that in connection with this document Henderson Crosthwaite Institutional Brokers Limited is acting as nominated adviser and nominated broker to the Company and no one else in connection with the admission of Theo Fennell PLC to trading on AIM and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Henderson Crosthwaite Institutional Brokers Limited or for providing advice in relation to the admission of Theo Fennell PLC to trading on AIM and the Placing.

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Definitions

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

"the Act"	the Companies Act 1985 (as amended from time to time)
"Admission"	the admission of the Ordinary Shares (including the Placing Shares) to AIM becoming effective
"AIM"	the Alternative Investment Market of the London Stock Exchange
"the Board" or "the Directors"	the directors of the Company as detailed on page 4 of this document
"the Company" or "Theo Fennell"	Theo Fennell PLC
"HCIB"	Henderson Crosthwaite Institutional Brokers Limited
the London Stock Exchange"	London Stock Exchange Limited
"Ordinary Shares"	ordinary shares of 5p each in the capital of the Company
"Placing"	the placing by HCIB of 3,601,696 Ordinary Shares as described in this document
"Placing Agreement"	the agreement dated 10 June 1996 and made between HCIB, the Company and the Directors, as described in paragraph 8 of Part 3 of this document
"Placing Price"	118p per Ordinary Share
"the Placing Shares"	the 3,389,831 new Ordinary Shares being issued and the 211,865 existing Ordinary Shares being sold pursuant to the Placing

Directors and Advisers

Directors	F.R. Northcott, F.C.A. (Chairman) A.T Fennell (Joint Managing Director) D.N. Winton (Joint Managing Director) C.E.P. Carter (Non-Executive Director) Viscount Cowdray (Non-Executive Director) all of 177 Fulham Road, London, SW3 6JW
Company Secretary	R. Thornhill, A.C.A.
Registered Office	177 Fulham Road London SW3 6JW
Nominated Adviser and Nominated Broker	Henderson Crosthwaite Institutional Brokers Limited 32 St. Mary At Hill London EC3P 3AJ
Bankers	Clydesdale Bank PLC 30 Lombard Street London EC3V 9BB
Registered Auditors and Reporting Accountants	Grant Thornton Grant Thornton House Melton Street Euston Square London NW1 2EP
Solicitors to the Company	Osborne Clarke 6-9 Middle Street London EC1A 7JA
Solicitors to the Issue	Freshfields 65 Fleet Street London EC4Y 1HS
Property Advisers	Weatherall Green and Smith 22 Chancery Lane London WC2A 1CT
Registrar	Connaught St. Michaels Limited P.O. Box 30 Victoria Street Luton Bedfordshire LU1 2PZ

Key Information

This information is derived from, and should be read in conjunction with, the full text of this document.

The Business

The business of Theo Fennell is the design, manufacture and retailing of luxury jewellery and "objets", based upon the reputation of Mr Theo Fennell as one of the United Kingdom's leading designers in this field. The business trades from premises in London's Fulham Road and from its concessions in Harrods.

Key Aspects

- The Company's strategic objective is to become an international luxury goods retailer, competing with businesses such as Bulgari and Cartier, by capitalising upon the development and increasing awareness of the Theo Fennell brand.
- It is intended that in November 1996, the business will move to 10,000 sq ft of new purpose built premises in the Fulham Road, comprising increased retail space, design studios and workshops, as well as offices.
- The Directors propose to build upon the anticipated success of the new store and of the new branded products to form strategic alliances with one or more business partners with experience of retailing overseas, especially in the Far East.
- Mr Fennell's distinctive designs have allowed the Company to develop an international clientele.
- The Company has enjoyed rapid recent sales growth, from £2.4 million in the year ended 31 January 1992 to £8.1 million in the fourteen months ended 31 March 1996.

Trading Record

The following is a summary of the Company's trading record, and is extracted from the Accountants' Report in Part 2 of this document:

	Year ended 31 January 1994 £	Year ended 31 January 1995 £	14 months ended 31 March 1996 £
Turnover	3,948,443	5,675,433	8,099,798
Retained profit for the year/period	2 6 9 . 3 6 5	355,506	356,977
Earnings per Ordinary Share (pence) ⁽¹⁾	21	2.8	2.8

Placing Statistics

Price per Ordinary Share	118p
Number of Ordinary Shares in issue following the Placing	16 177.831
Market capitalisation at the Placing Price	£19.09 million
Total number of Ordinary Shares being placed — on behalf of the Company	3,389,831
— on behalf of Mr Fennell	211,865
Net proceeds of the Placing	£3.87 million
Net proceeds of the Placing to the Company	£3.62 million
Percentage of ordinary share capital being placed	22.26 per cent.

(1) Your attention is drawn to note 4 in the Accountants' Report in Part 2 of this document.

PART 1

The Business

1. INTRODUCTION

The Directors believe that the name "Theo Fennell" has the potential to become recognised as an international brand, based upon the growing reputation of Mr Theo Fennell as one of the United Kingdom's leading designers of luxury jewellery and "objets".

Theo Fennell PLC currently trades out of premises in the Fulham Road, Chelsea, and from its concessions in Harrods. Sales in the last financial period exceeded £8 million, a strong performance relative to other UK luxury jewellery retailers.

In November 1996, it is intended that the business will move to new, purpose built retail premises at 169 Fulham Road, which are currently being developed to the Company's specification. The building is approximately 10,000 square feet, comprising increased retail space, design studios and workshops, as well as offices.

The opening of the new building will create an opportunity for the Company to launch the latest ranges of Theo Fennell jewellery and to introduce watches and other luxury accessories, including handbags and leather belts.

The public flotation, the opening of the new store and the launch of the new product ranges, especially watches, should result in the Company receiving substantially increased public awareness. The Directors envisage that this publicity will act as a catalyst in developing the brand, and will pave the way for the Company to secure, in due course, one or more joint venture partners to expand the business overseas, especially in the Far East.

2. HISTORY AND BACKGROUND

Mr Fennell started designing silver and jewellery some 20 years ago after leaving art school. Originally he worked from a studio and workshop in Hatton Garden, creating one-off pieces for private clients. The demand was such that, in 1982, he opened a small gallery in London's Fulham Road. His distinctive style has helped to build a strong customer base and a wide brand recognition.

In 1985, Richard Northcott became Chairman of the Board, and at this time the present business was structured and financed. In 1989, the Company doubled the size of its shop, adding 175 Fulham Road to 177 Fulham Road. These together form the present retail area.

In 1989, the Company was invited to open a concession in the Fine Jewellery Room at Harrods, trading as Theo Fennell and in 1992, additional space there was added. Also in 1992, the Company raised further equity capital from existing shareholders, to finance the Company's growing working capital requirements.

In January 1995, the Company took over the luxury watch counter in Harrods, selling such brands as Vacheron Constantin and Breguet. This experience has provided a valuable insight into the watch business, which the Company intends to develop. Later in 1995, the Company added Piaget to its concessions in Harrods.

In October 1995, the Company acquired the site at 169 Fulham Road, which is scheduled to open in November 1996.

3. BUSINESS AND MERCHANDISE

Design Studio and Workshops

The new headquarters will allow the Company to have the creative hub of the business in one building. Mr Fennell is expanding his design team with young talent and training them to his vision. The workshops already have some of the United Kingdom's finest jewellers and silversmiths, who make only his designs. The entire creative process, from concept through to retail, will then take place under one roof. The new premises will more than double the amount of retail space available to the Company, and considerably improve the design and manufacturing facilities available. The total cost of the new premises, inclusive of fitting out costs, will be approximately C4 million.

Jewellery

Mr Fennell personally designs the vast majority of the pieces, which are generally stone-set in 18 carat gold or platinum. Currently, jewellery comprises the majority of Theo Fennell brand sales, of which retail represents approximately 75 per cent. and private commissions the balance. Although the business has an expanding portfolio of private clients, the popularity of the branded collections is making the jewellery accessible to an increasingly wide audience.

From the creation of exclusive one-off pieces, a distinct look has evolved and the Company will be developing this concept into further Theo Fennell collections.

Additionally, it is intended that the Chelsea range, presently sold only in Harrods, will be further developed. Much of this range is externally sourced, but with increasing Theo Fennell design input.

Silver

Theo Fennell has made many important commissions for private clients and, in the opinion of the Directors, is a market leader in this field. From this service, the Company has developed an instantly recognisable range of silverware and "objets" for private, corporate and trophy use. The Company intends to expand the marketing of these ranges through its Corporate Department.

Watches

The lessons learned from Silver and Jewellery design, and from running the luxury watch counter at Harrods, have given the Company the confidence to develop its own watches. The "own-brand" designs are currently being developed for launch in November 1996, to coincide with the opening of the new store. The watches will be an extension of the commitment to fine design and craftsmanship upheld by the Company and should be seen as a natural progression of the business. The Company will continue to sell a wide range of third party luxury watch brands in Harrods and at the new Theo Fennell store.

Accessories

Theo Fennell also intends to develop the branding into jewellery-based accessories, such as luxury handbags and belts. This is seen as a logical extension of the business.

4. THE MARKET AND COMPETITION

The United Kingdom is one of the world's most important luxury jewellery markets, reflecting a strong national jewellery heritage and the popularity of London for many wealthy overseas buyers.

The last twenty years have seen a shift in London's exclusive jewellery market, from local retailers to the dominance of international brands such as Cartier and Bulgari.

This change in the character of the London market is mirrored elsewhere in the world and reflects the emergence of a more fashion-conscious consumer and the enormous growth of international brands through the 1980's. The driving force behind this expansion was threefold.

First, strong consumer spending supported a series of store openings and helped build brand awareness. Secondly, the rapid development of the Japanese and other Far East economies opened up huge new potential; and thirdly, manufacturers expanded their ranges of branded goods from jewellery into watches, handbags and other accessories.

The recession, at the end of the 1980's, brought this growth to a halt, but the underlying demand for luxury goods has remained strong and has continued to grow in Asia.

The industry is entering a new phase and the Directors believe that opportunities now exist for younger brands such as Theo Fennell. Although other UK designers and retailers have also developed London-based luxury jewellery businesses, the Directors believe that, in the case of Theo Fennell, the combination of its design reputation and distinctive identity will permit the Company to enter a virtuous circle of increased brand awareness and strong sales growth.

5. STRATEGY

The Company's strategic objective is to become an international luxury goods retailer, competing with Bulgari, Cartier and others. Theo Fennell already has an international client base supported by a distinctive, design-led jewellery range.

Theo Fennell is set to launch its own brand of luxury watches, for which there is considerable interest from existing clients. This new range of watches will form a major part of the Theo Fennell branding process. By way of comparison, watches represent in the region of 40 per cent. of Bulgari and Cartier sales.

The public flotation, the opening of the new store and the launch of the new products will increase the international awareness of Theo Fennell, helped by the high profile of a number of customers and by substantially increased marketing expenditure.

The Directors believe that Theo Fennell has an advantage over many of its competitors in that, like certain top names in the fashion business, Mr Fennell is a living designer constantly producing new and original designs.

The Directors propose to build on the anticipated success of the new store and the new ranges of branded products to form strategic alliances with one or more substantial partners with experience of retailing overseas, especially in the Far East, where many of the luxury goods retailers do so well.

Nearly all of the leading luxury goods retailers have an infrastructure set up for trading around the world and are likely to be looking for additional brands to help set off that cost. It follows that some sort of arrangement with Theo Fennell is likely to prove beneficial to both parties. The luxury goods retailers referred to above include Alfred Dunhill, Bulgari, Cartier, Chanel, Gucci, Hermes, LVMH and Tiffany.

6. TRADING RECORD

The results of Theo Fennell for the two years and fourteen months ended 31 March 1996, as extracted from the Accountants' Report in Part 2 of this document, are summarised below:

	Year ended 31 January		14 months ended 31 March
	1994	1995	1996
	£	£	£
Turnover	3,948,443	5,675,433	8,099,798
Cost of sales	(3,187,370)	(4,714,427)	(7,060,026)
Gross profit	761,073	961,006	1,039,772
Administrative expenses	(361,607)	(365,092)	(443,217)
Operating profit	399,466	595,914	596,555
Interest payable and similar charges	(59,553)	(63,408)	(100,578)
Profit on ordinary activities before taxation	339,913	532,506	495,977
Tax on profit on ordinary activities	(70,548)	(177,000)	(139,000)
Retained profit for the year/period	269,365	355,506	356,977
Earnings per Ordinary Share (pence)	2.1	2.8	2.8

Turnover grew strongly during the periods under review. This was due primarily to increasing sales of watches, together with a growing awareness of the Theo Fennell brand.

7. MANAGEMENT INFORMATION AND CONTROL SYSTEMS

The key management reports used to monitor the financial performance of the business are:

- (a) monthly management accounts. These consist of a detailed profit and loss account for the month and the year to date with comparisons against budget and the prior year, together with a balance sheet and other analysis as required;
- (b) weekly sales and gross margin reports by location;
- (c) daily sales reports by location.

These are supplemented by detailed quarterly sales and gross margin reports by individual product category, although this information can be obtained at other times when required.

The Company is currently introducing a new computer system that will fully integrate the ledgers and enable improved sales and gross margin data to be produced, together with more detailed profit and loss accounts by location.

8. MANAGEMENT AND EMPLOYEES

The Directors of the Company are as follows:

Richard Northcott, age 49, is Chairman of the Company. He is not engaged full-time on Theo Fennell's affairs and has other business interests, including the Chairmanship of Pet City Holdings PLC. He is, however, involved in all key decisions at Theo Fennell, and is particularly involved in financing and strategy matters.

Theo Fennell, age 44, is joint Managing Director and personally oversees all Theo Fennell products. He is also responsible for sales to many of the Company's key clients, often designing jewellery specifically for them.

Nicholas Winton, age 39, is joint Managing Director. He has responsibility for all day to day aspects of the business, with the objective of leaving Mr Fennell free to concentrate on design, marketing and sales. Mr Winton joined the Company in February 1996, and was previously the Deputy Managing Director at Garrard, the Crown Jewellers.

Viscount Cowdray, age 51, is a non-executive director, having joined the Board in April 1996. Viscount Cowdray is a director of a number of private family companies, and is actively involved in the stewardship of the Cowdray family business interests.

Charles Carter, age 48, is a non-executive director, having joined the Board in February 1993. He is presently a non-executive director of Johnson & Higgins Holdings Limited (a substantial privately-owned firm of insurance brokers), and non-executive Chairman of PKM Limited (a privately-owned leisure company).

Senior employees include Russell Thornhill, a chartered accountant, who joined the Company in August 1995 as Financial Controller and Company Secretary, and Lord Bruce Dundas, who is responsible for sales and marketing activities.

In total, the Company employs approximately 50 persons. These are spread across sales and marketing, administration and finance, and design and workshop functions.

For the purpose of ensuring that the Company has sufficient scope to provide share incentives to employees, an unapproved executive share option scheme was established in May 1996, to run in parallel with the Company's existing Inland Revenue approved option scheme. Further details of these schemes are set out in paragraph 4 of Part 3 of this document.

Corporate Governance

The Board holds meetings regularly throughout the year and is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and senior personnel appointments.

An Audit Committee has been established, which consists of Richard Northcott and Charles Carter and is chaired by Richard Northcott. It will meet at least twice each year and be responsible for ensuring that the financial performance of the Company is properly reported on and monitored. It will also be responsible for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems.

A Remuneration Committee has been established, which consists of Richard Northcott and Charles Carter and is chaired by Richard Northcott. It will meet to review the performance of

executive Directors and to set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. The Remuneration Committee will also approve the grant of share options to employees.

9. THE PLACING

Reasons for the Placing

The Directors believe that the further development of the Theo Fennell business will be enhanced by a public flotation of the Company. The proceeds of the Placing will provide additional working capital for the Company and will help fund the expansion of its product line.

Admission to AIM will raise the profile of the Company, both in financial and commercial contexts. This will enable the Directors to maintain the development of the Theo Fennell brand, and in turn to attract suitable joint venture partners.

Details of the Placing

The Placing of 3,601,696 Ordinary Shares consists of the issue by the Company of 3,389,831 new Ordinary Shares, and the sale by Mr Fennell of 211,865 Ordinary Shares. The Placing will raise a gross sum of £4.25 million at the Placing Price, (£3.87 million, net of expenses) of which £3.62 million will be receivable by the Company.

Following the Placing, there will be 16,177,831 Ordinary Shares in issue, and the market capitalisation of the Company at the Placing Price will be £19.09 million.

The Directors, whose shareholdings will represent 68.59 per cent. of the enlarged issued share capital on Admission, have undertaken not to dispose of any Ordinary Shares without the prior written consent of HCIB for the period of one year following the Placing. The Placing has not been underwritten or guaranteed. Further details of the Placing are set out in paragraph 8 of Part 3 of this document.

10. BANKING

The Company has a £1.0 million overdraft facility and a £4.0 million development loan facility. The development loan facility is being used to fund the development of the new premises at 169 Fulham Road. The Directors intend that following the completion of the new premises, the Company will enter into a sale and leaseback arrangement.

11. CURRENT TRADING

Like for like sales in the first four months of calendar 1996 were 50 per cent. ahead of the same period in the previous year. Additionally, the Directors are particularly pleased with the level of interest already being shown in the launch of the new range of Theo Fennell watches, and are confident that the encouraging trend in the Company's sales growth will continue.

12. DIVIDEND POLICY

The Directors anticipate paying an annual dividend, subject to the working capital requirements of the business. The Directors do not presently anticipate declaring a dividend in respect of the year ending 31 March 1997.

PART 2

Accountants' Report

The Directors
Theo Fennell PLC
177 Fulham Road
London SW3 6JW

Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

and

The Directors
Henderson Crosthwaite Institutional Brokers Limited
32 St Mary at Hill
London EC3P 3AJ

11 June 1996

Dear Sirs

1. Introduction

We have examined the audited financial statements of Theo Fennell PLC ("the Company") for the two years and fourteen months ended 31 March 1996.

The Company was incorporated on 7 November 1985 as Housetree Limited. Its name was changed to Theo Fennell Limited on 18 December 1985. The Company was re-registered as a public limited company under the name Theo Fennell PLC on 28 May 1996.

The business of the Company throughout the period covered by this report has been the design, manufacture and retailing of fine jewellery.

We have audited the financial statements of the Company for the two years and fourteen months ended 31 March 1996, upon which we have given unqualified audit opinions. The financial information set out in this report is based upon the audited financial statements and is after making such adjustments as we consider necessary.

Our work has been carried out in accordance with the UK Auditing Guideline, "Prospectuses and the Reporting Accountant".

In our opinion the financial information set out below gives, for the purposes of the document dated 11 June 1996, a true and fair view of the profit of the Company for the two years and fourteen months ended 31 March 1996 and of the state of affairs of the Company as at 31 January 1994, 31 January 1995 and 31 March 1996.

Audited financial statements have not been prepared for the Company in respect of any period since 31 March 1996.

We hereby consent to the inclusion of this report, for which we are responsible, in the document of the Company dated 11 June 1996.

Yours faithfully

GRANT THORNTON

2. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historic cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents the net amount, exclusive of discounts and Value Added Tax, invoiced during the year by the Company in respect of sales to third parties.

Depreciation

Depreciation has been provided on a straight line basis to write off the cost of fixed assets over their estimated useful lives, at the following rates:

Motor vehicles	25%
Fixtures and fittings	20%
Furniture and equipment	20%
Moulds	20%

Freehold land is not depreciated. Leasehold improvements are written off over the period of the lease.

Interest

Interest in respect of freehold buildings under construction is capitalised until practical completion.

Deferred taxation

No provision is made for deferred taxation, which arises because of timing differences between profits as computed for taxation purposes and profits as stated in the financial statements, except to the extent that such taxation is likely to be payable in the foreseeable future. Timing differences are due primarily to the excess of tax allowances on tangible fixed assets over the corresponding depreciation charged in the financial statements.

Finance leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Operating leases

Total payments are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of raw materials, cost is the purchase price, including transport and handling costs and less trade discounts, calculated on a first in first out basis. In the case of work in progress and finished goods, cost consists of direct materials, direct labour and attributable production and other [overheads. Net](#) realisable value is the estimated selling price, less trade discounts and all further costs to be incurred in marketing, selling and distribution.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates is dealt with in the profit and loss account.

Defined contribution pension scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the year.

3. Profit and loss account

For the two years and fourteen months ended 31 March 1996

		Year ended 31 January	14 months ended 31 March
	Note	1994	1995
			1996
			£
Turnover		3,948,443	5,675,433
Cost of sales		(3,187,370)	(4,714,427)
Gross profit		761,073	961,006
Administrative expenses		(361,607)	(365,092)
Operating profit		399,466	595,914
Interest payable and similar charges	1	(59,553)	(63,408)
Profit on ordinary activities before taxation	2	339,913	532,506
Tax on profit on ordinary activities	3	(70,548)	(177,000)
Retained profit for the year/period		269,365	355,506
Earnings per share	4	2.1 p	2.8p
Brought forward		49,080	318,445
Retained profit for the year/period		269,365	355,506
Carried forward		318,445	673,951

During the two years and fourteen months ended 31 March 1996 there were no recognised gains of losses other than the profit for the financial year / period.

None of the Company's activities was acquired or discontinued during the period under review.

Note: Earnings per share as stated above for the period ended 31 March 1996 are for a 14 month period compared with 12 month periods for the earnings per share for each of the two years ended 31 January 1995.

4 Balance sheets at 31 January 1994, 1995 and 31 March 1996					
Note		At 31 January 1994 £	1995 £	At 31 March 1996 £	
Fixed assets					
	Tangible assets	6	350,311	391,887	2,660,334
Current assets					
	Stocks	7	1,891,953	2,567,677	2,936,212
	Debtors	8	836,327	1,778,990	1,256,707
	Cash at bank and in hand		967	694	1.125
			2,729,247	4,347,361	4,194,044
	Creditors: amounts falling due within one year	9	(1,444,298)	(2,759,887)	(2,326,476)
	Net current assets		1,284,949	1,587,474	1,867,568
	Total assets less current liabilities		1,635,260	1,979,361	4,527,902
	Creditors: amounts falling due after more than one year	10	(254,428)	(243,023)	(2,434,587)
			1,380,832	1,736,338	2,093,315
Capital and reserves					
	Called up share capital	11	15,985	15,985	15,985
	Share premium account	12	1,046,402	1,046,402	1,046,402
	Profit and loss account		318,445	673,951	1,030,928
			1,380,832	1,736,338	2,093,315
	Equity shareholders' funds		864,980	1,720,486	2,093,315
	Non-equity shareholders' funds		515,852	15,852	
		13	1,380,832	1,736,338	2,093,315

5. Cash flow statements

For the two years and fourteen months ended 31 March 1996

	Note	Year ended 31 January		14 months ended 31 March
		1994 £	1995 £	1996 £
Net cash inflow / (outflow) from operating activities	16	98,913	(21,561)	342,741
Returns on investments and servicing of finance				
Interest paid		(56,326)	(65,608)	(165,660)
Net cash outflow from returns on investments and servicing of finance		(56,326)	(65,608)	(165,660)
Taxation				
Corporation tax paid		(12,214)	(41,923)	(251,103)
Investing activities				
Purchase of tangible fixed assets		(51,479)	(91,257)	(2,293,949)
Receipts from sales of tangible fixed assets		1,875	1,950	13,500
		(49,604)	(89,307)	(2,280,449)
Net cash outflow before financing		(19,231)	(218,399)	(2,354,471)
Financing				
Issue of share capital		75,000	452	--
Net drawdown/(repayment) of borrowing		(18,365)	(9,794)	2,188,633
Capital element of hire purchase agreements		(10,665)	(12,263)	(26,939)
Net cash inflow/(outflow) from financing		45,970	(21,605)	2,161,694
Increase/(decrease) in cash and cash equivalents	17	26,739	(240,004)	(192,777)
		<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

For the two years and fourteen months ended 31 March 1996

1. Net interest

	Year ended 31 January		14 months ended 31 March
	1994 £	1995 £	1996 £
On bank loans, overdrafts and other loans:			
- repayable within 5 years otherwise than by instalments	30,391	38,170	129,254
- repayable wholly or partly in more than 5 years	23,501	20,803	25,559
Other interest payable	5,862	4,435	10,847
Other interest receivable	(201)	-	-
	<u>59,553</u>	<u>63,408</u>	<u>165,660</u>
Less: capitalised as cost of building in the course of construction (see note 6)			(65,082)
	<u>59,553</u>	<u>63,408</u>	<u>100,578</u>

2. Profit on ordinary activities before taxation

This is stated after charging the following:

	Year ended 31 January		14 months ended 31 March
	1994 £	1995 £	1996 £
Depreciation	72,238	73,280	113,102
Auditors' remuneration - audit services	11,751	11,750	12,000
- other services	2,000	2,050	14,127
Operating lease rentals	107,845	96,096	158,419

3. Tax on profit on ordinary activities

The taxation charge is based on the profit for the year/period and represents:

	Year ended 31 January		14 months ended 31 March
	1994 £	1995 £	1996 £
UK Corporation tax at 33% (1995: 33%; 1994: 25.7%)	70,548	177,000	139,000

4. Earnings per share

The calculation of earnings per share is based upon the profit on ordinary activities after taxation of £356,977 (1995: £355,506; 1994: £269,365) and the weighted average number of shares of 12,788,000 for all periods. The weighted average number of shares takes account of the conversion of the deferred and preference shares (as detailed in note 11) and the comparatives have been restated accordingly. In addition, in order to present meaningful information for the purposes of the document to shareholders, the weighted average number of shares has been adjusted to take account of the division of the shares into 5p shares and the bonus issue of 39:1 approved on 22 May 1996.

5 Directors and employees

The aggregate payroll costs of directors and employees for the year/period were:

	Year ended 31 January		14 months ended
	1994	1995	31 March
	£	£	1996 £
Wages and salaries	741,144	850,589	1,145,692
Social security costs	79,870	86,503	121,203
Pension costs	18,956	24,910	31,268
	<u>839,970</u>	<u>962,002</u>	<u>1,298,163</u>

The average number of persons employed by the Company (including executive directors), during the year/period, was as follows:

	Year ended 31 January		14 months ended
	1994 Number	1995 Number	31 March 1996 Number
	Average number of employees (including executive directors)	29	36

Remuneration in respect of directors was as follows:

	Year ended 31 January		14 months ended
	1994	1995	31 March
	£	£	1996 £
Directors' fees		17,880	29,166
Management remuneration	160,556	- 150,136	134,879
Pension contributions	6,878	7,708	7,516
	<u>167,434</u>	<u>175,724</u>	<u>171,561</u>

The directors' emoluments (excluding pension contributions) were as follows:

	Year ended 31 January		14 months ended
	1994	1995	31 March
	£	£	1996 £
Chairman	Nil	17,880	29,166
Highest paid director	109,425	94,240	88,593
<i>Other directors</i>	Number	Number	Number
£0 to £5,000	3	2	2
£5,001 - £10,000			1
£35,001 - £40,000	-	-	1
£60,001 - 265,000	1	1	

6. Tangible fixed assets

	Freehold land and buildings £	Short leasehold £	Motor vehicles £	Fixtures, and equipment £	Moulds £	Total £
Cost						
At 1 February 1994	-	277,094	46,200	139,104	218,905	681,303
Additions	-	25,000	-	55,738	34,118	114,856
Disposals	-	-	(8,735)	-	-	(8,735)
At 31 January 1995	-	302,094	37,465	194,842	253,023	787,424
Additions	2,234,243	1,117	32,395	77,462	46,209	2,391,426
Disposals	-	-	(37,465)	-	(7,928)	(45,393)
At 31 March 1996	2,234,243	303,211	32,395	272,304	291,304	3,133,457
Depreciation						
At 1 February 1994	-	84,598	25,924	104,518	115,952	330,992
Charge for the year	-	19,751	6,661	14,273	32,595	73,280
Disposals	-	-	(8,735)	-	-	(8,735)
At 31 January 1995	-	104,349	23,850	118,791	148,547	395,537
Charge for the period	-	24,257	8,841	31,718	48,286	113,102
Disposals	-	-	(27,588)	-	(7,928)	(35,516)
At 31 March 1996	-	128,606	5,103	150,509	188,905	473,123
Net book value						
At 31 March 1996	2,234,243	174,605	27,292	121,795	102,399	2,660,334
At 31 January 1995	-	197,745	13,615	76,051	104,476	391,887
At 31 January 1994	-	192,496	20,276	34,586	102,953	350,311

Included within the above figures for motor vehicles and fixtures, fittings and equipment are assets under hire purchase agreements with a net book value at 31 March 1996 of £27,292 (1995: £13,615; 1994: £20,276) and £18,093 (1995: £23,599; 1994: £nil) respectively. The depreciation charged on these assets during the year/period amounts to £5,103 (1995: £6,661; 1994: £6,344) and £5,506 (1995: £nil; 1994: £nil) respectively.

Freehold land and buildings includes land of £1,756,737. The building is in the course of construction and the cost includes capitalised interest of £65,082.

7. Stocks

	At 31 January 1995 £	At 31 March 1996 £
Raw materials	326,349	361,427
Work in progress	191,006	153,253
Finished goods	2,050,322	2,421,532
	2,567,677	2,936,212

The Company held £4,074,170 of consignment stock as at 31 March 1996 (1995: £2,197,511) which is not recorded on the balance sheet. The principal terms of the consignment agreements, which can generally be terminated by either side, are such that the Company can return any or all of the stock to the relevant suppliers without financial and commercial penalties and the supplier can vary stock prices.

8. Debtors

	At 31 January 1995	At 31 March 1996
Trade debtors	1,691,601	1,027,300
Other debtors	37,797	93,604
Prepayments and accrued income	49,592	135,803
	<hr/>	<hr/>
	1,778,990	1,256,707

Included in other debtors is an amount of £26,292 (1995: £26,292) which is receivable after more than one year.

9. Creditors: Amounts falling due within one year

	At 31 January 1995	At 31 March 1996
Bank overdraft	451,862	645,070
Bank loans	42,762	42,865
Other loan	4,182	4,182
Trade creditors	1,472,918	1,280,343
Corporation tax	257,047	144,944
Social security and other taxes	286,856	30,112
Other creditors	78,268	11,296
Accruals and deferred income	150,843	150,093
Amounts due under hire purchase agreements	15,149	17,571
	<hr/>	<hr/>
	2,759,887	2,326,476

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the Company and by a legal charge over freehold and leasehold properties. The other loan is unsecured.

10. Creditors: Amounts falling due after more than one year

	At 31 January 1995	At 31 March 1996
Bank loans	224,609	2,417,670
Other loan	6,273	1,742
Amounts due under hire purchase agreements	12,141	15,175
	<hr/>	<hr/>
	243,023	2,434,587

The amounts due under hire purchase agreements and the other loan are all payable within five years.

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the Company and by a legal charge over freehold and leasehold properties. The other loan is unsecured.

	At 31 January	At 31 March
The bank loans are repayable as follows:		
	1995	1996
	42,865	42,865
Between one and two years		
Between two and five years	128,595	2,345,423
In five years or more	53,149	29,382
	<hr/>	<hr/>
	224,609	2,417,670

11. Share capital

	At 31 January	At 31 March
	1995	1996
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	17,015	25,499
Convertible Deferred shares of £1	5,285	1
Convertible Preference shares of £1	3,200	
	<hr/>	<hr/>
	25,500	25,500
	<hr/>	<hr/>
<i>Allotted and called up</i>		
Ordinary shares of £1 each	10,701	15,985
Convertible Deferred shares of £1	5,284	
	<hr/>	<hr/>
	15,985	15,985
	<hr/>	<hr/>

Non-equity shares

The convertible preference shares and convertible deferred shares are non-equity shares which do not rank for dividend. Holders of these shares have one vote for every £1 share held but only on a resolution for the winding-up of the Company or on a resolution affecting the rights attached to the shares.

Capital rights

On a return of capital on a winding-up, the assets are to be distributed firstly to the holders of convertible preference shares until they have received the amount paid up on such shares; secondly to the holders of ordinary shares until they have received the amount paid up on such shares; thirdly to the holders of convertible deferred shares until they have received the amount paid up on such shares; and fourthly the balance of any assets will be distributed to ordinary shareholders.

Conversion of convertible deferred shares and convertible preference shares

During the fourteen months ended 31 March 1996, the 5,284 convertible deferred shares of £1 were converted to ordinary shares of £1 each on a one for one basis at par. The conversion took place as the Company's annual profits and accumulated profits had reached the levels as specified in the Articles of Association to enable such conversions to take place and were duly certified by the Company's auditors.

During the year ended 31 January 1995, 3,200 £1 convertible preference shares were converted to £1 ordinary shares at par on a one for one basis. The conversion was exercised at the option of the holders of the convertible preference shares in accordance with the Articles of Association.

Sub-division of share capital and capitalisation issue

At an Extraordinary General Meeting on 22 May 1996 each of the issued and authorised Ordinary Shares of £1 each in the capital of the Company were sub-divided into 20 Ordinary Shares of 5p each. Subsequently £623,415 of the Company's share premium account was capitalised and 12,468,300 shares were issued, credited as fully paid, to the existing shareholders pro rata to their existing shareholdings.

12. Share premium account

	Share premium account £
At 31 January 1995 and 31 March 1996	1,046,402

13. Reconciliation of movements in shareholders' funds

	At 31 January 1995 £	At 31 March 1996 £
Profit for the financial year/period	1,380,832	1,736,338
Brought forward shareholders' funds		356,977
Carried forward shareholders' funds	1,736,338	2,093,315

15. Capital commitments and contingent liabilities

	At 31 January 1995 £	At 31 March 1996 £
<i>Capital commitments</i>		
Authorised and contracted		898,000
Authorised but not contracted		798,000

There were no contingent liabilities at 31 March 1996 or at 31 January 1995.

14. Leasing commitments

The Company had commitments to make annual payments under non-cancellable operating leases as set out below. The leases to which these payments relate expire as follows:

	At 31 January 1995 £	At 31 March 1996 £
<i>Land and buildings</i>		
After five years	134,250	136,250
<i>Other</i>		
Within one year	311	

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

	Year ended 31 January		14 months ended 31 March
	1994	1995	1996
	E	E	
Operating profit	399,466	595,914	596,555
Depreciation charges	72,238	73,280	113,102
Profit/(loss) on sale of tangible fixed assets	235	(1,950)	(3,623)
Increase in stocks	(357,563)	(675,724)	(368,535)
(Increase)/decrease in debtors	(100,831)	(943,115)	522,283
Increase/(decrease) in creditors	85,368	930,034	(517,041)
Net cash inflow/(outflow) from operating activities	98,913	(21,561)	342,741

17. Analysis of changes in cash and cash equivalents

during the year

	Year ended 31 January		14 months ended 31 March
	1994	1995	1996
	£	E	£
Brought forward	(237,903)	(211,164)	(451,168)
Net cash inflow/(outflow)	26,739	(240,004)	(192,777)
Carried forward	(211,164)	(451,168)	(643,945)

18. Analysis of cash and cash equivalents

	At 31 January		At 31 March	1994	Change in 1995	1996	
	1994	1995	1996				
1993 £	£	£	£	£	£	£	
Bank overdraft	(270,009)	(212,131)	(451,862)	(645,070)	57,878	(239,731)	(193,208)
Cash at bank and in hand	32,106	967	694	1,125	(31,139)	(273)	431
(237,903)	(211,164)	(451,168)	(643,945)	26,739	(240,004)	(192,777)	

19. Analysis of changes in financing during the year/period

	Share capital (including premium)	Other loan £	Bank loans £	Amounts due under hire purchase agreement
<i>At 31 January 1993</i>	912,387		305,985	
Net cash inflow from financing	50,000			
Shares issued for non-cash consideration	100,000			
Repayment of loans			(18,365)	
Inception of hire purchase agreements				26,619
Net cash outflow from repayment of capital element of hire purchase agreements				(10,665)
<i>At 31 January 1994</i>	1,062,387		287,620	15,954
Repayment of loans			(20,249)	—
Loans drawn down in the year		10,455	—	
Inception of hire purchase agreements				23,599
Net cash outflow from repayment of capital element of hire purchase agreements				(12,263)
<i>At 31 January 1995</i>	1,062,387	10,455	267,371	27,290
Repayment of loans		(4,531)	(23,663)	—
Loans drawn down in the year			2,216,827	—
Inception of hire purchase agreements				32,395
Net cash outflow from repayment of capital element of hire purchase agreements				(26,939)
<i>At 31 March 1996</i>	1,062,387	5,924	2,460,535	32,746

20. Pensions

The Company operates defined contribution pension schemes for the benefit of the employees and directors. The assets of the executive scheme are administered by trustees in a fund independent from the assets of the Company and a separate group personal pension scheme is operated for employees.

PART 3

Additional Information

1. Responsibility

(a) To the best of the Directors' knowledge, the information contained in this document 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 4 of this document, accept responsibility accordingly.

(b) Grant Thornton, whose address is set out on page 4 of this document, are responsible under Regulation 13 of the Public Offers of Securities Regulations 1995 ("the Regulations") for their report and their letter and references thereto in the form and context in which they are included in this document and accept responsibility accordingly.

2. The Company

(a) The Company is registered in England and Wales, having been incorporated on 7 November 1985 under the Companies Act 1985 with Company Registration Number 1955534 as Housetree Limited, a private company limited by shares. The Company changed its name to Theo Fennell Limited on 18 December 1985. The Company was re-registered as a public limited company under the name Theo Fennell PLC on 28 May 1996. The Company has no subsidiaries.

(b) The liability of the members of the Company is limited.

3. The Company's share capital

(a) By a resolution dated 22 May 1996, the Directors were authorised to capitalise up to £650,000 standing to the credit of the Company's share premium account and to apply such amount in paying up in full at par 13,000,000 unissued Ordinary Shares ranking *pari passe* with the existing issued Ordinary Shares and to allot and distribute such shares, credited as fully paid, to and among the existing shareholders in the register of members of the Company immediately prior to the passing of this resolution pro rata to their existing shareholdings. Pursuant to this authority, the Directors issued 719,325 Ordinary Shares to existing shareholders on 22 May 1996 and have, conditional on Admission, resolved to issue a further 11,748,975 Ordinary Shares to existing shareholders.

(b) The authorised and issued share capital of the Company at Admission (and following completion of the Placing) will be as set out below:

Authorised	Issued and fully paid
£1,500,000 divided into 30,000,000 Ordinary Shares	£808,892 divided into 16,177,831 Ordinary Shares

(c) By a resolution dated 22 May 1996, the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to allot relevant securities (as defined in that section) up to a maximum nominal amount of £1,155,000 (subject to a limit, following the issue of new Ordinary Shares pursuant to the Placing, of one-third in nominal value of the ordinary share capital of the Company in issue immediately following Admission), such authority to expire on 31 December 1997 or at the conclusion of the Company's annual general meeting in 1997 whichever is the earlier and allowing the Directors during the period to make offers or arrangements which could or might require the allotment of relevant securities after the expiry of such period.

(d) By a resolution dated 22 May 1996, the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority referred to in sub-paragraph (c) above as if section 89(1) of the Act (which contains statutory pre-emption procedures in favour of existing shareholders which would otherwise apply in the case of new issues of shares for cash) did not apply in respect of:

- (i) new Ordinary Shares to be issued pursuant to the Placing;
- (ii) rights issues; and
- (iii) allotments of Ordinary Shares for cash otherwise than pursuant to sub-paragraphs (i) and (ii) above having a nominal value equal to five per cent. of the nominal value of the ordinary share capital of the Company in issue immediately following Admission.

Save in connection with the Placing, the Directors have no present intention of exercising this power.

4. Share option schemes

The following is a summary of the Rules of the Theo Fennell PLC Approved Employee Share Option Scheme ("the Approved Scheme"). The Approved Scheme was adopted by the Company on 14 December 1993, and was subsequently amended by a resolution of the Company dated 22 May 1996.

(i) Eligibility

All employees and full time directors of the Company, who are not within two years of their contractual retirement date, are eligible to participate at the discretion of the Remuneration Committee of the Board.

(ii) Grant of options

Following Admission, options may be granted in each year in a period of 42 days starting on the announcement of the Company's interim or final results. In circumstances deemed exceptional by the Remuneration Committee, options may be granted outside this normal period. Options may not be granted more than ten years after the date of adoption of the Scheme by the Company. No consideration is payable for the grant of an option. Options granted under the Approved Scheme are personal to a participant and, except on the death of a participant, may not be transferred.

When granting options the Remuneration Committee may specify objective performance targets which must be satisfied before those options may be exercised.

Exercise price

The price at which participants in the Approved Scheme may acquire Ordinary Shares shall not be less than the greater of the nominal value of an Ordinary Share and its market price on the date of grant. The market price is set at the value agreed with the Inland Revenue or, if the Company becomes fully listed, the average of the middle market quotations for an Ordinary Share on the London Stock Exchange on the three dealing days ending immediately prior to the date of the grant.

(iv) Individual limits

No option may be granted to a participant which would result in the aggregate exercise price of Ordinary Shares comprised in options granted to him under the Approved Scheme and any other equivalent approved share option scheme of the Company or any associated company exceeding £30,000 (as required under the provisions introduced by the Finance Act 1996). In addition, options may only be granted subject to a four times annual remuneration limit, which will take account of all options granted under the Approved Scheme or any other discretionary share option scheme. Any option which has already been exercised or has lapsed or been surrendered shall be ignored in calculating these limits.

(v) Exercise, lapse and exchange of options

Options may normally be exercised in whole or in part during the period between the third and tenth anniversaries of their grant provided any performance targets specified at the date of grant have been satisfied. Options may be satisfied by the issue of new Ordinary Shares or the transfer of existing Ordinary Shares.

Options normally lapse on cessation of employment. However, exercise is permitted for a limited period following cessation of employment for specified compassionate reasons. Exercise is also permitted at the discretion of the Remuneration Committee, and on an amalgamation, takeover or winding up of the Company. There are also provisions for the exchange of options in specified circumstances.

(vi) Limit on share capital

No option to subscribe for Ordinary Shares may be granted on any date if the number of Ordinary Shares comprised therein, when aggregated with the number of Ordinary Shares issued or remaining issuable under the Approved Scheme or under any other employee share option scheme in the period of 10 years ending on that date would exceed 10 per cent. of the issued share capital of the Company.

(vii) Adjustments

With the prior approval of the Inland Revenue the number and/or class of shares comprised in an option and/or the exercise price may be adjusted if any capitalisation issue, offer by way of rights or any sub-division, reduction or consolidation of the Company's share capital occurs.

(viii) Rights attaching to shares

All Ordinary Shares allotted under the Approved Scheme will rank *pari passu* with all other Ordinary Shares of the Company for the time being in issue, save as regards any rights arising by reference to a record date prior to the date of allotment. An application will be made for any such Ordinary Shares to be admitted to AIM (or the London Stock Exchange if the Ordinary Shares become fully listed).

(ix) Amendments

The Remuneration Committee may at any time amend the Approved Scheme, provided that the prior approval of the Company in general meeting is obtained for amendments which would make the terms of options more generous to participants. However, such prior approval will not be required in relation to any amendment which is made to obtain or maintain Inland Revenue approval or to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment of any participating company or any participant. No amendment shall have effect without the prior approval of the Inland Revenue.

As well as the Approved Scheme referred to above the Company has established the Theo Fennell PLC Unapproved Employee Share Option Scheme ("the Unapproved Scheme"). The Rules of the Unapproved Scheme conform substantially to those of the Approved Scheme. The following summary highlights only those provisions of the Unapproved Scheme which differ materially from the equivalent provisions of the Approved Scheme.

(i) Eligibility

Directors who are not full time are eligible to participate at the discretion of the Remuneration Committee.

(ii) Exercise price

Whilst the Company's Ordinary Shares are traded on AIM the market price at the date of grant shall be deemed to be the average of the middle market quotations for an Ordinary Share on AIM on the three consecutive dealing days ending immediately prior to the date of grant. This complies with the Inland Revenue's practice on valuing the shares of an AIM company.

(iii) Individual limits

There is no £30,000 limit under the Unapproved Scheme. As under the Approved Scheme, a four times annual remuneration limit on the value of outstanding options shall apply to participants, save in respect of F R Northcott and A T Fennell, for whom the level of future option grants will be determined by the Remuneration Committee.

(iv) Exercise, lapse and exchange of options

Options may normally be exercised in whole or in part during the period between the third and seventh (rather than tenth) anniversary of their grant. However, options granted to F R Northcott and A T Fennell shall be exercisable at any time up to the seventh anniversary of the date of their grant. In all other material respects the exercise provisions set out in the Unapproved Scheme equate to those in the Approved Scheme.

5. Directors' and other interests

(a) The interests of the Directors (including 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 by the Company under section 325 of the Act as at Admission will be as follows:

Directors	Number of issued Ordinary Shares	% of issued share capital after the Placing	Ordinary Shares under option
F R Northcott	4,452,000	27.5	300,000**
A T Fennell	2,908,135	18.0	445,000**
D N Winton			100,000**
Viscount Cowdray	3,224,000	19.9	-
C E P Carter	512,000*	3.2	-

*Held as nominee for a family trust under which Mr Carter is a beneficiary.

-25,423 of the options held by D N Winton were granted on 22 May 1996 at the Placing Price under the terms of the Approved Scheme. The remainder of the options referred to in the above table were granted on 22 May 1996 at the Placing Price under the terms of the Unapproved Scheme.

(b) Save as disclosed in paragraph 5(a) above, none of the Directors (or any person connected with them within the meaning of section 346 of the Act) has any interest in the share capital of the Company.

(c) Save as disclosed in paragraph 5(a) above none of the Directors is aware of any interest (within the meaning of Part VI of the Act), which as at Admission will represent 10 per cent. or more of the issued share capital of the Company or of any persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company. Save as disclosed in paragraph 5(a) above, the holding of Core Nominees Limited of 928,000 Ordinary Shares (5.7 per cent.) is the only interest of which the Directors are aware which will represent 3 per cent. or more of the issued share capital of the Company as at Admission.

(d) No Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms, or is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial year or which was effected during any earlier financial year and remains in any respect outstanding or unperformed.

(e) No loans or guarantees have been granted or provided to or for the benefit of any of the Directors by the Company.

(f) The table below sets out the details of the directorships other than that of the Company held during the five years immediately preceding the date of this document by each of the Directors. Where the directorship is marked with an asterisk the Director concerned is no longer at the date of this document a director of the relevant company.

Name	Directorships
Francis Richard Northcott	Nelson Gold Corporation Limited" Commonwealth & British Minerals Plc* Commonwealth & British Minerals Limited* Commonwealth & British Services Limited* NTF Entertainment, Inc* Nelson Entertainment Inc* Nelson Films, Inc* Nelson 1991, Inc* Nelson Vending Technology Limited* NVT Venture Company, Inc* Nelson Trade & Finance Limited* JPY Holdings Limited* Thornhill Investment Management Limited* Select Model Agency Limited* FRN Associates Limited Pet City Limited Pet City (ESOT Trustee) Limited Pet City Holdings PLC
Alister Theodore Fennell	None

Donald Nicholas Winton	Garrard & Co. Ltd* The Watch and Clock Service Company Limited*
Viscount Cowdray	Cowdray Trust Limited Dickinson Trust Limited Broadleas Gardens Limited Rathbone Trust Company Limited The Beckenham Group PLC*
Charles Edward Peers Carter	Johnson & Higgins Holdings Limited PKM Limited Johnson & Higgins Limited* Johnson & Higgins UK Limited CBC UK Limited* J & H Global Risk Management Limited* Carter Brito Limited Douglas Marcus Limited*

(g) None of the Directors has any unspent convictions nor has any of them been publicly criticised by any statutory or regulatory authority.

(h) A T Fennell was a director of Theo Fennell Design Limited, a company which went into creditors' voluntary liquidation in August 1985. Viscount Cowdray was a non-executive director of The Beckenham Group PLC which went into administrative receivership on 17 November 1994. He resigned his directorship on 30 May 1994.

(i) Save as disclosed in paragraph (h) above, none of the Directors has been a director at the time of or within the twelve months preceding such events of any company which has gone into receivership or liquidation. None of the Directors is or has been bankrupt.

(j) A T Fennell has a service agreement with the Company, dated 10 June 1996, pursuant to which he serves the Company as Joint Managing Director. The agreement is terminable by either party giving to the other not less than one year's prior written notice to expire on or after the third anniversary of that date, and entitles Mr Fennell to an annual salary of £90,000, private medical insurance for himself and his family, death-in-service benefit equivalent to four times salary and an annual pension contribution at the rate of 10 per cent. of his basic salary. His employment with the Company commenced on 21 November 1985.

(k) D N Winton has a service agreement with the Company, dated 10 June 1996, pursuant to which he serves the Company as Joint Managing Director. The agreement is terminable by either party giving to the other not less than 6 months' prior written notice to expire no earlier than 18 February 1997, and entitles Mr Winton to an annual salary of £70,000, the use of a company car, private medical insurance for himself and his family, death-in-service benefit equivalent to four times salary and an annual pension contribution at the rate of 14.2 per cent. of his basic salary. His employment with the Company commenced on 19 February 1996.

(l) F R Northcott has a service agreement with the Company, dated 10 June 1996, pursuant to which he serves the Company as Chairman. The agreement is terminable by either party giving to the other not less than one year's prior written notice and entitles Mr Northcott to an annual salary of £25,000, private medical insurance for himself and his family and an annual pension contribution at the rate of 10 per cent. of his basic salary. His employment with the Company commenced on 1 February 1996.

(m) There are no other existing or proposed service agreements between any of the Directors and the Company.

(n) A T Fennell's wife is employed by the Company and is involved with marketing and public relations. Her annual salary is £25,000 and the Company provides her with a company car.

(o) Each of Viscount Cowdray and C E P Carter has an agreement with the Company, dated 10 June 1996, pursuant to which he has agreed to serve the Company as a Non-Executive Director in consideration of an annual fee of £5,000. Each agreement is terminable by either party giving to the other not less than 3 months' prior written notice.

(p) The aggregate remuneration including salaries, fees, pension contributions, bonus payments and benefits in kind of the Directors of the Company during the financial period ended 31 March 1996 amounted to £171,561. It is estimated that the aggregate remuneration and benefits in kind to be granted to the Directors of the Company for the current financial year under the arrangements in force at the date of this document will not exceed £226,000.

6. Memorandum and Articles of Association

(a) Memorandum of Association

The Memorandum of Association of the Company provides that its principal object is "to carry on all or any of the businesses of jewellers, goldsmiths, silversmiths and watchmakers, manufacturers, designers, importers, exporters, repairers, merchants and dealers of jewellery of all kinds . . . The full objects of the Company are set out in Clause 4 of the Company's Memorandum of Association.

(b) Articles of Association

New Articles of Association ("the Articles") were adopted by the Company with effect from 28 May 1996, being the date of re-registration of the Company as a public company. The Articles contain, *inter alia*, provisions to the following effect:

(i) *Rights attaching to voting shares*

(A) Voting rights of members

Subject to the provisions of the Act and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present **in** person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share of which he is the holder.

(B) Dividends

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro-rata according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

(C) Return of capital

On a winding-up of the Company, the surplus assets available for distribution shall be divided among the members in proportion to the amounts paid up on their respective shares at the commencement of the winding-up, or with the sanction of an extraordinary resolution of the Company, be divided amongst the members in specie in such manner as shall be determined by the liquidator.

(ii) *Transfer of shares*

All transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares unless:

- (A) it is in respect of a share which is fully paid up;
- (B) it is in respect of a share on which the Company has no lien;

- (C) it is in respect of only one class of share;
- (D) it is in favour of a single transferee or not more than four joint transferees;
- (E) it is duly stamped (if required); and
- (F) it is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,

provided that such discretion may not be exercised in such a way as to prevent dealings from taking place on an open and proper basis.

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

The Ordinary Shares now in issue are and the new Ordinary Shares to be issued pursuant to the Placing will be in registered form. The Directors have the power to resolve that the title to the Ordinary Shares in issue or to be issued may be transferred and evidenced by means of a "relevant system" (as defined in the Uncertificated Securities Regulations 1995) such as the CREST System.

(iii) *Failure to disclose interests in shares*

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares ("the default shares") to give the Company the information thereby required within the prescribed period from the date of notice the following sanctions shall apply:

- (A) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll: and
- (B) where the default shares represent at least 0.25 per cent. in nominal value of their class:
 - (1) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and
 - (2) no transfer, other than an approved transfer as defined in the Articles pursuant to a takeover offer for the Company or a *bona fide* sale to an unconnected third party of any shares held by the member, shall be registered unless:
 - the member is not himself in default as regards supplying the information required; and
 - the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The above sanctions shall also apply to any shares in the Company issued in respect of the default shares (whether on capitalisation, a rights issue or otherwise).

(iv) *Changes in capital*

The Company may alter its share capital as follows:

- (A) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its Share capital into shares of larger amounts, cancel any shares which have not been taken or

agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;

- (B) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
- (C) subject to the provisions of the Act and with the sanction of an extraordinary resolution of the holders of each class of shares in issue convertible into shares of the Company, it may enter into any contract for the purchase of its own shares.

(v) Variation of rights

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.

(vi) Directors' remuneration

The aggregate fees which the Directors shall be entitled to receive for their services in the office of director shall not exceed £50,000 per annum, or such other sum as may from time to time be determined by ordinary resolution of the Company. Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

All the Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. If by arrangement with the Board any Director performs any special duties or services outside his ordinary duties as a director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may determine.

(vii) Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property, assets (present or future) and uncalled capital and, subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (exclusive of intra-group borrowings and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £25 million or an amount equal to 3 times the aggregate of:

- (A) the amount paid up (or credited as paid up) on the issued share capital of the Company;
- (B) the amount standing to the credit of the capital and revenue reserves of the Company and its subsidiaries (including any share premium account, capital redemption reserve fund and credit or debit balance on any other reserve) after adding thereto or deducting therefrom any credit or debit balance on the profit and loss account,

all as shown in the then latest published audited consolidated balance sheet of the Company and its subsidiaries but after adjustments as set out in the Articles.

7. Material contracts

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

- (a) The Placing Agreement referred to in paragraph 8 below.
- (b) A Facility Agreement, dated 20 May 1996, with Clydesdale Bank PLC, pursuant to which the Company has available to it overdraft facilities up to a maximum of £1 million and a development loan of up to £4 million which is repayable on demand until such time as the building works at 169 Fulham Road, London SW3 are completed when it will be transferred to a term loan to be repaid by capital and interest repayments over a 10 year period.

8. The Placing Agreement

By an agreement dated 11 June 1996 (the "Placing Agreement") made between (1) HCIB, (2) the Company, (3) the Directors and (4) A T Fennell ("the Vendor") HCIB has agreed, conditionally upon, *inter alia*, Admission taking place on or before 8.30 a.m. on 14 June 1996 (or such later time and/or date as HCIB may agree):

- (i) to use reasonable endeavours to procure subscribers for 3,389,831 new Ordinary shares proposed to be issued by the Company pursuant to the Placing (the "Subscription Shares"); and
- (ii) to use reasonable endeavours to procure purchasers for 211,865 existing Ordinary Shares proposed to be sold by the Vendor pursuant to the Placing (the "Sale Shares")

in each case at the Placing Price.

The Placing Agreement contains (i) certain representations, warranties and undertakings in favour of HCIB given by the Company and the Directors; (ii) certain indemnities relating to liabilities connected with the Placing given in favour of HCIB by the Company, the Vendor and Richard Northcott; (iii) certain warranties (but not indemnities) in respect of taxation in favour of the Company and HCIB given by the Vendor and Richard Northcott; and (iv) provisions which permit the Placing Agreement to be terminated by HCIB (a) prior to Admission in certain circumstances, including where HCIB becomes aware that any statement in this document is or has become untrue, incorrect or misleading, any of the representations and warranties in the Placing Agreement is inaccurate or any other party breaches the Placing Agreement in all cases in any respect which HCIB considers to be material in the context of the Placing or where there has been a breach of the Orderly Market Agreements referred to below or (b) where at any time prior to Admission there is a material adverse change in certain political, economic or other conditions which in the opinion of HCIB is material in the context of the Placing.

Under the Placing Agreement, the Company will pay to HCIB a commission of 2 per cent. on the amount equal to the Placing Price multiplied by the total number of Subscription Shares for which HCIB procures subscribers on its behalf and the Vendor will pay to HCIB a commission at the same rate on an amount equal to the Placing Price multiplied by the total number of Sale Shares for which HCIB procures purchasers on his behalf. In addition, HCIB will receive a fee of £100,000 from the Company in respect of its role as nominated adviser and broker in relation to the application for Admission.

The Vendor has agreed to pay all stamp duty and/or stamp duty reserve tax chargeable by reference to the sale by him of any Sale Shares pursuant to the Placing. The Company has agreed to pay all other costs, charges and expenses of, or incidental to, the Placing and the application for Admission and related arrangements (excluding expenses of the shareholders).

The Placing has not been underwritten or guaranteed but HCIB has conditionally procured places (comprising institutional clients of HCIB) pursuant to placing letters and the confirmations issued in response thereto who have undertaken to subscribe for all the Placing Shares.

Under the Placing Agreement HCIB has undertaken to provide services to the Company as nominated adviser and nominated broker in relation to the Company's continuing status as a company whose securities are traded on AIM and the Company and the Directors have given certain undertakings to

HCIB in relation to such appointments. The Placing Agreement provides for an annual fee payable to HCIB of £15,000 (exclusive of VAT), in consideration of HCIB's services as nominated adviser and nominated broker to the Company.

Although not a provision of the Placing Agreement, as part of the arrangements connected with the Placing, the existing shareholders of the Company (which include certain of the Directors) have entered into orderly market agreements (the "Orderly Market Agreements") with HCIB under which they have agreed with HCIB that, save in certain specified circumstances, they will not dispose of any Ordinary Shares they hold prior to the date that is one month following the publication of the audited accounts for the Company for the year ending 31 March 1997 without the consent of HCIB. In addition, those Directors who are shareholders in the Company have accepted a limited obligation to deal through HCIB in relation to disposals of Ordinary Shares for so long as HCIB is the nominated broker to the Company. The other Directors of the Company have agreed with HCIB in similar terms on becoming shareholders in the Company.

9. Working capital

In the opinion of the Company, having made due and careful enquiry, and taking into account existing bank facilities and the proceeds of the Placing, the working capital available to the Company is sufficient for its present requirements.

10. Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Company) which may have or are having a significant effect on the Company's financial position.

11. Overseas shareholders

The making of an offer to persons who are resident in, or citizens of, countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Any person outside the United Kingdom wishing to acquire Ordinary Shares must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining and observing any requisite formalities and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him unless, in the relevant territory, such an invitation or offer can lawfully be made to him without the contravention of any registration or other legal requirements.

12. Property

The Company presently owns or occupies the following properties:

<i>Location</i>	<i>Tenure</i>	<i>Expiry date</i>
169 Fulham Road, London SW3	Freehold	n/a
175 Fulham Road, London SW3	Leasehold	24 December 2003
177 Fulham Road, London SW3	Leasehold	25 December 2008
171 Fulham Road, London SW3	Leasehold	28 September 2009

13. Intellectual property

(a) The Company has registered the "Theo Fennell" name as a trade mark in:

- (i) the United Kingdom under registration number 1418501 in Class 14 for jewellery and imitation jewellery; watches and clocks; various articles made of precious metal or coated therewith;
- (ii) Japan under registration number 2483966 in Class 20 for furniture, indoor items, trophies, morticians or festival goods (also registered in Katakana script, registration number 2507403); and
- (ii) Japan under registration number 2525148 in Class 34 for smokers articles (also registered in Katakana script, registration number 2601010).

Applications are pending for registration as trade marks in:

- (i) the United Kingdom, of the "Theo Fennell" name under registration number 2021921 in Class 18 for wallets, handbags, articles of luggage and the like, and also of the "TF" stylised logo under registration number 2021878 in Class 14 for jewellery and imitation jewellery; watches and clocks; various articles made of precious metal or coated therewith; wallets, handbags, articles of luggage and the like;
- (ii) Switzerland, of the "TF" stylised logo under registration number 11947/1995 and of the "Theo Fenner name under registration number 11948/1995 in Classes 14 and 18 for jewellery and imitation jewellery; watches and clocks; various articles made of precious metals or coated therewith; wallets, handbags, articles of luggage and the like;
- (iii) USA, of the "TF" stylised logo under registration number 019884 and of the "Theo Fennell name under registration number 523110 in Class 14 for jewellery and imitation jewellery; watches and clocks; various articles made of precious metals or coated therewith; and various items in miniature replica; and
- (iv) the EU, of the "Theo Fennell" name under registration number 32193 and of the "TF" stylised logo under registration number 129072 in Classes 14, 18 and 25 for jewellery and imitation jewellery; watches and clocks; various articles made of precious metal or coated therewith; wallets, handbags, articles of luggage and the like, and ties, scarves and belts.

The Company has also registered the registered design to a combined pitch mark repairer and golf ball marker disc, registration number 2016692.

(b) The Company and A T Fennell have entered into an agreement, dated 18 September 1992, for the purposes of confirming the ownership by the Company of all rights in the name "Theo Fennell" in relation to the Company's existing business, regulating the Company's ability to use that name in the future both in connection with its existing business and with certain other business areas into which the Company proposes to expand its business, and confirming the circumstances in which the Company may grant licences to third parties, and to seek trade mark and service mark registrations anywhere in the world, in respect of goods manufactured and/or sold, or services provided, in the course of such businesses from time to time.

14. Taxation

(a) The Directors have been advised that the Company is a close company as defined by section 414 of the Income and Corporation Taxes Act 1988.

(b) Under current UK tax legislation the Company is not required to withhold tax at source from dividend payments, but, when paying a dividend, the Company has to remit to the Inland Revenue an amount of Advance Corporation Tax ("ACT"). The rate of ACT payable in respect of dividends currently equals one quarter of the dividend.

A UK resident individual shareholder who receives a dividend will be entitled to a tax credit which may be set off against his total income tax liability or, in appropriate cases, reclaimed in cash. The amount of the tax credit is equal to one quarter of the dividend. A UK resident individual will be liable to income tax upon the total of the dividend received and the tax credit. Unless the individual is subject to the higher rate of income tax (taking into account his other income and any other tax credits and allowances) he will be able to utilise the tax credit so that no further tax will be payable in this respect.

Shareholders who are liable to tax at the higher rate (currently 40 per cent.) will have a further liability to income tax of 20 per cent. of the aggregate of the dividend and the tax credit received.

A UK resident corporate shareholder will not normally be liable to UK corporation tax on any dividend received and the dividend and associated tax credit will represent franked investment income.

Whether shareholders in the Company resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on their shares depends, in general, upon the provisions of any double taxation convention or agreement which exists

between such countries and the UK. Persons who are not resident in the UK should consult their own professional adviser on the possible application of such provisions, the procedure for reclaiming payment and what relief or credit may be claimed in the jurisdiction in which they are registered for any tax credit.

(c) The issue and allotment of new Ordinary Shares by the Company pursuant to the Placing will not give rise to a charge to stamp duty or stamp duty reserve tax.

The sale of Ordinary Shares by the Vendor pursuant to the Placing will generally give rise to a charge to stamp duty or to stamp duty reserve tax at the rate of 50p per £100 (or part thereof) on the actual consideration paid. The Vendor has undertaken to bear the cost of any stamp duty or stamp duty reserve tax that may arise provided that placees are persons who are liable for stamp duty or stamp duty reserve tax at the rate of 50p per £100 (or part thereof). Each placee will be required to give a confirmation to this effect. Accordingly, such placees (other than persons liable to stamp duty or stamp duty reserve tax under sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services)) need take no action in relation to stamp duty or stamp duty reserve tax.

The conveyance or transfer on sale of Ordinary Shares following their allotment will be subject to stamp duty or stamp duty reserve tax, normally at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration.

The above comments are intended as a general guide to the position under current law and practice in the UK and may not apply to certain classes of shareholders. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK should consult his own professional adviser.

15. Minimum subscription

The minimum amount which in the opinion of the Directors must be raised by the Placing in order to provide the sums required to be provided pursuant to paragraph 21 of Schedule 1 of the Regulations is as follows:

(a)	the purchase price of property	£Nil;
(b)	commissions	£85,000;
(c)	repayment of borrowings	£Nil;
(d)	working capital	£3,915,000

16. General

(a) There has been no significant change in the financial or trading position of the Company since 31 March 1996, being the date to which the latest audited accounts of the Company were prepared.

(b) The costs and expenses of and incidental to the Placing payable by the Company are estimated to amount to £380,000 exclusive of VAT. These include the cost of application for Admission, accountancy fees, the Company's and HCIB's legal fees, the cost of printing and advertising the Placing, the fees and expenses of the Registrars, the fees and commissions payable to HCIB and a payment of £25,000 to FRN Associates Limited, a company controlled by F R Northcott, as consideration for services provided to the Company by FRN Associates Limited in connection with the Placing.

(c) This document does not constitute a prospectus under the Regulations and therefore a copy has not been delivered to the Registrar of Companies in England and Wales for registration.

(d) Grant Thornton have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report and letter and the references to such report and letter and to their name in the form and context in which they appear.

(e) The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts have been delivered to the Registrar of Companies for the periods ended 31 January 1994, 31 January 1995 and 31 March 1996. Auditors' reports in respect of each set of statutory accounts have been made under section 235 of the Act and

each such report was an unqualified report and did not contain any statement under section 237(2) or (3) of the Act.

(f) The offer effected by the Placing will open on the date of this document and may be closed as soon thereafter as the Directors, in consultation with HC1B, may determine.

(g) The Company has effected key man insurance cover on the life of A T Fennell in the sum of £2,000,000. It is proposed to increase the sum assured to £5,000,000 following Admission.

17. Documents for inspection

Copies of the following documents may be inspected at the offices of Osborne Clarke, 6-9 Middle Street, London, EC1A 7JA during usual business hours on any weekdays (Saturdays and public holidays excepted) for a period of 14 days following the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited accounts of the Company for the three financial periods ended 31 March 1996;
- (c) the Accountants' Report contained in Part 2, and the related statement of adjustments;
- (d) the rules of the Approved and Unapproved Share Option Schemes;
- (e) the service agreements with the Directors referred to in paragraphs 5(j) to (l) of this Part 3;
- (f) the material contracts referred to in paragraph 7 of this Part 3; and
- (g) the written consent referred to in paragraph 16(d) of this Part 3.

Dated 11 June 1996