

THIS DOCUMENT REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising upon investments in shares and other securities or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.

If you sold or otherwise transferred all of your registered holding of Ordinary Shares or Preference Shares in the Company before 12 January 2012 (the date upon which the Ordinary Shares were marked "ex" the entitlement to the Open Offer by the London Stock Exchange) please send this document, the Forms of Proxy and (if applicable) the Non-CREST Application Form at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom or by whom the sale or transfer was made, for delivery to the purchaser or transferee. This document, the Forms of Proxy and the Non-CREST Application Form should not, however, be forwarded or sent in, into or from a Restricted Jurisdiction or any other jurisdiction that may be restricted by law. If you sold or otherwise transferred only part of your registered holding of Ordinary Shares before the 'ex' date, please immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected and, in the case of Qualifying Non-CREST Shareholders, please refer to the instructions regarding split applications set out in the Non-CREST Application Form. If the Ordinary Shares which were sold or transferred were held in uncertificated form and were sold or transferred before the 'ex' date, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Entitlements to the purchaser or transferee.

This document comprises (i) a circular prepared in accordance with the Listing Rules, and (ii) a prospectus prepared in accordance with the Prospectus Rules. This document has been approved by the Financial Services Authority and has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Prospectus Rules.

Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities respectively. Subject to the Resolutions being passed and the approval of the Court, it is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 24 February 2012.

No application has been, or is currently intended to be, made for the New Ordinary Shares to be admitted to listing or dealt in on any other stock exchange. The Existing Ordinary Shares are listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

ASSOCIATED BRITISH ENGINEERING PLC

(registered in England and Wales under the Companies Act 2006 with registered number 00110663)

Open Offer of 350,247 New Ordinary Shares at £1.00 per New Ordinary Share

Reorganisation and Capital Reduction

Redemption of the 8% Redeemable Preference Shares

Cancellation of the 7% Preference Shares

Issue of New Ordinary Shares and Loan Notes

and

Notice of General Meeting and Notice of Class Meeting

Sponsor

**BEAUMONT
CORNISH
Limited**

Beaumont Cornish Limited

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 3 February 2012. The procedure for acceptance and payment is set out in Part II (*Terms and conditions of the Open Offer*) and, where relevant, in the Non-CREST Application Form.

Your attention is drawn to the discussion of risks and other factors which should be considered in connection with an application under the Open Offer or otherwise in connection with any investment in the New Ordinary Shares, set out in the section entitled "Risk Factors". Your attention is also drawn to the letter from the Chairman of Associated British Engineering plc set out in Part I of this document. NOTWITHSTANDING THIS, YOU SHOULD READ THE ENTIRE DOCUMENT AND ANY DOCUMENTS INCORPORATED BY REFERENCE.

The Open Offer comprises an offer by the Company of 350,247 New Ordinary Shares. The Open Offer Shares will represent approximately 17.1 per cent. of the issued ordinary share capital of the Company immediately following the completion of the Proposals described in this document. The New Ordinary Shares to be issued pursuant to the Open Offer will, following Admission, rank equally in all respects with the Ordinary Shares in issue at the date of this Prospectus and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the New Ordinary Shares after Admission.

Notice of a General Meeting of Associated British Engineering plc to be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG at 11.00 a.m. on 6 February 2012 is set out on pages 104 to 106 of this document. The Purple Form of Proxy for use at the meeting accompanies this document and, to be valid, should be completed and returned to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, so as to arrive by no later than 11.00 a.m. on 2 February 2012. Completion and return of the Purple Form of Proxy will not preclude Shareholders from attending and voting in person at the GM should they so wish.

Notice of a class meeting of the holders the 7% Preference Shares to be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on 6 February 2012 at whichever is the earlier of 11.30 a.m. and the end of the General Meeting is set out on page 107 of this document. The Blue Form of Proxy for use at the meeting accompanies this document and, to be valid, should be completed and returned to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible and, in any event, so as to arrive by no later than 11.30 a.m. on 2 February 2012. Completion and return of the Blue Form of Proxy will not preclude 7 per cent. Preference Shareholders from attending and voting in person at the Class Meeting should they so wish.

In considering whether to apply for New Ordinary Shares, you should rely only on the information in this document and any documents incorporated by reference. Recipients of this document acknowledge that (i) they have not relied on BCL or any person affiliated with either of them in connection with any investigation of the accuracy of any information contained in this document and any documents incorporated by reference or their investment decision; and (ii) they have relied only on the information contained in this document and any documents incorporated by reference, and that no person has been authorised to give any information or make any representations other than those contained in this document and any documents incorporated by reference and, if given or made, such information or representations must not be relied on as having been authorised by the Company or BCL. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this document nor any subscription of shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained in this document, including information incorporated by reference, is correct at any time subsequent to, the date of this document.

If the Company is required to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, Qualifying Shareholders will, pursuant to section 87Q of FSMA, have a statutory right to withdraw their acceptance to subscribe for Open Offer Shares pursuant to the Open Offer before the end of the period of two working days beginning with the first working day after the date on which the supplementary prospectus was published.

No person has been authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company.

BCL, which is authorised and regulated in the UK by the Financial Services Authority, is acting as sponsor to the Company and no one else in connection with the Proposals described in this document. BCL will not regard any person other than the Company (whether or not a recipient of this document) as its client in relation to the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of BCL or for providing advice in relation to the Proposals or any transaction or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on BCL by FSMA or the regulatory regime established thereunder, BCL accepts no responsibility whatsoever nor make any representation or warranty, express or implied, for or in respect of the contents of this document, including its accuracy, completeness or verification or regarding the legality of an investment in the New Ordinary Shares by a subscriber under the laws applicable to such subscriber or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, the New Ordinary Shares, the Open Offer, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. BCL accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise be found to have in respect of this document or any such statement.

The distribution of this document and/or the accompanying documents, and/or the transfer of Entitlements through CREST and/or Open Offer Shares into jurisdictions other than the UK (including Australia, Canada, Japan, New Zealand, South Africa and the United States) may be restricted by law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into any Restricted Jurisdiction. The attention of Overseas Shareholders and any person (including, without limitation, stockbrokers, banks or other agents) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to paragraph 6 of Part II (*Terms and conditions of the Open Offer*) of this Prospectus.

Subject to certain exceptions, neither this document nor the Non-CREST Application Form is or constitutes an invitation or offer of New Ordinary Shares to any person with a registered address, or who is resident or located, in any Restricted Jurisdiction. The New Ordinary Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares have not been and will not be registered under the relevant laws of any other Restricted Jurisdiction or any state, province or territory thereof and may not be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, within, into or from any other Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any other Restricted Jurisdiction except pursuant to an applicable exemption. There will be no public offer in any Restricted Jurisdiction.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this document or any Non-CREST Application Form, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 6 of Part II of this document (*Terms and conditions of the Open Offer*).

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SUMMARY

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this document and any document incorporated by reference. Any decision to invest in New Ordinary Shares or Loan Notes should be based on consideration of this document and any document incorporated by reference as a whole. Where a claim relating to the information contained in this document is brought before a court, a plaintiff investor might, under the national legislation of EEA States, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

1. Introduction

The Company announced today the following proposals:

- an underwritten open offer to raise £350,247, before expenses, such sum to be applied to the redemption in full and cancellation of the 8% Preference Shares, including the arrears of dividend;
- the cancellation of the 7% Preference Shares and a reduction of a portion of share premium account so as to permit the issue to the 7% Preference Shareholders of the Loan Notes in respect of their principal and the Settlement Shares in respect of their arrears of dividend;
- the sub-division of each Existing Ordinary Share of £2 into one New Ordinary Share of 2.5p and one Deferred Share of £1.975, in order to enable the Open Offer Shares to be issued at the price of £1 (which is below the current nominal value of the Existing Ordinary Shares of £2); and
- consequential amendments to the Articles of Association.

Accordingly, the Proposals are subject to Shareholder approval at the GM. In addition, the Capital Reduction is subject to the approval of 7% Preference Shareholders at the Class Meeting. Notices for the GM and Class Meeting are set out in Appendix 1 of this document. Because the Preference Shares are in arrears, holders of the Preference Shares are entitled to vote at the GM.

2. Background to and reasons for the Proposals

The Company is a small listed company with a market capitalisation of just £1.44 million as at 5 January 2012. In the opinion of the Board, the Company's trading subsidiary, BPE, has limited opportunities to expand its business. The Board is, therefore, of the opinion that the best interests of Shareholders would be promoted by making the Company more attractive for the acquisition of a trading business where the sellers would accept equity in the Company as payment for the sale of their business.

3. The Sub-Division

The Company is proposing to sub divide each Existing Ordinary Share of £2 into one New Ordinary Share of 2.5p and one Deferred Share of £1.975. The Sub-Division is being proposed because under the Companies Act, ABE cannot issue Existing Ordinary Shares for less than their nominal value. The Existing Ordinary Shares have traded at less than their nominal value for over five years meaning that ABE has been unable to issue new equity. The Sub-Division should solve this problem.

The rights attaching to each New Ordinary Share will be identical in all respects to those of each Existing Ordinary Shares except that each holder of a New Ordinary Share will be entitled to one

vote per share held, whereas each holder of an Existing Ordinary Share is currently entitled to one vote for each one penny of nominal value held.

4. The Capital Reduction

The Capital Reduction proposals envisage the cancellation of the 7% Preference Shares of which there are £555,000 of nominal value in issue. It is proposed that the resulting liability to the 7 per cent. Preference Shareholders will be settled by the issue of Loan Notes with an aggregate nominal value of £555,000. These notes will be unsecured, redeemable at any time by the Company at par and repayable within three years from their issue. It is, however, the Board's intention, if practicable, to redeem the Loan Notes before the third anniversary of their issue. The Loan Notes will have a six per cent. p.a. coupon, payable half yearly.

The Company will apply to cancel £462,379 of share premium account and will then issue 385,316 New Ordinary Shares (referred to in this document as Settlement Shares) at £1.20 per share to settle the arrears of dividend on the 7% Preference Shares.

Therefore, a holder of £1,000 nominal value 7% Preference Shares with accrued arrears of £833 will, on completion of the Proposals, receive £1,000 Loan Notes and 694 New Ordinary Shares in consideration of the cancellation of the 7% Preference Shares and the settlement of all arrears

As required by the Companies Act 2006, the Capital Reduction is subject to the approval of the Court. If the Proposals are approved at the GM, the Company will apply to the Court for a hearing at which the Court will be asked to confirm the Capital Reduction.

5. Reasons for the Open Offer and Use of Proceeds

The Open Offer is being made for the purpose of raising sufficient capital to enable the Company to redeem the 8 per cent. Preference Shares in full. The Open Offer will raise £350,247 before expenses, of which £157,395 will be applied to payment of the nominal value of the 8 per cent. Preference Shares and £149,865 to the payment of arrears of dividend. The balance of the proceeds will be applied towards meeting transaction costs.

6. Current Trading and Prospects

The result for the six month period to 30 September 2011 was a pre-tax loss of £186,000. This was primarily due to the one-off pension contribution of £250,000 during the period and to the lower turnover at British Polar Engines Limited, arising from a fall in orders over the summer months. Whilst this result was better than recently expected, it was hoped that there would be an improvement during the remainder of the year, it is important to note that, as in the past, trading has been extremely volatile and largely unpredictable due to rapid changes in demand from the offshore oil drilling market and world demand generally. The Board noted that it was continuing to keep central costs at a low level and maintains the quest to identify a suitable corporate transaction to take the Group forward.

Trading in the third quarter of the current financial year has been encouraging and the Directors therefore view the prospects for the current financial year with reasonable confidence.

7. Dividend Policy

The Company has not paid any dividends to its Shareholders since March 2000. Notwithstanding implementation of the Proposals, the Company will still have negative distributable reserves, albeit the deficit will be substantially reduced. The Company's ability to pay dividends in the future will depend on, among other things, the profitability of the Group Companies and the Directors' future assessment of whether or not it is appropriate to pay dividends

8. Principal Terms and Timing of the Open Offer

ABE intends to issue 350,247 New Ordinary Shares through the Open Offer at £1.00 per New Ordinary Share to raise gross proceeds of £350,247.

Qualifying Shareholders will have an Entitlement of:

4 Open Offer Shares for every 15 Existing Ordinary Shares registered in the name of the relevant Qualifying Shareholder on the Record Date.

The Open Offer is been fully underwritten by the Underwriters subject to certain conditions set out in the Underwriting Agreement.

The Open Offer is conditional upon the following:

- the passing of the Resolutions to be proposed at the GM;
- the Class Consent;
- the approval of the Capital Reduction by the Court;
- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 24 February 2012; and
- the Underwriting and Sponsorship Agreement becoming unconditional in all respects.

9. Related Party Transactions

The Underwriters include three of the Company's Directors (being Messrs. D. Brown, S. Cockburn and C. Weinberg), together with Rupert Pearce-Gould (who is a director of BPE and a shareholder) and his wife in their capacity as trustees of the HP Gould and Sons Pension Fund, who are each underwriting £75,000 collectively £300,000 out of the total underwriting of £350,000.

Mr. S. Cockburn, a Director, has beneficial interests of 55,314 7% Preference Shares (10.0% of that class) and 2,000 8% Preference Shares (1.3% of that class), and his children (who are considered "Associates" under the Listing Rules hold 15,914 7% Preference Shares (2.87% of that class) and 10,236 8% Preference Shares (6.51% of that class).

Accordingly, the Underwriting and Proposals are being treated as Related Party Transactions under the Listing Rules, due to the participation of Messrs. Brown, Weinberg and Cockburn, Directors and Mr. Rupert Pearce-Gould in the underwriting and Mr. Cockburn's interest as a holder of Preference Shares.

10. Admission, Dealings and Settlement

The Open Offer Shares will, when issued, rank in full for dividends and other distributions and otherwise equally in all respects with the New Ordinary Shares.

11. General Meeting and Class Meeting

The GM and Class Meeting have been convened for 6 February 2012 at which the Resolutions required in order to enable the Company to implement the Sub-Division, Capital Reduction and Open Offer and, accordingly, the Open Offer will be put to Shareholders.

12. Recommendation

The Board considers that the Proposals, including the Underwriting and the passing of the Resolutions and the Class Consent are fair and reasonable as far as the Shareholders and Preference Shareholders are concerned and has been so advised by BCL. The Board considers that the Proposals, are in the best interests of the Company and the Shareholders and Preference

Shareholders as a whole. In providing its advice, BCL has taken into account the Board's commercial assessments.

Messrs. Brown, Weinberg and Cockburn, who are interested in the Proposals and are Related Parties under the Listing Rules, have not taken part in the Board's consideration of the Proposals and have undertaken not to vote on the Resolutions and Class Consent, which implement the Proposals and to take all reasonable steps to ensure that their Associates as defined by the Listing Rules will not vote on the Resolutions and Class Consent, which implement the Proposals. In addition, Mr. Rupert Pearce-Gould is a Related Party under the Listing Rules but not a Director has undertaken not to vote on the Resolutions and Class Consent, which implement the Proposals and to take reasonable steps to ensure that his Associates as defined by the Listing Rules will also not vote on the Resolutions and Class Consent, which implement the Proposals.

Accordingly, the Board, unanimously recommends that you vote in favour of the Resolutions and Class Consent. The Board (with the exception of Messrs. Brown, Weinberg and Cockburn for the reasons stated above) has no beneficial holdings of Ordinary Shares or Preference Shares as at the date of this document.

13. Risk Factors

Operating business

Given that trading results over the last decade demonstrate both revenue and operating profit increasing and declining according to the cycle of the oil sector, a sharp decline in this sector in which BPE operates could result in the Group making a loss.

BPE also provides spare parts and repair services for engines used in the fishing industry. This industry could be subject to European legislation which might impose further fish quota cuts and so further decommissioning of fishing boats thus potentially reducing BPE's customer base.

Customer base

The business depends on the levels of capital investment and maintenance expenditures by BPE's customers, which in turn are affected by numerous factors, including the state of the global economy. Such factors can result in postponement of capital spending decisions by the customers or the delay or cancellation of existing orders, which can result in reduced demand for the Group's products and services, and may also erode average selling prices in the Group's industry.

Stock

BPE carries a large stock of components. In the event that the parts are superseded, redundant or that demand, for whatever reason, ceases, the value of the stock may have to be written down.

Suppliers

Suppliers and manufacturers of components and spare parts based both in continental Europe and overseas may be affected by fluctuation in commodity prices and exchange rates, which could mean that purchases from them by BPE would be at an increased price.

Employees

BPE's relationships with its customers are dependent on the performance of individual employees, specifically Mr. Stewart Davis, the managing director of BPE. If the Group is unable to retain or attract staff of a suitable calibre, this could lead to either the loss of existing business or the inability to generate new business.

Industrial disease claims

There is a risk that former employees (or others due to vicarious exposure) may make claims for asbestos related diseases, including those which may be related to asbestos exposure considerably in the past.

Pension Fund liability

The year to 31 March 2011 saw the actuarial deficit of the BPE section of the ABE Pension Fund reduce from the previous year, but the deficit is based on a valuation according to certain industry standards and norms which could be subject to change following the next actuarial valuation due as at 1 April 2013. The Group currently has the resources to fund the agreement with the Pension Fund Trustees on the elimination of the deficit, but in the event of any changes taking place as described above, the Group's ability to fund such deficit could be adversely affected.

Risks relating to the Proposals

Implementation of the Proposals is conditional upon, among other things, approval of the Court and the 7% Preference Shareholders. If such conditions are not satisfied, or, where applicable, waived, the Proposals will not be implemented and the benefits expected to result from the Proposals will not be achieved.

Risks relating to the New Ordinary Shares

Dilutive effect

If a Qualifying Shareholder does not subscribe for his Open Offer Entitlement, his proportionate interest in the Company will be diluted. A Qualifying Shareholder who does not take up his Open Offer Entitlement will, upon completion of the Proposals (including issue of the Settlement Shares) suffer a dilution of 35.9%.

Risks relating to the Group's future strategy which would be implemented if the Proposals are approved

Identifying suitable target acquisitions

The Company will be dependent upon the ability of the Directors to identify suitable acquisitions and to implement the Company's strategy

Market conditions

Market conditions may have a negative impact on the Company's ability to execute acquisitions which generate acceptable returns.

RISK FACTORS

Prospective investors should be aware that an investment in the New Ordinary Shares, Existing Ordinary Shares and Loan Notes involves a higher than normal degree of risk. Any investment in the New Ordinary Shares, Existing Ordinary Shares and Loan Notes is subject to a number of risks and uncertainties. Before making any investment decision, prospective investors should carefully consider the following material risk factors described in this 'Risk Factors' section in addition to the other information contained in this document. The risks and uncertainties described in this 'Risk Factors' section are a list of risks and uncertainties currently known to the Directors. Additional risks and uncertainties not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse material effect on the Group's business, financial condition and results of operations. If any of the risks described below actually occur, ABE may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline, and all or part of an investment in the Existing Ordinary Shares, New Ordinary Shares and Loan Notes could be lost.

Risks relating to the Group's existing business and the industry in which it operates

Operating business

Business activity in the sector in which BPE operates, being the manufacture and supply of diesel engines and spare parts for diesel engines together with associated repair work, has in recent years been buoyed by sales to the oil services business as a result of high demand in the oil services industry. However given that trading results over the last decade demonstrate both revenue and operating profit increasing and declining according to the cycle of the oil sector, a sharp decline in this sector could result in the Group making a loss.

BPE also provides spare parts and repair services for engines used in the fishing industry. This industry could be subject to European legislation which might impose further fish quota cuts and so further decommissioning of fishing boats thus potentially reducing BPE's customer base.

Customer base

The business depends on the levels of capital investment and maintenance expenditures by BPE's customers, which in turn are affected by numerous factors, including the state of the global economy. Such factors can result in postponement of capital spending decisions by the customers or the delay or cancellation of existing orders, which can result in reduced demand for the Group's products and services, and may also erode average selling prices in the Group's industry.

Stock

BPE carries a large stock of components suitable for the British Polar Engine, the Kelvin engine ("K engine") and for the Polar 'Nohab' Wartsila F engine ("F engine"). In addition, the Group carries spare parts for a variety of other engine types. In the event that the parts are superseded, redundant or that demand, for whatever reason, ceases, the value of the stock may have to be written down.

Suppliers

Suppliers and manufacturers of components and spare parts are based both in continental Europe and overseas. Accordingly, they may be affected by fluctuation in commodity prices and exchange rates, which could mean that purchases from them by BPE would be at an increased price. If this increase is passed onto customers, demand could reduce or orders could be cancelled. Alternatively, in the event that the increase is not passed on, there could be an affect on the Group's operating profits.

Employees

BPE's relationships with its customers are dependent on the performance of individual employees, specifically Mr. Stewart Davis, the managing director of BPE. If the Group is unable to retain or attract staff of a suitable calibre, this could lead to either the loss of existing business or the inability to generate new business.

Industrial disease claims

In line with other industrial businesses operating over the last 50 or so years, there is a risk that former employees (or others due to vicarious exposure) may make claims for asbestos related diseases, including those which may be related to asbestos exposure considerably in the past. It is impossible to quantify the possibility of such claims or the extent that any such claim can be effectively pursued against the Group although the Directors believe that all such possible claims will be covered by the Group's insurances, as they have been to date. There is currently ongoing litigation relating to an asbestos claim.

Pension Fund liability

The year to 31 March 2011 saw the actuarial deficit of the BPE section of the ABE Pension Fund reduce from the previous year, but the deficit is based on a valuation according to certain industry standards and norms which could be subject to change following the next actuarial valuation due as at 1 April 2013. The Directors work to ensure that all statutory obligations are met, however these obligations could also be subject to changes. The Group currently has the resources to fund the agreement with the Pension Fund Trustees on the elimination of the deficit, but in the event of any changes taking place as described above, the Group's ability to fund such deficit could be adversely affected.

General economic conditions

The financial markets in Europe and elsewhere have experienced great volatility and disruption since August 2007. Most major European countries, the United States and Japan have experienced and some are continuing to experience either severe recessions or negligible growth. These have had and may continue to have an adverse effect on consumer and business confidence and expenditure. The Group cannot predict how severe or prolonged these recessions will ultimately be, despite past and any future governmental intervention in the world's major economies. This could lead to lower levels of economic activity, which may in turn affect businesses across a wide variety of industries, including the specialist engineering sector in which the Group operates.

Risks relating to the Proposals

Implementation of the Proposals is conditional upon, among other things, approval of the Court and the 7% Preference Shareholders. There are risks that the conditions of the Proposals will not be satisfied on a timely basis or at all. If such conditions are not satisfied, or, where applicable, waived, the Proposals will not be implemented and the benefits expected to result from the Proposals will not be achieved.

If the Proposals are not implemented, the intended benefits of the Proposals, namely the Company's ability to grow by means of mergers or acquisitions may be inhibited by the Company's capital structure, including "expensive" preference shares and arrears of dividend. This is because the existing capital structure, which could be perceived as very expensive in dividend terms and over-complicated for a small company, could result in a low valuation of the Company's equity and/or could discourage a third party from entering into negotiations with the Company in the first instance.

Risks relating to the New Ordinary Shares

Dilutive effect

If a Qualifying Shareholder does not subscribe for his Open Offer Entitlement, his proportionate interest in the Company will be diluted. A Qualifying Shareholder who does not take up his Open Offer Entitlement will, upon completion of the Proposals (including issue of the Settlement Shares) suffer a dilution of 35.9%.

Dividends

Although the Directors intend to pay dividends to Shareholders in the future, there can be no assurance that the Company will declare and pay, or have the ability to declare and pay, any dividends on the New Ordinary Shares in the future.

Fluctuations in the price of New Ordinary Shares

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the New Ordinary Shares.

Holding company's ability to pay dividends depends on subsidiaries

The Company is a holding company and its ability to pay dividends depends primarily upon receipt of sufficient funds from its subsidiaries. The Company's subsidiaries may from time to time be subject to restrictions on their ability to make such payments to the Company as a result of regulatory, fiscal and other restrictions.

Risks relating to the Group's future strategy which would be implemented if the Proposals are approved

Identifying suitable target acquisitions

The Company will be dependent upon the ability of the Directors to identify suitable acquisitions and to implement the Company's strategy. As at the date hereof, the Directors have not identified any acquisition opportunities which they have resolved to pursue. There is no guarantee that the Company will be able to acquire an identified opportunity at an appropriate price, or at all, as a consequence of which resources might have been expended fruitlessly on investigative work and due diligence.

Market conditions

Market conditions may have a negative impact on the Company's ability to execute acquisitions which generate acceptable returns.

Costs associated with potential acquisitions

The Company expects to incur certain third party costs associated with the sourcing of suitable acquisitions. The Company can give no assurance as to the level of such costs, and given that there can be no guarantee that negotiations to acquire any given business will be successful, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Company's performance, financial condition and business prospects.

The risk factors listed above set out the material risks and uncertainties currently known to the Directors but do not necessarily comprise all of the risks to which the Company is exposed or all those associated with an investment in the Company. In particular, the Group's performance is likely to be affected by changes in market and/or economic conditions. There may be additional risks that the Directors do not currently consider to be material or of which they are currently unaware.

If any of the risks referred to above materialise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates set out in the timetable below and mentioned elsewhere in this document may be adjusted by the Company, in which event details of the new times and dates will be notified to the FSA, the London Stock Exchange and, where appropriate, Shareholders. All references to a time of day in this document are to London time. The date of Admission is expected to be 24 February 2012. The timing of Admission is dependent upon the passing of the Resolutions at the GM, the approval of the Class Meeting the approval of the Court (the date for the final Court hearing is provisional only) and the Underwriting and Sponsorship Agreement becoming unconditional. If there is a delay in the happening of any of these events the date of Admission may change.

Record Date for entitlement to participate in the Open Offer	9 January 2012
Announcement of the Proposals, publication and posting of the Prospectus, Forms of Proxy and Application Forms to qualifying non-CREST Shareholders	11 January 2012
Announcement of intentions to cancel the listing of the Preference Shares	11 January 2012
Ex-entitlement date for the Open Offer	12 January 2012
Entitlements credited to stock accounts in CREST	13 January 2012
Recommended latest date for requesting withdrawal of Entitlements from CREST	23 January 2012
Latest date for depositing Entitlements into CREST	23 January 2012
Latest date for splitting Non-CREST Application Forms (to satisfy <i>bona fide</i> market claims only)	1 February 2012
Latest time for receipt of Forms of Proxy for the General Meeting	11.00 a.m. on 2 February 2012
Latest time for receipt of Forms of Proxy for the Class Meeting	11.30 a.m. on 2 February 2012
Latest time for receipt of completed Non-CREST Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 3 February 2012
Suspension of trading in the Preference Shares	7.30 a.m. on 6 February 2012
General Meeting	11.00 a.m. on 6 February 2012
Class Meeting	whichever is the earlier of 11.30 a.m. on 6 February 2012 and the end of the General Meeting
Court directions hearing	13 February 2012
Final Court hearing	22 February 2012
Sub-Division record date	22 February 2012
Sub-Division effective date (and crediting of shares to CREST)	23 February 2012
Record date for cancellation of 7% Preference Shares and redemption of 8% Preference Shares	23 February 2012
Issue date of Loan Notes, Settlement Shares and payment date of 8% Preference Shares	24 February 2012
Admission of and commencement of dealings in New Ordinary Shares	24 February 2012
Entitlements in uncertificated form credited to accounts in CREST	24 February 2012
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form	1 March 2012

The date of Admission is expected to be 24 February 2012. The timing of Admission is dependent upon the passing of the Resolutions at the GM, the approval of the Class Meeting and the approval of the Court (the date for the final Court hearing is provisional only). If there is a delay in the happening of any of these events the date of Admission may change.

STATISTICS

Issue Price per New Ordinary Share	£1.00
Entitlement under the Open Offer	4 Open Offer Shares for every 15 Existing Ordinary Shares
Number of Ordinary Shares in issue at the date of this document	1,313,427
Number of Open Offer Shares	350,247
Number of Settlement Shares	385,316
Enlarged Issued Ordinary Share Capital immediately following the issue of the Open Offer Share and the Settlement Shares	2,048,990
Open Offer Shares as a percentage of the Enlarged Issued Share Capital	17.1%
Settlement Shares as a percentage of the Enlarged Issued Share Capital	18.8%
Market capitalisation at the Issue Price on completion of the Proposals	£2,048,990

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	David Anthony Howard Brown (<i>Non-Executive Chairman</i>) Stephen John Cockburn (<i>Non-Executive Director</i>) Colin Weinberg (<i>Non-Executive Director</i>) Andrew Richard Beaumont (<i>Non-Executive Director</i>)
Company Secretary and Registered Office	Haysmacintyre Company Secretaries Limited 15 Fulwood Place London WC1V 6AY
Sponsor	Beaumont Cornish Limited 2nd Floor Bowman House 29 Wilson Street London EC2M 2SJ
Legal advisers to the Company	Fladgate LLP 16 Great Queen Street London WC2B 5DG
Auditors	Grant Thornton UK LLP 3140 Rowan Place John Smith Drive Oxford OX4 2WB
Reporting Accountants	Baker Tilly Corporate Finance LLP 25 Farringdon Street London EC4A 4AB
Receiving Agent	Computershare Investor Services PLC Corporate Actions Projects Bristol BS99 6AH
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZY

IMPORTANT NOTICES

Financial Data

The financial information in this document has been prepared in accordance with IFRS, and therefore complies with Article 4 of the EU IAS Regulation (Regulation 1606/2002) and those parts of the Companies Act applicable to companies reporting under IFRS. The Group's financial statements are also consistent with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Certain figures contained in this document, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain circumstances, the sum of the numbers in a column or row in a table contained in this document may not conform exactly to the total figure given for that column or row. Shareholders should read the whole of this document and not rely solely on the summary financial information provided herein.

Forward looking statements

Some of the statements under "Summary", "Risk Factors", Part I (*Letter from the Chairman of ABE*), and Part V (*Business overview, operating and financial review and liquidity and capital resources*) and elsewhere in this document include forward-looking statements which reflect ABE's or, as appropriate, the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to ABE's products and services). These statements include forward-looking statements both with respect to ABE and the sector and industry in which ABE operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause ABE's actual results to differ materially from those indicated in these statements. Risks and uncertainties which are material and known to the Directors are listed in the section headed "Risk factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect ABE's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to ABE's business, results of operations, financial conditions and growth strategy. For the avoidance of doubt, nothing in this paragraph qualifies the working capital statement set out in paragraph 15 of Part VIII (*Additional Information*) of this document.

These forward-looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules and except as required by the FSA, the London Stock Exchange, the City Code or applicable law and regulations, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to ABE or individuals acting on behalf of ABE are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Notice to US Shareholders and Shareholders in Restricted Jurisdictions

The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document or the Non-CREST Application Form. Any representation to the contrary is a criminal offence in the US.

Subject to certain exceptions, this document does not constitute an offer of the New Ordinary Shares to any person with a registered address, or who is resident or located, in the US or any of the Restricted Jurisdictions. The New Ordinary Shares have not been and will not be registered under the relevant laws of any state, province or territory of the US or any of the Restricted Jurisdictions and may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within the US or any Restricted Jurisdiction except pursuant to an applicable exemption from registration requirements.

Each person to whom the New Ordinary Shares are distributed, offered or sold outside the US (other than US Persons) will be deemed by its subscription for, or purchase of the New Ordinary Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the New Ordinary Shares that:

- (a) it is not a US Person and it is acquiring the New Ordinary Shares from the Company in an “offshore transaction” as defined in Regulation S; and
- (b) the New Ordinary Shares have not been offered to it by the Company or BCL by means of any “directed selling efforts” as defined in Regulation S.

Any New Ordinary Shares sold during the Open Offer will be “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act.

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England. The rights of holders of Ordinary Shares are governed by English law and by the Company’s Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

Notice to EEA Shareholders

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “relevant member state”) (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “relevant implementation date”), no New Ordinary Shares have been offered or will be offered pursuant to the Open Offer to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares shall result in a requirement for the publication by the Company or BCL of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of the expression an “offer of any New Ordinary Shares to the public” in relation to any New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Open Offer and any New Ordinary Shares to be offered so as to enable an investor to decide to purchase any New Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the

Prospectus Directive in that relevant member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

In the case of any New Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Ordinary Shares acquired by it in the Open Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any New Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Company and BCL has been obtained to each such proposed offer or resale. Each of the Company and BCL and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

Notice to Overseas Shareholders

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this document or any Non-CREST Application Form, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 6 of Part II of this document.

An, Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder’s country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against ABE or the Directors or the executive officers in a court of competent jurisdiction in England or other countries.

Notice to all Shareholders

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of BCL as well as the Company’s website www.abepc.co.uk from the date of this document until the date which is one month from the date of Admission.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, repurchase or other disposal of New Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, repurchase or other disposal of New Ordinary Shares which they might encounter; and (c) the income or other taxation consequences which may apply in their own countries as a result of the purchase, holding, transfer, repurchase or other disposal of New Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants as to legal, taxation, investment and other related matters concerning the Company and an investment in New Ordinary Shares.

Third Party Information

The Company confirms that third party information is sourced where it appears in this document and has been accurately reproduced and so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Defined Terms

Except for certain names of natural persons and legal entities and capitalised terms that need no further explanation, the capitalised terms used in this document, including capitalised abbreviations, are defined or explained in Part IX of this document starting on page 99.

Currency

Unless otherwise indicated, all references in this document to “GBP”, “£”, “pounds sterling”, “pounds”, “sterling”, “pence” or “p” are to the lawful currency of the United Kingdom.

No incorporation of website terms

Except to the extent expressly set out in this document, neither the content of the ABE or BPE website or any other website nor the content of any website accessible from hyperlinks on ABE’s or BPE’s website or any other website is incorporated into, or forms part of, this document.

PART I

LETTER FROM THE CHAIRMAN OF ABE

ASSOCIATED BRITISH ENGINEERING plc

(registered in England and Wales with number 00110663)

Registered office:
15 Fulwood Place
London
WC1V 6AY

11 January 2012

To the holders of Existing
Ordinary Shares and
Preference Shares

Dear Shareholder,

1. Introduction

In my Chairman's statement in the Report and Accounts for the year ended 31 March 2011, I mentioned that the Board was currently considering how best to deal with the Preference Shares in order to provide the Company with a capital structure which would enable future corporate transactions to be considered. I am now pleased to say that the Company announced today the following proposals which are intended to implement that intention:

- an underwritten open offer to raise £350,247, before expenses, such sum to be applied to the redemption in full and cancellation of the 8% Preference Shares, including the arrears of dividend;
- the cancellation of the 7% Preference Shares and a reduction of a portion of share premium account so as to permit the issue to the 7% Preference Shareholders of the Loan Notes in respect of their principal and the Settlement Shares in respect of their arrears of dividend;
- the sub-division of each Existing Ordinary Share of £2 into one New Ordinary Share of 2.5p and one Deferred Share of £1.975, in order to enable the Open Offer Shares to be issued at the price of £1 (which is below the current nominal value of the Existing Ordinary Shares of £2); and
- consequential amendments to the Articles of Association.

Accordingly, the Proposals are subject to Shareholder approval at the GM. In addition the Capital Reduction is subject to the approval of 7% Preference Shareholders at the Class Meeting. Notices for the GM and Class Meeting are set out in Appendix 1 of this document. As noted in paragraph 13 below, because the Preference Shares are in arrears, holders of the Preference Shares are entitled to vote at the GM.

Under the Companies Act and the Articles of Association, Shareholder approval is required for the Sub-Division and the Capital Reduction (Resolution 4). It is also needed to authorise the Directors to allot equity securities (Resolutions 1 and 3). Under the Articles of Association, the Capital Reduction is subject to the Class Consent at the Class Meeting.

Under the Listing Rules, the Underwriting must be approved because it is a related party transaction (Resolution 2). The Proposals (apart from the Underwriting) are also related party transactions under the Listing Rules. In addition, as the Issue Price of the Open Offer Shares is at

a discount of more than 10% to the middle market price on 10 January 2012, that is also subject to Shareholder approval at the GM (Resolution 3).

The Capital Reduction is subject to the approval of the Court.

For the Proposals to be implemented the following must occur:

- all the Resolutions must be passed at the GM;
- the Class Consent must be passed at the Class Meeting;
- the Capital Reduction must be approved by the Court; and
- the Underwriting and Sponsorship Agreement must become unconditional.

The Board's views on the benefits of the Proposals and the consequences of a failure to implement them are set out below.

2. Background to and reasons for the Proposals

The Company is a small listed company with a market capitalisation of just £1.44 million as at 5 January 2012. In the opinion of the Board, the Company's trading subsidiary, BPE, has limited opportunities to expand its business. The Board is, therefore, of the opinion that the best interests of Shareholders would be promoted by making the Company more attractive for the acquisition of a trading business where the sellers would accept equity in the Company as payment for the sale of their business.

As at 24 February 2012, the anticipated payment date for the Preference Shares, the Preference Share liabilities and arrears of dividend on such shares will be as follows:

	<i>Liability</i> <i>£'000</i>	<i>Arrears</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
7% Preference Shares	555	462	1,017
8% Preference Shares	157	149	306

The Board has reviewed the capital structure of the Group and considers the following to be unattractive features for a proposed investor:

- that the Company has accumulated arrears of dividend on the Preference Shares of £565,862 as at 31 March 2011. This is because the Company has negative distributable reserves and as such cannot lawfully pay a dividend (whether to the holders of Preference Shares or Ordinary Shares);
- the 7% Preference Shares are not redeemable which means that the Company has no ability to repay and redeem such shares without the co-operation of their holders; and
- both classes of Preference Shares accrue dividends at a rate which is relatively high.

The Proposals are designed to deal with these issues so far as is reasonably practicable and thus provide the Company with a capital structure which should enable future corporate transactions to be considered.

3. The Sub-Division

The Company is proposing to sub-divide each Existing Ordinary Share of £2 into one New Ordinary Share of 2.5p and one Deferred Share of £1.975. The Sub-Division is being proposed because under the Companies Act, ABE cannot issue Existing Ordinary Shares for less than their nominal value. The Existing Ordinary Shares have traded at less than their nominal value for over five years meaning that ABE has been unable to issue new equity. The Sub-Division should solve this problem.

The rights attaching to each New Ordinary Share will be identical in all respects to those of each Existing Ordinary Share except that each holder of a New Ordinary Share will be entitled to one vote per share held, whereas each holder of an Existing Ordinary Share is currently entitled to one vote for each one penny of nominal value held. The rationale for these weighted voting rights was to ensure that the holders of Existing Ordinary Shares controlled the Company, rather than the holders of Preference Shares (which carry voting rights when the shares are in arrears). On the completion of the Proposals the Company will cease to have Preference Shares in issue, so there will be no need for the New Ordinary Shares to have weighted voting rights.

The Existing Ordinary Shares are admitted to CREST. Application will be made for the Enlarged Issued Share Capital to be admitted to CREST, all of which may then be held and transferred by means of CREST.

It is expected that the New Ordinary Shares arising as a result of the Sub-Division in respect of Existing Ordinary Shares held in uncertificated form, i.e. in CREST, will be credited to the relevant CREST accounts on 24 February 2012 and that definitive share certificates in respect of the New Ordinary Shares arising as a result of the Sub-Division from Existing Ordinary Shares held in certificated form will be dispatched to relevant Shareholders by 1 March 2012. No temporary documents of title will be issued. Share certificates in respect of Existing Ordinary Shares will cease to be valid on 22 February 2012 and, pending delivery of share certificates in respect of New Ordinary Shares will be certified against the register. The record date of the Sub-Division is 22 February 2012.

The new Deferred Shares will have no voting rights and will not carry any entitlement to attend general meetings of the Company; nor will they be admitted to the London Stock Exchange's main market or any other market. They will carry only a right to participate in any return of capital once an amount of £100 has been paid in respect of each New Ordinary Share. The Company will be authorised at any time to effect a transfer of the Deferred Shares without reference to the holders and for no consideration. Accordingly, the New Deferred Shares will, for all practical purposes, be valueless and it is the Board's intention, at an appropriate time, to have the Deferred Shares cancelled, whether through an application to the Companies Court or otherwise. No certificates will be issued in respect of the New Deferred Shares.

4. The Capital Reduction

The Capital Reduction envisages the cancellation of the 7% Preference Shares of which there are £555,000 of nominal value in issue. It is proposed that the resulting liability to the 7% Preference Shareholders will be settled by the issue of Loan Notes with an aggregate nominal value of £555,000. These notes will be unsecured, redeemable at any time by the Company at par and repayable within three years from their issue. It is, however, the Board's intention, if practicable, to redeem the Loan Notes before the third anniversary of their issue. The Loan Notes will have a six per cent. p.a. coupon, payable half yearly.

The Company will apply to cancel £462,379 of share premium account and will then issue 385,316 New Ordinary Shares (referred to in this document as Settlement Shares) at £1.20 per share to settle the arrears of dividend on the 7% Preference Shares.

Therefore, a holder of £1,000 nominal value 7% Preference Shares with accrued arrears of £833 will, on completion of the Proposals, receive £1,000 Loan Notes and 694 New Ordinary Shares in consideration of the cancellation of the 7% Preference Shares and the settlement of all arrears.

As required by the Companies Act 2006, the Capital Reduction is subject to the approval of the Court. If the Proposals are approved at the GM, the Company will apply to the Court for a hearing at which the Court will be asked to confirm the Capital Reduction. Before the final hearing, the Company may be required to place an advertisement relating to the Capital Reduction in a national newspaper. The Court may only confirm the Capital Reduction if it is satisfied as to the position of the Company's creditors. If approved by the Court, the Capital Reduction will become effective once

the Court order and a new statement of capital are delivered to Companies House (or if the Court so orders, upon such documents being registered at Companies House).

These proposals are conditional upon (i) the passing of the Resolutions set out in the Notice of GM (ii) the approval of the 7% Preference Shareholders at the Class Meeting (iii) Court approval, which is a requirement of the Companies Act and (iv) the Underwriting Agreement becoming unconditional. If the Resolutions are not passed at the GM and/or the Class Consent is not obtained and/or the Court confirmation is not obtained and/or the Underwriting Agreement does not become unconditional, the Proposals will not be implemented.

If the Proposals are passed at the GM and the Class Meeting, it is proposed to commence the proceedings to obtain the confirmation of the Court as soon as possible. It is anticipated that the final hearing at which the Court will confirm the Proposals will take place on 22 February 2012.

It should be noted that, assuming that the Proposals are implemented, the Company will still have negative distributable reserves (albeit that these will be smaller) and will not be able to pay a dividend on the Ordinary Shares until it has positive distributable reserves.

Further details of the Loan Notes are set out in Part III of this document.

5. Reasons for the Open Offer and Use of Proceeds

The Open Offer is being made for the purpose of raising sufficient capital to enable the Company to redeem the 8% Preference Shares in full. The Open Offer will raise £350,247 before expenses, of which £157,395 will be applied to payment of the nominal value of the 8% Preference Shares and £149,865 to the payment of arrears of dividend. The balance of the proceeds will be applied towards meeting transaction costs.

6. Current Trading and Prospects

For the year ended 31 March 2011, the Group reported revenue of £4,102,000 (2010: £3,366,000). Operating profits were £842,000 (2010: £649,000). Profit before tax for the year was £226,000 (2010: £471,000).

The result for the six month period to 30 September 2011 was a pre-tax loss of £186,000. This was primarily due to the one-off pension contribution of £250,000 during the period and to the lower turnover at British Polar Engines Limited, arising from a fall in orders over the summer months. Whilst this result was better than recently expected, it was hoped that there would be an improvement during the remainder of the year, it is important to note that, as in the past, trading has been extremely volatile and largely unpredictable due to rapid changes in demand from the offshore oil drilling market and world demand generally. The Board noted that it was continuing to keep central costs at a low level and maintains the quest to identify a suitable corporate transaction to take the Group forward.

Trading in the third quarter of the current financial year has been encouraging and the Directors therefore view the prospects for the current financial year with reasonable confidence.

We, the Board, have for some time been addressing the capital structure of ABE which we believe is essential if we are to take the Company forward. It is our conclusion that we need to rectify the non-payment of preference dividends and to repay the Preference Shares. This follows many years of negotiations with the Pensions Regulator to draw an effective line under our historic pensions liability.

Our conclusions are:

- the preference issues and more importantly the backlog of dividends due to the preference arrears would in the event of a merger or a reverse take-over inhibit the course of that action;

- it could, in such a situation, result in a low valuation of the equity of the Company because of the necessity of the incoming party negotiating a settlement with the Preference Shareholders; and
- if a reverse were to take any extended period then there would be an adverse interest cost of servicing the Preference Shares given that they are effectively “expensive money”.

The Board has therefore decided in the best interests of the Company and the Shareholders that this issue be addressed sooner rather than later. In our discussions with the representative of the principal preference shareholders we have effectively negotiated a 16.7% discount on the outstanding arrears of dividend of £462,379 as at 24 February 2012 due on the 7% Preference Shares by issuing the new Ordinary Shares in satisfaction of these arrears at a price of £1.20 per Ordinary Share compared to the Issue Price of £1.00. The Directors therefore, consider that this is a benefit to all Shareholders. It has therefore been accepted in principle that we re-organise the capital structure of the Company with a minimum number of additional shares issued commensurate with the necessary ongoing cash requirements.

The Board is now enacting this policy.

Having implemented the Proposals, the strategy will then be to build the Group by means of mergers and/or acquisitions which, given the size of the Company and the anticipated size of such new businesses and the requirements of the Listing Rules, are likely to require Shareholder approval.

If the Proposals are not implemented, the intended benefits of the Proposals, namely the Company’s ability to grow by means of mergers or acquisitions may be inhibited by the Company’s capital structure including “expensive” Preference Shares and arrears of dividend. This is because the existing capital structure, which could be perceived as being expensive in dividend terms and over-complicated for a small company, could result in a low valuation of the Company’s equity and/or discourage a third party from entering into negotiations with the Company in the first instance.

7. Dividend Policy

The Company has not paid any dividends to its Shareholders since March 2000. Notwithstanding implementation of the Proposals, the Company will still have negative distributable reserves, albeit the deficit will be substantially reduced. The Company’s ability to pay dividends in the future will depend on, among other things, the profitability of the Group Companies and the Directors’ future assessment of whether or not it is appropriate to pay dividends.

8. Principal Terms and Timing of the Open Offer

ABE intends to issue 350,247 New Ordinary Shares through the Open Offer at £1.00 per New Ordinary Share to raise gross proceeds of £350,247.

Qualifying Shareholders will have an Entitlement of:

4 Open Offer Shares for every 15 Existing Ordinary Shares registered in the name of the relevant Qualifying Shareholder on the Record Date.

The Open Offer is been fully underwritten by the Underwriters subject to certain conditions set out in the Underwriting and Sponsorship Agreement.

The Open Offer is conditional upon the following:

- the passing of the Resolutions to be proposed at the GM;
- the Class Consent;

- the approval of the Capital Reduction by the Court;
- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 24 February 2012; and
- the Underwriting and Sponsorship Agreement becoming unconditional in all respects.

The Open Offer is not a rights issue and any Open Offer Shares not applied for by Qualifying Shareholders under their Entitlement will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareholders who do not apply under the Open Offer, but will be subscribed for by the Underwriters.

9. Effect of the Open Offer

Upon completion of the Open Offer, the Open Offer Shares will represent 17.1%, of the Enlarged Issued Share Capital. Following the issue of the New Ordinary Shares pursuant to the Open Offer and the issue of the Settlement Shares, a Qualifying Shareholder who does not take up any of his Entitlement will suffer a dilution of 35.9% to his economic interests in the Company.

The Issue Price at which the Open Offer is being effected represents an 13% discount to the ABE closing price of 115p per Existing Ordinary Share on 10 January 2012, being the Business Day prior to the date of the announcement of the Proposals. As this discount is greater than 10%, the Proposals are subject to Shareholders approval under the Listing Rules.

10. Related Party Transactions

The Proposals have two elements which are Related Party Transactions under the Listing Rules, being as follows:

The Underwriting

The Underwriters include three of the Company's Directors (being Messrs. D. Brown, S. Cockburn and C. Weinberg), together with Rupert Pearce-Gould (who is a director of BPE and a shareholder) and his wife in their capacity as trustees of the HP Gould and Sons, Pension Fund who are each underwriting £75,000, collectively £300,000 out of the total underwriting of £350,247.

The interests of the Directors in the Company are set out in paragraph 10.3 of Part VIII of this document.

Rupert Pearce-Gould (including persons connected with him within the meaning of section 252 CA 2006) is interested in 120,750 Existing Ordinary Shares (9.19 per cent of the Existing Ordinary Shares).

Details of the Underwriting and Sponsorship Agreement are set out in paragraph 10.2 of Part VIII of this Document.

Mr. Cockburn's interest in the Preference Shares

Mr. S. Cockburn, a Director, (including persons connected with him within the meaning of Section 252 CA 2006) is interested in 1,250 Existing Ordinary Shares, representing a holding of 0.095% of the Existing Ordinary Shares. He also has beneficial interests of 55,314 7% Preference Shares (10.0% of that class) and 2,000 8% Preference Shares (1.3% of that class), and his children (who are considered "Associates" under the Listing Rules hold 15,914 7% Preference Shares (2.87% of that class) and 10,236 8% Preference Shares (6.51% of that class), which holdings are not required for disclosure purposes to be shown as Mr. S. Cockburn's beneficial or non-beneficial holdings.

In addition, Shareholders should note that Mr. Cockburn has a non-beneficial interest of 32,000 7% Preference Shares (5.8%) of that class. The Investment Company Plc of which Mr. S. Cockburn is Managing Director and responsible for investment management and in which Mr. S. Cockburn

holds 9.93 per cent of the issued share capital, (but which is not an “Associate” within the meaning of the Listing Rules) owns 310,754 7% Preference Shares (56.0 per cent of that class) and 56,474 8% Preference Shares (35.9% of that class).

Accordingly, the Proposals and the Underwriting are being treated as Related Party Transaction under the Listing Rules, due to the aforementioned Directors and Mr. Rupert Pearce-Gould’s participation in the underwriting and Mr. S. Cockburn’s interest as a holder of Preference Shares. Accordingly, the Proposals and the Underwriting are subject to Shareholder approval under the Listing Rules.

11. Admission, Dealings and Settlement

The Open Offer Shares will, when issued, rank in full for dividends and other distributions and otherwise equally in all respects with the New Ordinary Shares.

Applications will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.

It is expected that Admission will become effective and dealings will commence in the New Ordinary Shares at 8.00 a.m. on 24 February 2012.

The effect of the Proposals will be that if the Resolutions are passed and the Capital Reduction is approved by the Court that the Preference Shares will be cancelled.

Accordingly, this will involve the suspension of the listing of the Preference Shares on the Official List at 7.30 a.m. on the morning of the General Meeting and Class Meeting. If the Resolutions are passed at the General Meeting and Class Meeting, the Company will apply for the cancellation of trading of the Preference Shares on the Official List, with cancellation expected to take place on 24 February 2012, when Admission (of the New Ordinary Shares) will become effective.

12. Taxation

Your attention is drawn to paragraph 17 of Part VIII (*Additional Information*) of this document. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

13. General Meeting and Class Meeting

The notice convening the GM, at which the Resolutions summarised in paragraph 14 below will be proposed, is set out in Appendix 1 of this document. The Resolutions are required in order to enable the Company to implement the Sub-Division, Capital Reduction and Open Offer and, accordingly, the Open Offer is conditional on such Resolutions being passed.

Holders of Ordinary Shares have 200 votes per each £2 of nominal value of the Existing Ordinary Shares. As the Preference Shares are in arrears, holders of Preference Shares are entitled to attend and vote at the GM. At the GM holders of 7% Preference Shares have four votes per share and holders of 8% Preference Shares have 50 votes per share.

The notice convening the Class Meeting of the 7% Preference Shareholders, at which the Class Consent summarised at paragraph 14 below will be proposed, is also set out in the Appendix to this Document. The Class Consent is required in order to enable the Capital Reduction to proceed and to permit the Company to issue the Settlement Shares and Loan Notes in settlement of the principal and arrears on the 7% Preference Shares.

No class consent is required from the holders of the 8% Preference Shares as the Proposals envisage these being redeemed in accordance with their existing terms.

14. The Resolutions

The GM resolutions

The notice of GM provides details of the business to be considered at the GM. Explanatory notes concerning the Resolutions are set out below. The holders of all classes of shares have the right to vote on the Resolutions to be proposed at the GM.

Resolutions 1 and 2 are proposed as ordinary resolutions. This means that for each of those Resolutions to be passed, more than half of the votes cast must be in favour of the Resolution. Resolutions 3 and 4 are proposed as special resolutions. This means that for each of those Resolutions to be passed, at least three quarters of the votes cast must be in favour of the Resolutions.

The Underwriting is a related party transaction under the Listing Rules and, as such, requires shareholder approval at the GM. This is the purpose of Resolution 2.

Resolution 3 includes specific approval of the issue of New Ordinary Shares under the Open Offer at a discount of greater than 10%, as required under the Listing Rules.

Resolutions 3 and 4 are inter-conditional and also conditional upon the passing of Resolutions 1 and 2. This means that for the Proposals to be implemented all of the Resolutions must be passed by the requisite majorities.

Resolution 1

Authority to allot unissued share capital

It is proposed to authorise the directors of the Company to allot ordinary shares up to a maximum nominal value of £20,000). This is 38.5 per cent of the Enlarged Issued Share Capital. As at today's date, the Company holds no shares in treasury.

Except for the Open Offer Shares and the Settlement Shares, the Board has no immediate plans to issue shares.

The authority will expire on 26 January 2013 or, if earlier, the date of the Company's next annual general meeting.

Resolution 2

Approval of the Underwriting

It is proposed that the Underwriting be approved. This is because the Underwriting is a transaction with a related party for the purposes of the Listing Rules and therefore requires shareholder approval. Details of the related party are set out in paragraph 10 above.

Resolution 3

Dis-application of pre-emption rights

It is proposed, as a special resolution, to authorise the directors of the Company to allot equity securities for cash without first being required to offer such securities to existing shareholders in proportion to their existing holding by the limited dis application of section 561 of the Companies Act 2006.

This authority is limited to:

- the allotment of equity securities in connection with the Open Offer, such securities to be issued at a discount of 13% to the middle market price of an Existing Ordinary Share as at the date of announcement of the Open Offer. Under the Listing Rules, discounts of more than 10% to the middle market price must be approved by shareholders; and
- the allotment of the Settlement Shares.

This authority will expire on 26 January 2013.

Resolution 4

Sub-Division and Capital Reduction

It is proposed as a special resolution and conditional upon Court approval and the Class Consent to:

- sub-divide each Existing Ordinary Share into one New Ordinary Share and one Deferred Share, for the reasons set out in paragraph 3 above;
- amend the Articles by the inclusion of a new article setting out the rights and restrictions attaching to the Deferred Shares (as more particularly described in paragraph 3 above) and amending the voting rights attaching to the New Ordinary Shares (as described in paragraph 3 above);
- cancelling the 7% Preference Shares;
- applying the reserve arising on the cancellation of the 7% Preference Shares to the paying up of £555,000 of the Loan Notes to be issued to the 7% Preference Shareholders;
- cancelling £462,379 standing to the credit of share premium account;
- applying the reserve arising to the paying up in full of 385,316 New Ordinary Shares to be issued to the 7% Preference Shareholders;
- deleting those provisions of the Articles that refer to the Preference Shares.

The Class Consent

The notice of Class Meeting provides details of the business to be considered at the Class Meeting. Explanatory notes concerning the resolution, otherwise known as the Class Consent, are set out below. Only the holders of 7% Preference Shares have the right to vote on the Class Consent to be proposed at the Class Meeting.

The Class Consent is proposed as an extraordinary resolution. This means that for the resolution to be passed at least three quarters of the votes cast must be in favour of the resolution. The Class Consent authorises the Company to:

- cancel the 7% Preference Shares;
- apply the reserve arising on the cancellation of the 7% Preference Shares to the paying up of £555,000 of the Loan Notes to be issued to the 7% Preference Shareholders;
- cancel £462,379 standing to the credit of share premium account; and
- apply the reserve arising to the paying up in full of the Settlement Shares to be issued to the 7% Preference Shareholders.

15. Action to be taken

15.1 GM

You will find enclosed with this document a Purple Form of Proxy. Whether you intend to be present at the GM or not, you are asked to complete the Purple Form of Proxy in accordance with the instructions printed on it and to return it to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, using the accompanying pre-paid envelope (for use in the UK only) as soon as possible and, in any event, so as to be received by no later than 11.00 a.m. on 2 February 2012. The completion and return of the Purple Form of Proxy will not preclude you from attending the GM and voting in person if you wish to do so.

If the Purple Form of Proxy is not returned or the CREST Proxy Instruction submitted by 11.00 a.m. on 2 February 2012, your vote will not count.

15.2 **Class Meeting**

7% Preference Shareholders will find enclosed with this document a Blue Form of Proxy. Whether you intend to be present at the Class Meeting or not, you are asked to complete the Blue Form of Proxy in accordance with the instructions printed thereon and to return it to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, using the accompanying pre-paid envelope (for use in the UK only) as soon as possible and, in any event, so as to be received by no later than 11.30 a.m. on 2 February 2012. The completion and return of the Blue Form of Proxy will not preclude you from attending the Class Meeting and voting in person if you wish to do so.

If the Blue Form of Proxy is not returned by 11.30 a.m. on 2 February 2012, your vote will not count.

15.3 **Open Offer**

(a) *Qualifying Non-CREST Shareholders (i.e. holders of Ordinary Shares who hold their Ordinary Shares in certificated form)*

If you are a Qualifying Non-CREST Shareholder you will receive a Non-CREST Application Form which gives details of your Entitlement under the Open Offer (as shown by the number of Open Offer Entitlements set out in Box B of the Non-CREST Application Form). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Non-CREST Application Form in accordance with the procedure for application set out in paragraph 4.1 of Part II (*Terms and conditions of the Open Offer*) and on the Non-CREST Application Form itself. Completed Non-CREST Application Forms, accompanied by full payment in accordance with the instructions in paragraph 4.1(c) of Part II (*Terms and conditions of the Open Offer*), should be returned by post to Computershare Investor Services PLC at Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS13 8AE, in either case, as soon as possible and in any event so as to be received by no later than 11.00 a.m. on 3 February 2012. If you do not wish to apply for any New Ordinary Shares under the Open Offer, you should not complete or return the Non-CREST Application Form.

(b) *Qualifying CREST Shareholders*

If you are a Qualifying CREST Shareholder you will not be sent a Non-CREST Application Form. You will receive a credit to your appropriate stock account in CREST in respect of the Entitlement under the Open Offer. You should refer to the procedure for application set out in paragraph 4.2 of Part II (*Terms and conditions of the Open Offer*). The relevant CREST instructions must have settled in accordance with the instructions in paragraph 4.2 of Part II (*Terms and conditions of the Open Offer*) by no later than 11.00 a.m. on 3 February 2012. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an appropriately qualified independent professional adviser.

16. **Further Information**

Your attention is drawn to the further information set out in Parts II to IX of this Document and to Appendix I. You are advised to read the whole of this document (including the documents incorporated by reference and specified in Part VI (*Historical financial information relating to ABE*) of this document) and not rely solely on the information contained in this letter.

17. Recommendation

The Board considers that the Proposals, including the Underwriting and the passing of the Resolutions and the Class Consent are fair and reasonable as far as the Shareholders and Preference Shareholders are concerned and has been so advised by BCL. The Board considers that the Proposals are in the best interests of the Company and the Shareholders and Preference Shareholders as a whole. In providing its advice, BCL has taken into account the Board's commercial assessments.

Messrs. Brown, Weinberg and Cockburn, who are interested in the Proposals and are Related Parties under the Listing Rules, have not taken part in the Board's consideration of the Proposals and have undertaken not to vote on the Resolutions and Class Consent, which implement the Proposals and to take all reasonable steps to ensure that their Associates as defined by the Listing Rules will not vote on the Resolutions and Class Consent, which implement the Proposals. In addition, Mr. Rupert Pearce-Gould is a Related Party under the Listing Rules but not a Director has undertaken not to vote on the Resolutions and Class Consent, which implement the Proposals and to take reasonable steps to ensure that his Associates as defined by the Listing Rules will also not vote on the Resolutions and Class Consent, which implement the Proposals.

Accordingly, the Board, unanimously recommends that you vote in favour of the Resolutions and Class Consent. The Board (with the exception of Messrs. Brown, Weinberg and Cockburn for the reasons stated above) has no beneficial holdings of Ordinary Shares or Preference Shares as at the date of this document.

Yours faithfully

David Brown

Non-executive Chairman

PART II

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

The Company proposes to issue 350,247 New Ordinary Shares in order to raise gross proceeds of £350,247 by way of the Open Offer.

Upon completion of the Open Offer, the Open Offer Shares will represent 17.1% of the Enlarged Issued Share Capital.

The Open Offer Shares will, following Admission, rank equally in all respects with the Existing Ordinary Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares after Admission.

The Open Offer is being fully underwritten by the Underwriters subject to and in accordance with the terms of the Underwriting and Sponsorship Agreement.

The Open Offer is an opportunity for Qualifying Shareholders to apply to subscribe for Open Offer Shares at the Issue Price in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding of Ordinary Shares prior to the close of business on 12 January 2012 is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchasers under the rules of the London Stock Exchange.

A summary of the arrangements relating to the Open Offer is set out in paragraph 2 below. This document and, for Qualifying Non-CREST Shareholders, the Non-CREST Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 of this Part II which gives details of the procedure for application and payment for the Open Offer Shares.

2. The Open Offer

Subject to the terms and conditions set out in this Part II (and, in the case of Qualifying Non-CREST Shareholders, in the Non-CREST Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Open Offer Shares at the Issue Price (payable in full on application and free of all expenses) and will have a Entitlement of:

4 Open Offer Shares	for every 15 Existing Ordinary Shares registered in the name of each Qualifying Shareholder on the Record Date and so in proportion for any other number of Ordinary Shares then registered.
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Applications by Qualifying Shareholders will be satisfied in full up to their Entitlements.

Entitlements will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Entitlements and will be aggregated and subscribed for by the Underwriters for the benefit of the Company. Accordingly, Qualifying Shareholders with fewer than 4 Existing Ordinary Shares will not receive an Open Offer Entitlement. Qualifying Shareholders may apply to acquire less than their Entitlement should they so wish.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Entitlements, as will holdings under different designations and in different accounts.

Qualifying CREST Shareholders will have their Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraphs 4.2(a) to 4.2(j) of this Part II (*Terms and conditions of the Open Offer*) and also to the CREST Manual for further information on the relevant CREST procedures.

The Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box B on the Non-CREST Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST.

The aggregate number of New Ordinary Shares available for subscription pursuant to the Open Offer is 350,247 New Ordinary Shares.

Following the issue of the New Ordinary Shares pursuant to the Open Offer, a Qualifying Shareholder who does not take up any of his Entitlement will suffer a dilution of 17.1% to his economic interests in the Company.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their Non-CREST Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Entitlements will be credited to CREST and be enabled for settlement, applications in respect of Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply to take up their Entitlements, but will be subscribed for by the Underwriters and the net proceeds will be retained for the benefit of the Company. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer.

All Open Offer Shares, when issued and fully paid, may be held and transferred by means of CREST.

Application will be made for the Entitlements to be admitted to CREST. The conditions for such admission having already been met, the Entitlements are expected to be admitted to CREST with effect from 13 January 2012.

The Open Offer Shares will be issued credited as fully paid and will rank equally in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

3. Conditions and further terms of the Open Offer

The Open Offer is conditional upon the following:

- the passing of the Resolutions to be proposed at the GM;
- the Class Consent;
- the approval of the Capital Reduction by the Court;
- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 24 February 2012; and
- the Underwriting and Sponsorship Agreement becoming unconditional in all respects.

Accordingly, if any of these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Revocation of applications for Open Offer Shares cannot occur after dealings have begun.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form on or before 1 March 2012. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST on or before 24 February 2012.

Applications will be made for the New Ordinary Shares (including the Open Offer Shares) to be listed on the Official List and to be admitted to trading on the London Stock Exchange's main market for listed securities.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

4. Procedure for application and payment

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has a Non-CREST Application Form in respect of his Open Offer Entitlement or a Qualifying Shareholder has Entitlements credited to his CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2(e) of this Part II (*Terms and conditions of the Open Offer*).

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified in this Part II paragraph 4 below to apply under the Open Offer in respect of the Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to in this Part II paragraph 4 below.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Non-CREST Application Form. Qualifying Shareholders are, however, encouraged to vote at the GM by attending in person or by completing and returning the Purple Form of Proxy enclosed with this document.

4.1 *If you have a Non-CREST Application Form in respect of your entitlement under the Open Offer*

(a) *General*

Subject as provided in paragraph 6 of this Part II (*Terms and conditions of the Open Offer*) in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive a Non-CREST Application Form. The Non-CREST Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box A. It also shows the number of Open Offer Shares which represents their Entitlement under the Open Offer, as shown by the total number of Open Offer Entitlements allocated to them set out in Box B. Box C shows how much they would need to pay if they wish to take up their Entitlement in full. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders'

Entitlements and will be aggregated. Any Qualifying Non-CREST Shareholders with fewer than 4 Existing Ordinary Shares will not receive an Entitlement. Qualifying Non-CREST Shareholders may apply for less than their Entitlement should they wish to do so. Qualifying Shareholders wishing to apply for Open Offer Shares representing less than their Entitlement may do so by completing Boxes D and E of the Non-CREST Application Form. Qualifying Non-CREST Shareholders may hold such a Non-CREST Application Form by virtue of a *bona fide* market claim (see paragraph 4.1(h) of this Part II (*Terms and conditions of the Open Offer*)).

The instructions and other terms set out in the Non-CREST Application Form are part of the terms of the Open Offer to Qualifying Non-CREST Shareholders.

(b) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Non-CREST Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Non-CREST Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 5.00 p.m. on 24 January 2012. The Non-CREST Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box J on the Non-CREST Application Form and immediately send it to either the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee or to the Receiving Agent in accordance with the instructions set out in the accompanying Non-CREST Application Form. The Non-CREST Application Form should not, however, be forwarded to or transmitted in or into a Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Non-CREST Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4.2(b) of this Part II (*Terms and conditions of the Open Offer*).

(c) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire all or any of the Open Offer Shares to which they are entitled should complete the Non-CREST Application Form in accordance with the instructions printed on it. Completed Non-CREST Application Forms should be returned by post or by hand (during normal office hours only) to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal office hours only) to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS13 8AE (who will act as Receiving Agent in relation to the Open Offer), so as to be received by the Receiving Agent, in either case, by no later than 11.00 a.m. on 3 February 2012, after which time Non-CREST Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If a Non-CREST Application Form is being sent by

first-class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Non-CREST Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided.

Completed Non-CREST Application Forms should be returned with a cheque or banker's draft drawn in sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Cheques should be drawn on a personal account in respect of which the Qualifying Shareholder has sole or joint title to the funds and should be made payable to "CIS PLC re Associated British Engineering plc Open Offer" and crossed "A/C Payee Only". Third party cheques will not be accepted (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds by signing and stamping the back of the draft or cheque) and will be subject to the Money Laundering Regulations which may delay or exclude Qualifying Shareholders receiving their Open Offer Shares (see paragraph 5 of this Part II (*Terms and conditions of the Open Offer*)). Payments via CHAPS, BACS or electronic transfer will not be accepted.

All documents and payments sent by post or electronically, to, from, by or on behalf of shareholders will be sent entirely at their own risk.

Cheques and banker's drafts will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Non-CREST Shareholders in respect of which cheques are not so honoured. If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

Subject to the provisions of the Underwriting and Sponsorship Agreement, the Company may in its sole discretion, but shall not be obliged to, treat a Non-CREST Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Non-CREST Application Forms received after 11.00 a.m. on 3 February 2012; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 3 February 2012 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Non-CREST Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and payments sent by post or electronically, to, from, by or on behalf of shareholders will be sent entirely at their own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agent shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agent, Beaumont Cornish or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(d) *Effect of application*

By completing and delivering a Non-CREST Application Form the applicant:

- (i) represents and warrants to the Company, the Receiving Agent and Beaumont Cornish that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;
- (iii) confirms that in making the application he is not relying on any information or representation in relation to the Group other than those contained in this document and any documents incorporated by reference, and the applicant accordingly agrees that no person responsible solely or jointly for this document including any documents incorporated by reference or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document including any documents incorporated by reference, he will be deemed to have had notice of all information in relation to the Group contained in this document, including information incorporated by reference;
- (iv) confirms that in making the application he is not relying and has not relied on Beaumont Cornish or any other person affiliated with Beaumont Cornish in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (v) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Group or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Receiving Agent or Beaumont Cornish;
- (vi) represents and warrants to the Company, the Receiving Agent and Beaumont Cornish that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a *bona fide* market claim:

- (vii) represents and warrants to the Company, the Receiving Agent and Beaumont Cornish that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Non-CREST Application Form, subject to the Memorandum of Association and Articles of Association of the Company;
- (ix) represents and warrants to the Company, the Receiving Agent and Beaumont Cornish that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer; and
- (x) represents and warrants to the Company, the Receiving Agent and Beaumont Cornish that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

If you have any questions relating to this document, and the completion and return of the Non-CREST Application Form, please telephone Computershare Investor Services PLC between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday on 0870 889 3165 from within the UK or +44 870 889 3165 if calling from outside the UK. Calls to the 0870 number cost approximately 8.5 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Non-CREST Application Form. Qualifying Shareholders are, however, encouraged to vote at the GM by attending in person or by completing and returning the Purple Form of Proxy enclosed with this document.

4.2 ***If you have Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in paragraph 6 of this Part II (*Terms and conditions of the Open Offer*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the number of Open Offer Shares which represents his Entitlement based on the number of Existing Ordinary Shares registered in his name as at the Record Date (see Part II paragraph 4.2(c) for further details). Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Entitlements and will be aggregated and subscribed for by the Underwriters for the benefit of the Company. Any Qualifying CREST Shareholders with fewer than 4 Existing Ordinary Shares will not receive an Entitlement.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Entitlements have been allocated.

If for any reason the Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited, by 5.00 p.m. on 13 January 2012, or such later time and/or date as the Company may decide, a Non-CREST Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Non-CREST Application Forms will apply to Qualifying CREST Shareholders who receive such Non-CREST Application Forms.

If you have any questions relating to this document, and the completion and return of the Non-CREST Application Form, please telephone Computershare Investor Services PLC between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday on 0870 889 3165 from within the UK or +44 870 889 3165 if calling from outside the UK. Calls to the 0870 number cost approximately 8.5 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

(b) *Market claims*

Each of the Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as "cum", the Entitlement will generate an appropriate market claim transaction and the relevant Entitlement(s) will thereafter be transferred accordingly.

(c) *USE Instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Entitlement in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified in this Part II paragraph 4.2(d) below, with a number of Entitlements corresponding to the number of Open Offer Shares applied for; and
 - (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in Part II paragraph 4.2(c)(i) above.
- (d) *Content of USE Instruction in respect of Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Entitlement(s) being delivered to the Registrar);
- (ii) the ISIN of the Entitlement. This is GB00B6QGM412;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Entitlements are to be debited;
- (v) the participant ID of the Registrar in its capacity as Receiving Agent. This is RA62;
- (vi) the member account ID of the Registrar in its capacity as Receiving Agent. This is ABEPLC;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in Part II, paragraph 4.2(c)(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 3 February 2012; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 3 February 2012.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 3 February 2012 in order to be valid is 11.00 a.m. on that day.

(e) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Non-CREST Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Non-CREST Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer can be applied for through a Non-CREST Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Non-CREST Application Form.

A holder of a Non-CREST Application Form who is proposing to deposit the entitlements set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 23 January 2012.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing a Non-CREST Application Form with the CCSS, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Non-CREST Application Form as Entitlements in CREST, is 11.00 a.m. on 1 February 2012 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Entitlements from CREST is 23 January 2012, in either case so as to enable the person acquiring or (as appropriate) holding the Entitlements following the deposit or withdrawal (whether as shown in a Non-CREST Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Entitlements, prior to 11.00 a.m. on 3 February 2012. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw their Entitlements.

Delivery of a Non-CREST Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Non-CREST Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under paragraph headed "Instructions for Depositing Entitlements under the Open Offer into CREST" on page 2 of the Non-CREST Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it is/they are not citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(f) *Validity of application*

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 3 February 2012 will constitute a valid application under the Open Offer.

(g) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in

connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made and settled as stated above by 11.00 a.m. on 3 February 2012. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(h) *Incorrect or incomplete applications*

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Registrar, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question, without payment of interest;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question, without payment of interest; and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question, without payment of interest.

(i) *Effect of valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to the Company, the Receiving Agent and Beaumont Cornish that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrar's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) confirms that in making the application he is not relying on any information or representation in relation to the Group other than those contained in this document or any documents incorporated by reference, and the applicant accordingly agrees that no person responsible solely or jointly for this document including any document incorporated by reference or any part thereof, or involved in the preparation thereof, shall have any liability for any such

information or representation not so contained and further agrees that, having had the opportunity to read this document including any documents incorporated by reference, he will be deemed to have had notice of all the information in relation to the Group contained in this document (including information incorporated by reference);

- (v) confirms that in making the application he is not relying and has not relied on BCL or any other person affiliated with BCL in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (vi) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Group or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Receiving Agent or BCL;
- (vii) represents and warrants to the Company, the Receiving Agent and BCL that he is the Qualifying Shareholder originally entitled to the Entitlements or that he has received such Entitlements by virtue of a *bona fide* market claim;
- (viii) represents and warrants to the Company, the Receiving Agent and BCL that if he has received some or all of his Entitlements from a person other than the Company, he is entitled to apply under the Entitlements in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (ix) requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Memorandum of Association and Articles of Association of the Company;
- (x) represents and warrants to the Company and BCL that he is not, nor is he applying on behalf of any Shareholder who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer; and
- (xi) represents and warrants to the Company and BCL that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

(j) *Company's discretion as to the rejection and validity of applications*

Subject to the provisions of the Underwriting and Sponsorship Agreement, the Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part II (*Terms and conditions of the Open Offer*);
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE Instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrar has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE Instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

5. Money Laundering Regulations

5.1 Holders of Non-CREST Application Forms

To ensure compliance with the Money Laundering Regulations, the Registrar may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Non-CREST Application Form is lodged with payment (which requirements are referred to in this document as the "verification of identity requirements"). If the Non-CREST Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Non-CREST Application Form.

The person lodging the Non-CREST Application Form with payment and in accordance with the other terms as described above ("acceptor"), including any person who appears to the Registrar to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5, the "relevant Open Offer Shares") shall thereby be deemed to agree to provide the Registrar with such information and other evidence as the Registrar may require to satisfy the verification of identity requirements.

If the Registrar determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of a Non-CREST Application Form with the appropriate remittance will constitute a warranty to each of the Receiving Agent, the Company, and Beaumont Cornish from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (no. 91/308/EEC on the prevention of the use of the financial system for the purpose of money laundering); or
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £13,000).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in sterling drawn on a branch in the UK of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to "Computershare Investor Services PLC re: Associated British Engineering plc Open Offer" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only" in each case. Third party cheques may not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers' draft to such effect. However, third party cheques will be subject to the Money Laundering Regulations which would delay Shareholders receiving their Open Offer Shares. The account name should be the same as that shown on the Non-CREST Application Form; or
- (b) if the Non-CREST Application Form is lodged with payment by an agent which is an organisation of the kind referred to in Part II, paragraph 5.1(i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial

Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Non-CREST Application Form, written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at the address set out in the section headed "Directors, company secretary, registered office and advisers".

To confirm the acceptability of any written assurance referred to in Part II, paragraph 5.1(b) above, or in any other case, the acceptor should contact the Registrar on the shareholder helpline on 0870 889 3165 from within the UK, or, if calling from overseas, +44 870 889 3165 (calls to the 0870 number are charged at approximately 8.5 pence per minute plus network extras).

If the Non-CREST Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (approximately £13,000) or more and is/are lodged by hand by the acceptor in person, or if the Non-CREST Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and separate evidence of his address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 20 February 2012, the Registrar has not received evidence satisfactory to it as aforesaid, the Registrar may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

5.2 ***Entitlements in CREST***

If you hold your Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Registrar before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which on its settlement constitutes a valid application as described in this Part II of this prospectus constitutes a warranty and undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, the Registrar may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE Instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6. Overseas Shareholders

This document has been approved by the FSA, being the competent authority in the UK.

The making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in, countries other than the UK may be affected by the law or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 *General*

The distribution of this document and the Non-CREST Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the UK or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the UK may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company or Beaumont Cornish or any other person to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the UK.

Receipt of this document and/or a Non-CREST Application Form and/or a credit of Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

Due to restrictions under the securities laws of the Restricted Jurisdictions and certain commercial considerations, Non-CREST Application Forms will not be sent to, and Entitlements will not be credited to stock accounts in CREST of, Excluded Overseas Shareholders or their agents or intermediaries, except where the Company is satisfied, at its sole and absolute discretion, that such action would not result in the contravention of any registration or other legal requirement in the relevant jurisdiction.

No person receiving a copy of this document and/or a Non-CREST Application Form and/or a credit of Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use any such Non-CREST Application Form and/or credit of Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Non-CREST Application Form and/or credit of Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares under the Open Offer to satisfy himself as to the full observance of the laws of any relevant territory in

connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Beaumont Cornish nor any of their respective representatives is making any representation to any offeree or purchaser of Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or a Non-CREST Application Form and/or a credit of Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or a Non-CREST Application Form and/or a credit of Entitlements to a stock account in CREST is received by any person in any such territory, or by his custodian, agent, nominee or trustee, he must not seek to apply for Open Offer Shares unless the Company and BCL determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or a Non-CREST Application Form and/or transfers Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part II (*Terms and conditions of the Open Offer*) and specifically the contents of this paragraph 6.

Subject to Part II paragraphs 6.2 to 6.8 below, any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares must satisfy himself as to the full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and pay any issue, transfer or other taxes due in such territories.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched by an Excluded Overseas Shareholder or on behalf of such a person by their agent or intermediary or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or, in the case of a credit of Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in a Restricted jurisdiction or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to Part II paragraphs 6.2 to 6.8 below.

Notwithstanding any other provision of this document or the Non-CREST Application Form, the Company reserves the right to permit any Qualifying Shareholder who is an Excluded Overseas Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or bankers' drafts or where such an Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exceptions, Excluded Overseas Shareholders will not qualify to participate in the

Open Offer and will not be sent a Non-CREST Application Form nor will their stock accounts in CREST be credited with Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this document or the Non-CREST Application Forms into any Restricted Jurisdiction. Receipt of this document and/or an Non-CREST Application Form and/or a credit of an Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and in those circumstances, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

6.2 **United States**

Subject to certain exceptions, this document is intended for use only in connection with offers and sales of New Ordinary Shares outside the United States and is not to be sent or given to any person within the United States. The New Ordinary Shares offered hereby are not being registered under the Securities Act, for the purposes of sales outside of the United States.

This document may not be transmitted in or into the United States and may not be used to make offers or sales to US holders of Ordinary Shares.

Subject to certain exceptions, the New Ordinary Shares will be distributed, offered or sold, as the case may be, outside the United States in offshore transactions within the meaning of, and in accordance with, Regulation S under the Securities Act.

Each person to whom the New Ordinary Shares are distributed, offered or sold outside the United States will be deemed by its subscription for, or purchase of, the New Ordinary Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing or purchasing the New Ordinary Shares, as the case may be, that:

- (i) it is acquiring the New Ordinary Shares from the Company in an “offshore transaction” as defined in Regulation S under the Securities Act; and
- (ii) the New Ordinary Shares have not been offered to it by the Company or Beaumont Cornish by means of any “directed selling efforts” as defined in Regulation S under the Securities Act.

Each subscriber or purchaser acknowledges that the Company and Beaumont Cornish will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by its subscription for, or purchase of, the New Ordinary Shares, as the case may be, are no longer accurate, it shall promptly notify the Company and Beaumont Cornish. If such subscriber or purchaser is subscribing for, or purchasing, the New Ordinary Shares as a fiduciary or agent for one or more investor accounts each subscriber or purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

Each subscriber or purchaser acknowledges that it will not resell the New Ordinary Shares absent registration or an available exemption or safeharbour from registration under the Securities Act.

6.3 **Canada**

This document is not, and is not to be construed as, a prospectus, an advertisement or a public offering of these securities in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or the merits of the New Ordinary Shares, and any representation to the contrary is an offence.

In addition, the relevant exemptions are not being obtained from the appropriate provincial authorities in Canada. Accordingly, the New Ordinary Shares are not being offered for purchase by persons resident in Canada or any territory or possessions thereof. Applications from any Canadian Person who appears to be or whom the Company has reason to believe to be so resident or the agent of any person so resident will be deemed to be invalid. Neither this document nor a Non-CREST Application Form will be sent to and no Entitlements will be credited to a stock account in CREST of any shareholder in the Company whose registered address is in Canada. If any Non-CREST Application Form is received by any shareholder in the Company whose registered address is elsewhere but who is, in fact, a Canadian Person or the agent of a Canadian Person so resident, he should not apply under the Open Offer.

For the purposes of this Part II, paragraph 6.3, “**Canadian Person**” means a citizen or resident of Canada, including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of Canada or any political sub-division thereof.

6.4 **Australia**

Neither this document nor the Non-CREST Application Form has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not: (i) directly or indirectly offer for subscription or purchase or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale, in Australia or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia). Accordingly, neither this document nor any Non-CREST Application Form will be issued to, and no Entitlements will be credited to a CREST stock account of, shareholders in the Company with registered addresses in, or to residents of, Australia.

6.5 **Other Restricted Jurisdictions**

The New Ordinary Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer of New Ordinary Shares is being made by virtue of this document or the Non-CREST Application Forms into any Restricted Jurisdiction.

6.6 **Other overseas territories**

Non-CREST Application Forms will be sent to Qualifying Non-CREST Shareholders and Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the Restricted Jurisdictions

may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Non-CREST Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

6.7 **Representations and warranties relating to Overseas Shareholders**

(a) *Qualifying Non-CREST Shareholders*

Any person completing and returning a Non-CREST Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, Beaumont Cornish and the Registrar that, except where proof has been provided to the Company's satisfaction that such person's use of the Non-CREST Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares or to use the Non-CREST Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Registrar may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in a Non-CREST Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the representation and warranty required by this sub-paragraph (a).

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part II (*Terms and conditions of the Open Offer*) represents and warrants to the Company and Beaumont Cornish that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither it nor its client is within any Restricted Jurisdiction; (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) it is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither it nor its client is acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories.

6.8 **Waiver**

The provisions of this Part II paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, in its absolute discretion. Subject to

this, the provisions of this Part II paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this Part II paragraph 6 to Shareholders shall include references to the person or persons executing a Non-CREST Application Form and, in the event of more than one person executing a Non-CREST Application Form, the provisions of this Part II paragraph 6 shall apply to them jointly and to each of them.

7. Withdrawal rights

Persons wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member. The notice of withdrawal must be deposited by hand (during normal business hours only) to the Registrar (please call the Registrar on the shareholder helpline on 0870 889 3165, or, if calling from overseas, +44 870 889 3165 for further details) so as to be received within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with the Registrar after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares applied for in full and the allotment of such Open Offer Shares to such person becoming unconditional save to the extent required by statute. In such event, Shareholders are advised to seek independent legal advice.

In this regard, reference is also made to paragraph 9 of this Part II (*Terms and conditions of the Open Offer*).

8. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 4 February 2012. Applications will be made to the UK Listing Authority for the Open Offer Shares to be listed on the Official List and to the London Stock Exchange for the Open Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. on 24 February 2012.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Entitlements held in CREST are expected to be disabled in all respects on 2 February 2012 (being the latest practicable date for applications under the Open Offer). If the conditions to the Open Offer described in this Part II above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 24 February 2012, the Registrar will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be on 24 February 2012). The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE Instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders a Non-CREST Application Form instead of crediting the relevant stock account with Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any

interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using a Non-CREST Application Form, share certificates in respect of the New Ordinary Shares validly applied for are expected to be despatched within 7 days of Admission. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the UK share register of the Company. All documents or remittances sent by, to, from or on behalf of applicants, or as they may direct, will be sent through the post entirely at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 4.1 of this Part II (*Terms and conditions of the Open Offer*), and the Non-CREST Application Form.

9. Times and dates

The Company shall, in its discretion, and after consultation with its financial and legal advisers, be entitled to amend the dates on which Non-CREST Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the FSA, and make an announcement on a Regulatory Information Service approved by the FSA and, if appropriate, by Shareholders but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is published by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is at least three Business Days after the date of publication of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

10. Taxation

Certain statements regarding UK taxation in respect of the New Ordinary Shares and the Open Offer are set out in paragraph 17 in Part VIII (*Additional Information*) of this document. Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the UK, should immediately consult a suitable professional adviser.

11. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document, the Non-CREST Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Non-CREST Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Non-CREST Application Form. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, where applicable, the Non-CREST Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such Court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

12. Further information

Your attention is drawn to the further information set out in this document and also to the terms, conditions and other information printed on any Non-CREST Application Form.

PART III

TERMS AND CONDITIONS OF THE LOAN NOTES

Under an instrument dated 11 January 2012 (Instrument) the Company has the power to issue the Loan Notes that will be issued with the following conditions:

1. Interpretation

1.1 In this Part III the following expressions have the following meanings:

Articles	the articles of association of the Company from time to time in force.
Business Day	a weekday (other than a Saturday) on which clearing banks are open in London for the transaction of normal business.
CA 2006	Companies Act 2006.
Certificate	a certificate stating the amount of Notes held by any Noteholder at any time.
Change of Control	either a takeover offer for the Company becoming unconditional in all respects or the completion of a takeover scheme of arrangement for the Company under part 26 CA 2006 or the completion of a merger under part 27 CA 2006.
Interest Payment Date(s)	31 March and 30 September in each year.
Interest Payment Rights	the rights to receive interest in accordance with paragraph 4.
Interest Rate	6 (six) per cent. per annum, subject to variation in accordance with paragraph 4.3.
Noteholder Majority	Noteholders who together hold more than 50 per cent. of the Notes.
Noteholders	the several persons for the time being entered in the Register hereinafter mentioned as the holders of the Notes.
Principal Sum	up to £555,000.
Subsidiary	any subsidiary of the Company from time to time as defined in section 1159 CA 2006.

1.2 Words denoting the singular shall include the plural, a reference to any gender shall include any other gender and references to persons include bodies corporate.

2. Principal amount and ranking

2.1 The total principal amount of the Notes to be issued under the Instrument is limited to the Principal Sum.

2.2 The whole of the Notes as and when issued shall rank as an unsecured obligation of the Company.

3. Entitlement to Certificate

Every Noteholder will be entitled to a Certificate sealed or executed as a deed by the Company stating the amount of the Notes held by it. Joint holders of Notes shall be entitled only to one Certificate in respect of the Notes held by them jointly, which will be delivered to that one of the joint holders who is first named on the Register or to such other person as the joint holders may in writing direct.

4. Interest and redemption

- 4.1 Interest shall be payable from the date of issue of the relevant Notes to the date of redemption on the principal amount of the Notes from time to time at the Interest Rate in arrears and subject to paragraph 4.2, on each of the Interest Payment Dates. Interest shall accrue on a daily basis and shall be rolled up on each Interest Payment Date.
- 4.2 As and when the Notes or any part of them are due to be redeemed in accordance with the provisions of this instrument, the Company shall pay to the Noteholders the full nominal amount of the Notes held by them respectively which is due to be redeemed together with all interest accrued on them up to and including the date of redemption but which has not already been paid.
- 4.3 If the Company fails to pay any sum (whether principal and/or interest) due under this instrument within five Business Days of the due date for payment, the Noteholders shall be entitled to interest on the overdue amount at a rate of two per cent. per annum above the Interest Rate, compounded on the last day of each quarter and calculated on a daily basis from the due date for payment until and including the date of receipt both before and after judgment.
- 4.4 Subject to paragraphs 5 and 7, the Notes shall be redeemed (and paid together with interest calculated in accordance with paragraphs 4.1, 4.2 and 4.3, as applicable) on the earlier of:
- 4.4.1 the third anniversary of the date of issue of the Notes; or
 - 4.4.2 a Change of Control.

5. Early repayment

- 5.1 The Company may at any time redeem the whole or any part of the Loan Notes in cash.
- 5.2 The Loan Notes then in issue shall be immediately redeemed in the principal amount, together with interest accrued, if:
- 5.2.1 the Company fails to pay any amount due to any of the Noteholders in respect of the Loan Notes on the due date for payment other than where:
 - 5.2.1.1 such failure to pay is caused by administrative or technical error; and
 - 5.2.1.2 payment is made within five Business Days of the receipt by the Company of a request to pay such amounts from a Noteholder following the due date;
 - 5.2.2 an administration order is made in relation to the Company or any Subsidiary; or
 - 5.2.3 an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of the Company or any Subsidiary (except for the purpose of reorganisation or amalgamation approved by Noteholders); or
 - 5.2.4 an encumbrancer takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of the Company or any Subsidiary or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of the Company or any Subsidiary and is not discharged, paid out, withdrawn or removed within two Business Days; or
 - 5.2.5 the Company or any Subsidiary stops (or threatens to stop) payment of its debts generally; or
 - 5.2.6 the Company or any Subsidiary is deemed for the purposes of section 123 Insolvency Act 1986 to be unable to pay its debts or compounds or proposes or enters into any reorganisation or special arrangement with its creditors generally.

6. Note Certificates on redemption

On any redemption, the Noteholders shall deliver to the Company the relevant Note Certificates (or an indemnity in a form satisfactory to the Company) and:

- 6.1 on a total redemption the Company shall cancel the Certificate; or
- 6.2 on a partial redemption the Company shall cancel the Certificate and issue to the Noteholders a new Certificate for the balance held.

7. Partial redemption

If the Company is unable to redeem the whole of the Loan Notes, then the amount of Loan Notes of each of the Noteholders to be redeemed shall be calculated as nearly as may be according to their respective holdings of the Loan Notes or as otherwise agreed by all the Noteholders.

8. Winding up

In the event of the winding up of the Company (whether compulsory or voluntary or subject to the supervision of the Court) the Noteholders shall be entitled to prove in the liquidation as unsecured creditors for the principal, premium and interest outstanding and owing on or in respect of the Loan Notes together with any related costs, charges, expenses and liabilities incurred by the Noteholders.

9. Loan Notes register

9.1 A Register of the Loan Notes will be kept by the Company at its registered office or some other place in England as shall have been notified to the Noteholders in one or more books and there shall be entered in such Register:

- 9.1.1 the names and addresses of the holders for the time being of the Loan Notes;
- 9.1.2 the date of issue of the Loan Notes to every registered holder; and
- 9.1.3 the amount of the Loan Notes held by every registered holder from time to time.

9.2 The Noteholders or any of them and any person authorised in writing by any of them shall be at liberty at all reasonable times during office hours to inspect the Register and to take copies of the Register.

10. Trusts not recognised

The Company will recognise the registered holder of any Loan Notes as the absolute owner of the Loan Notes and will not be bound to take notice of or to see the execution of any trust whether express implied or constructive to which any Loan Notes may be subject and the receipt of such holder (or in the case of joint holders of any of such holders) for the interest on or for the money payable upon the redemption of the same shall be a good discharge to the Company notwithstanding any notice it may have whether express or otherwise of the right, title, interest or claim of any other person to or in such Loan Notes, interest or money. No notice of any trust (express, implied or constructive) shall, except as by Statute provided or as required by an Order of a Court of a competent jurisdiction, be entered on the Register in respect of any Loan Notes.

11. Loan Notes free from equitable interests

Every Noteholder will be recognised by the Company as entitled to his Loan Notes free from any equitable interests, set off or counter-claim on the part of the Company.

12. Payment of principal or interest

- 12.1 If any payment under this instrument is due on a day which is not a Business Day, it shall be paid on the next following Business Day.
- 12.2 Interest or other monies payable in respect of the Loan Notes shall be paid by cheque or by telegraphic transfer to such account as the Noteholder or person entitled to it shall specify (or, in the case of joint holders, the holder who is first named on the Register) for the amount due.
- 12.3 All payments to be made by the Company to the Noteholders shall, except as may be required by law, be free and clear of and without deduction for any taxes, levies, duties, charges, fees, deductions, withholdings, restrictions or conditions of any description.
- 12.4 If the Company makes any payment in respect of which it is required by law to make any deduction for tax, it shall pay the full amount of the same to the relevant taxation authority within the time allowed for payment and shall deliver to the relevant Noteholder(s) at the time of the payment, a certificate of the amount of tax deducted.

13. Death of one of joint noteholders

In case of death of any of the joint holders of Loan Notes the survivor(s) will be the only person(s) recognised by the Company as having title to or interest in such Loan Notes.

14. Transfer in common form

Every holder of the Loan Notes will be entitled to transfer all or any part (being an amount or multiple of £1.00 (one pound) by an instrument in writing in the usual common form. There shall not be included in any instrument of transfer any Loan Notes other than Loan Notes constituted by this instrument.

15. Completion of transfer

Every such instrument of transfer shall be signed by the transferor who shall be deemed to remain the owner of such Loan Notes until the name of the transferee is entered in the Register in respect thereof. The instrument need not be a deed.

16. Registration

Every instrument of transfer must be sent to the registered office for the time being of the Company together with the Certificate of the Loan Notes to be transferred and such other evidence (if any) as the Directors may reasonably require to prove the transferor's right to transfer the Loan Notes. No fee shall be payable for the registration of any transfer or other document relating to title to the Loan Notes. All instruments of transfer which shall be registered may be retained by the Company.

17. Transmission

Any person becoming entitled to any Loan Notes in consequence of the death or bankruptcy of any holder of such Loan Notes may upon producing such evidence of his title as the Directors shall reasonably think sufficient be registered himself as the holder of such Loan Notes or, subject to the preceding provisions as to transfer, may transfer such Loan Notes.

18. Lost Certificate

If any Certificate be worn out or defaced then upon production thereof to the Directors they may cancel the same and issue a new Certificate in lieu thereof and if any such Certificate be lost or destroyed then upon proof thereof to the reasonable satisfaction of the Directors and on such indemnity as the Directors may reasonably require being given a new Certificate in lieu thereof may be given to the person entitled to such lost or destroyed Certificate. An entry as to the issue

of the new Certificate and indemnity (if any) shall be made in the Register. No charge shall be made for the issue of any new Certificate.

19. Power of Noteholders' meeting

19.1 The Company may at any time and shall (on receipt of a written request from the holder(s) of not less than 15 per cent. of the Loan Notes) convene a meeting of the Noteholders to be held at such place as the Company and such holders shall agree (or, in default, as such holders shall determine) by giving to the holders not less than 14 days' notice (or such lesser notice as may be agreed by the holders of not less than 50 per cent. of the Loan Notes) and such meeting will have power by a resolution passed by the holder(s) of not less than 50 per cent. of the Loan Notes voting at that meeting upon a poll whether in person or by proxy:

19.1.1 to sanction any modification or compromise or any arrangement in respect of the rights of the Noteholders against the Company or against its property;

19.1.2 to assent to any modification of the provisions of the Instrument;

19.1.3 to give any sanction, direction or request which under any of the provisions of these Conditions contained is required to be given by a Noteholder Majority; and

19.1.4 to appoint any persons (whether Noteholders or not) as a committee to represent the interests of the Noteholders and to confer upon such committee any powers or discretions which the Noteholders could themselves exercise by a Noteholder Majority.

19.2 No resolution shall be effective which would increase or accelerate the payment of any amount under this instrument without the consent of the Company.

19.3 A resolution signed by a Noteholder Majority shall be valid and effective as if it had been passed at a meeting of the Noteholders duly convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Noteholders.

20. Regulations as to meetings

Any meeting of the Noteholders shall (subject to these conditions) be convened conducted and held in all respects as nearly as possible in the same way as shall be provided by the Articles with regard to General Meetings of the Company including, without prejudice to the generality of the foregoing, the right to appoint any person (whether or not a Noteholder) to be his proxy. Provided that no Member of the Company not being a Director shall be entitled to receive notice of or to attend at the meeting unless he be a Noteholder and that the quorum at any such meeting shall be three or more persons holding or representing by proxy 25 per cent. of the Loan Notes for the time being outstanding and each £1.00 (one pound) of Loan Notes held shall confer one vote.

21. Adjournment of meetings

If within a quarter of an hour from the time appointed for any meeting a quorum is not present the meeting shall stand adjourned to such day (not being less than 14 or more than 28 days after the date of the meeting from which such adjournment takes place) and at a time and place as the Chairman of the Meeting may determine and at the adjourned meeting the Noteholders present in person or by proxy shall form a quorum. Notice of such an adjourned meeting shall be given in like manner as for the original meeting and such notice shall state that the Noteholders present at such meeting whether in person or by proxy whatever their number or the Loan Notes held or represented by them will constitute a quorum for all purposes.

PART IV

DIRECTORS AND CORPORATE GOVERNANCE

1. Directors and Senior Management

The Board comprises four directors:

David Brown (58) became a non-executive director on 22 March 2000 and became chairman on 11 November 2002. He is a consultant to a major industrial group in Ukraine, working on mergers and acquisitions and financing transactions. He is also managing director of Sabre Development Management Limited, carrying out real estate development and financing focused on Russia. He has previously been a company secretary and director of two fully listed companies and general counsel on the Canary Wharf Development. He is a non-practising qualified solicitor.

Stephen Cockburn (72) has been a non-executive director since 1979. He has been a non-executive director of AIM-listed Fiske plc since September 1999 and he is managing director of The Investment Company plc.

Colin Weinberg (62) became a non-executive director on 10 November 2003. He was a member of the London Stock Exchange from 1980 to 1987 and was admitted to fellowship of the Securities Institute in 1995. He was previously a non-executive director of Peckham Building Society, and currently works for a major industrial group in Ukraine, working as advisor on mergers and acquisitions and financing transactions.

Andrew Beaumont (52) was appointed a non-executive director on 21 December 2011. He is a director of Aldbury Associates Limited, a business which provides company secretarial services. His past experience includes having been a director of Independent Registrars Group Limited (IRG), and working in Russia for part of the Overseas Aid Development Agency as a British consultant to the governing body for regulating Registrars (PARTAD).

The Board retains full responsibility for the direction and control of the Group and has a formal schedule of matters in respect of which decisions are reserved to it, covering key areas including strategy formulation, acquisitions or disposals, approval of the budget for its operating subsidiary, financial results, board appointments and proposals for dividend payments.

In common with other organisations of a similar size, the Directors review all the transactions and activities of the business. The Board of Directors is responsible for formulating strategy and monitoring financial performance. The Directors are in frequent contact throughout the year in connection with the Group's business, meet as required and also attend formal Board meetings. The strategies proposed by management of BPE are fully discussed, critically examined against the best and long term interests of not only the shareholders, but also employees, customers, suppliers and various communities within which the Group operates. Senior managers of BPE are invited to attend board meetings of ABE in a non-voting, observer capacity from time to time.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. There is also a formal agreed procedure for Directors in the furtherance of their duties to take independent professional advice as necessary at the Company's expense.

The business address of each of the Directors is 9 High Street, Little Eversden, Cambridge CB23 1HE.

The Board is supported by a senior management team which includes the following individuals:

Stewart Davis (64), managing director of BPE. Stewart has worked for BPE for 49 years, and is qualified as a mechanical engineer. As Sales Director from 1985 he was responsible for negotiating major naval contracts with international governments for the supply of spare parts and

technical support for vessels supplied by the Ministry of Defence. He was appointed Managing Director in 2007.

Rupert Pearce Gould (60), chairman of BPE. Rupert is a chartered accountant and has served as an executive director and chairman in both the public and private sector. He has been chairman of BPE since 2000.

2. Compensation

In the financial year ended 30 March 2011, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to each of the Directors, Senior Managers (then in office) of the Company by members of the Group was £164,913. This remuneration was paid as follows:

<i>Name</i>	<i>Fee/basic salary</i>	<i>Bonus</i>	<i>Pension and other Compensation Benefits Contribution</i>	<i>for loss of office</i>	<i>Total</i>
David Brown (Director)	£15,000	Nil	Nil	Nil	£15,000
Stephen Cockburn	£10,000	Nil	Nil	Nil	£10,000
Colin Weinberg	£10,000	Nil	Nil	Nil	£10,000
Andrew Beaumont	Nil	Nil	Nil	Nil	Nil
Rupert Pearce-Gould	£15,000	Nil	Nil	Nil	£15,000
Stewart Davis	£70,930	£18,598	£25,385	Nil	£114,913

3. Corporate Governance

The Company is required to comply with the UK Corporate Governance Code or explain where it does not. Accordingly set out below are details of the Company's corporate governance arrangements, including a statement as to how the Company applies the principles of Section 1 of the UK Corporate Governance Code together with a statement regarding its compliance with specific provisions. Whilst welcoming the principles contained within the Code, the Board considers that it should be recognised that what may be appropriate for a large company may not necessarily be so appropriate for a smaller company and the Company's current circumstances. As a result, the Company is not in compliance with the following provisions set out in the UK Corporate Governance Code:

- The division of responsibilities between the roles of chairman and chief executive have not been clearly established, set out in writing and agreed by the Board. This is contrary to provision A.2.1;
- The Board has not undertaken a formal and rigorous annual evaluation of its own performance and the individual Directors. This is contrary to provision A.6.1;
- There is no formal training programme for new Directors on joining the Board. This is contrary to provision A.5.1;
- The non-executive directors of the Company have not been appointed for specific terms as required by provision A.7.2;
- There is no formal performance evaluation or election process for the appointment of Non-Executive Directors. This is contrary to provision A.7.2; and
- The Company does not have a Nomination Committee, this is contrary to provisions A.4.1 – A.4.3.

4. Nomination

Appointment to Executive Director would be fully discussed by the Chairman and the two Non-Executive Directors. Potential new Non-Executive Directors are proposed by all the members of the Board in the light of the Company's business requirements and the need to have a balanced Board. Possible candidates are discussed amongst all Directors before any approach is made to them.

5. Audit

The Company's audit committee will be comprised of Mr. Andrew Beaumont (Chairman) and Mr. Colin Weinberg . The audit committee is to meet at least twice a year to consider the integrity of the financial statements of the Company, including its annual and interim accounts; the effectiveness of the Company's internal controls and risk management systems; auditor reports; and terms of appointment and remuneration of the auditor.

6. Remuneration

The Company's remuneration committee will comprise Mr. Andrew Beaumont (Chairman) and Mr. Stephen Cockburn. The remuneration committee is to meet at least twice a year and has as its remit the determination and review of, amongst others, the remuneration of executive directors and any share incentive plans adopted, or be adopted, by the Company.

PART V

BUSINESS OVERVIEW, OPERATING AND FINANCIAL REVIEW AND LIQUIDITY AND CAPITAL RESOURCES

1. Financial Information

The selected financial information discussed in this Operating and Financial Review has been extracted without material adjustment from the audited consolidated financial information of ABE for the three years ended 31 March 2009, 31 March 2010 and 31 March 2011, and the unaudited interim financial statements for the 6 month period to 30 September 2011 prepared in accordance with IFRS.

Investors should read the whole of this document and the documents incorporated by reference and should not just rely on the summary operating and financial information set out in this Part V. For the convenience of the reader, financial amounts have been rounded, and as a result of such rounding adjustments, figures shown as totals and period changes presented in percentages in the discussion and analysis may not be exact arithmetic aggregations of the figures shown in the tables.

The Annual Reports of ABE for the financial years ended 31 March 2009, 31 March 2010 and 31 March 2011 and for the 6 month period ended 30 September 2011 are incorporated by reference to the extent set out in Part VI of this document. These documents are available at the registered office of ABE at 15 Fulwood Place, London WC1V 6AY. In addition, the Annual Reports for the financial years ended 31 March 2009, 31 March 2010, 31 March 2011 and for the 6 month period ended 30 September 2011 are available online and may be accessed through ABE's website (www.abepc.co.uk).

2. Business Overview

ABE

ABE is a holding company and does not therefore have any trading or operational activities. Its only operating subsidiary is BPE. The Board consists of 3 non-executive Directors and one new independent non-executive Director. The Board has kept central costs to a minimum. The Directors receive a total of £45,000 of fees between them. ABE also employs one other person on a part time basis, who manages the day to day obligations arising under the Listing Rules and serves as Chairman of the Pension Trustees.

Over the past 5 financial years, the principal focus of the Board has been to resolve numerous issues concerning the group pension fund. The result of this work has been that the fund, which had previously been collective, has now been segregated, with some sections being put into wind up, ABE itself no longer having any financial liability to the remaining sections other than BPE, and BPE being responsible for its own section of the fund. The pension fund is discussed in more detail below.

The Board has also worked on how to improve ABE's capital structure and to resolve the issues of the unpaid preference share dividends, and the relatively high cost of these accumulating unpaid dividends. The Open Offer is designed to achieve this such that the Company can consider potential transactions in a more efficient way.

BPE

Business Profile

The principal activities of BPE are:

- the manufacture and supply of diesel engines, principally the "Polar" and "Kelvin" engine, and industrial generating sets; and

- associated spare parts and repair work with in-house testing facilities for engines from 20HP to 2,500 HP and generating sets up to 2 megawatts.

BPE has a wide geographical spread of business areas, and the turnover in these sectors can vary significantly from year to year as the relevant markets can change very quickly and unpredictably. In particular, revenues can rise and fall with the volatility of the oil sector.

In the last 3 financial years, the turnover has been relatively stable, but this cannot be relied upon.

The principal matters that can affect overall trading are:

- The oil and gas exploration and extraction industry.
- Government spending budgets.
- The shipping industry.
- Demand for diesel generators.

Pension Fund

As mentioned above, ABE has settled its pension issues such that BPE is now solely responsible for its own section of the pension fund. The financial impact of this is governed by factors set out in each triennial valuation of the scheme – the last of which took place at 31 March 2010.

BPE is responsible for 8 active members, 36 deferred members and 48 pensioners.

3. Factors affecting Financial Results

BPE

The geographical spread of the business covers the following areas, and shows the turnover for the last 3 financial years to 31 March 2011 and period to 30 September 2011:

	<i>30 September</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2011</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
United Kingdom	785	1,719	1,172	1,685
Europe	628	1,484	1,266	1,234
Far East and Australasia	231	480	649	35
Africa	61	150	101	393
North and South America	119	191	78	63
Middle East	–	39	74	160
Russia	–	39	26	27
Total	<u>1,824</u>	<u>4,102</u>	<u>3,366</u>	<u>3,597</u>

It can be seen that the turnover in the two biggest markets, the UK and Europe, is reasonably stable and that most of the unpredictability is focused upon the rest of the world.

The principal customers are offshore oil and gas industry support and supply companies. The remaining customers outside the UK are from the fishing industry and from government owned vessels.

BPE has a strong market in both fitting and repairing marine diesel engines and sends teams of engineers to a variety of countries every year to carry out this work.

Within the UK, other than the oil and gas industry and the fishing industry, the customers acquire or need repair and maintenance to diesel generators.

BPE has one substantial overall competitor, Wartsila of Finland. This company competes strongly in a large part of BPE's markets and segments with the exception of the diesel generator market.

There is rarely any discernable seasonable variation in the BPE business.

Naturally, BPE and its customers can always be adversely impacted by the UK and world economic and financial situation.

4. Discussion on financial results taken from the last 3 years' audited accounts and the unaudited interim financial statements for the 6 month period to 30 September 2011

Revenue rose by 14 per cent. between 31 March 2009 and 31 March 2010, with a small decline in the period to 31 March 2011. This impacted on the operating profit which decreased from £670,000 in 2009 to £649,000 in 2010 and increased to £842,000 in 2011. This reflects the cyclical nature of the Group's business, the volatile nature of the oil market and the recent world economic turmoil.

The overall operating profit margin has increased from 18.6 per cent. during the year to 31 March 2009 to 19.3 per cent. during the year to 31 March 2010 and to 20.5 per cent. during the year to 31 March 2011 although an operating loss of 10 per cent. arose in the six months to 30 September 2011, predominantly as a result of a one off pension contribution of £250,000.

Between the years ended 31 March 2009 and 31 March 2010 there was a small increase in finance expenses from £191,000 to £200,000 and a further but larger increase to £641,000 during the year ended 31 March 2011. The increase during year end 31 March 2010 was due to a rise in the net pension interest cost and, whilst there was a fall in the net pension interest cost during the year ended 31 March 2011, overall finance expenses increased that year due to the recognition of Preference Shares and the related dividend arrears finance charge which amounted to £467,000. In previous years, the Preference Shares and dividend arrears had been valued at nil, in line with International Financial Reporting Standards. The continued improvement in the Group's results led to a re-measurement of these liabilities during the year ended 31 March 2011, resulting in the charge of £467,000 referred to above.

Finance income decreased from £70,000 during the year ended 31 March 2009 to £22,000 in the year ended 31 March 2010 and increased slightly to £25,000 during year ended 31 March 2011. Finance income fluctuates in line with the level of cash deposits and prevailing interest rates.

The profit before tax decreased from £549,000, during the year ended 31 March 2009 to £471,000 in year ended 31 March 2010 and to £226,000 during the year to 31 March 2011. This fall in 2011 is predominately due to the Preference Shares charge of £467,000 referred to above.

Profit after tax decreased from £509,000 during year ended 31 March 2009 to £494,000 in 2010 and to nil during year ended 31 March 2011.

Total asset values increased from £4.7 million at 31 March 2009 to £5.2 million at 31 March 2010, £6.1 million at 31 March 2011 but decreased to £5.8 million at 30 September 2011, giving an overall increase of over 23 per cent. since 2009.

The level of non-current assets fell from 2009 to 2011; inventory levels have fluctuated only slightly, whilst trade and other receivables have risen year on year and held for trading investment values fluctuated in line with market conditions.

Cash and cash equivalents increased from £2.5 million at 31 March 2009 to £2.9 million at 31 March 2010, £3.9 million at 31 March 2011 and to nearly £4 million at 30 September 2011. This is a 60 per cent. increase over the period and is largely attributable to an increase in cash generated from operations.

Non-current liabilities increased from £1.4 million at 31 March 2009 to 2.2 million at 31 March 2010 with a further increase to £2.3 million at 31 March 2011, and a small increase at 30 September 2011. The rise during 2010 was down to an increase in the BPE pension scheme obligation and whilst the pension scheme liability decreased in 2011, the overall non-current liability balance

increased as a result of recognising the Preference Share charge of £467,000. The movement at 30 September 2011 related to a small increase in the Preference Share liability to £476,000.

Current liabilities increased from £618,000 at 31 March 2009 to £634,000 at 31 March 2010 due to a rise in trade and other payables, rising to £1.1 million at 31 March 2011 due to a further increase in trade and other payables and current tax liability on 2011 taxable profits, reducing to £899,000 at 30 September 2011 due to a fall in trade and other payables.

5. Liquidity and capital resources

The group continues to be self funded and does not rely on any external sources of funding. Shareholders' equity decreased from £2.7 million at 31 March 2009 to 2.4 million at 31 March 2010, rose to £2.8 million at 31 March 2011 and then decreased to £2.6 million at 30 September 2011.

Shareholders' equity at 30 September 2011 consisted of £2.6 million of ordinary share capital, £5 million of share premium, £11,000 of other reserves and a retained earnings deficit of £5.1 million (31 March 2011: 4.9 million, 31 March 2010: £5.3 million, 31 March 2009: £5 million).

The Group was also funded by £555,000 7 per cent. cumulative preference capital and £157,000 8 per cent. cumulative redeemable preference share capital which, in line with International Financial reporting Standards, are classed as financial liabilities.

The group does not rely on any bank borrowings. Currently, the Group has no borrowings.

As described above, the Open Offer is designed to resolve the issues of the unpaid Preference Share dividends.

Cash flow

Sources of income for the Group are from the manufacture and supply of diesel engines and associated spare parts and repair work.

Cash flow payments consist of materials, labour, rent, pension and administration costs.

The table below details the Group's cash flows and liquidity ratios for the periods indicated as extracted without material adjustment from its audited consolidated financial statements and latest available unaudited interim financial statements.

	<i>30 September</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2011</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net cash from operating activities	47	1,051	448	119
Net cash used in investing activities	(11)	(20)	(38)	(18)
Net cash used in financing activities	–	(1)	(1)	(1)
Increase in cash and cash equivalents	36	1,030	409	100
Cash and cash equivalents at end of period	3,981	3,945	2,915	2,506
Current ratio	6.3	5.7	8	7.3
Quick ratio	5.1	4.5	5.8	5

There is little impact from trading seasonality on the Group. Cash flow movements in respect of payments are managed in such a way that they are evenly spread throughout the year, though there are cash demand peaks in December in relation to corporation tax payments and also if one off payments are made into the BPE pension scheme.

Contractual obligations and commercial commitments

The Group's leasing arrangements relate to the leasing of premises (included under the "Land & buildings" heading), motor vehicles and plant & equipment (included under the "Other" Tangible Fixed Assets heading).

The table below sets out all future commitments under non-cancellable operating leases of the group as at 31 March 2011, 31 March 2010 and 31 March 2009.

	<i>Land & buildings</i>		
	<i>31 March 2011 £000</i>	<i>31 March 2010 £000</i>	<i>31 March 2009 £000</i>
Within one year	–	16	16
Between two and five years inclusive	–	16	32
After more than five years	–	–	–
Total	–	32	48
		<i>Other</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	14	20	23
Between two and five years inclusive	21	15	19
After more than five years	–	–	–
Total	35	35	42

6. Capitalisation and indebtedness

The following table shows the capitalisation of the Group as at 30 November 2011 and has been extracted without material adjustment from the unaudited management accounts of the Group:

	<i>As at 30 November 2011 £'000s</i>
Total current debt	
– Guaranteed	–
– Secured	–
– Unguaranteed/unsecured	–
Total non current debt	
– Guaranteed	–
– Secured	–
– Unguaranteed/unsecured	–
Total debt	–
Shareholder's equity	
Issued capital	2,627
Share premium	5,038
Reserves	11
Retained losses	(5,072)
Total shareholder's equity	(2,604)
Total capitalisation	(2,604)

The following table sets out the Group's net indebtedness as at 30 November 2011 and has been extracted without adjustment from the unaudited management accounts of the Group.

	<i>As at 30 November 2011 £'000s</i>
Cash	(4,220)
Cash equivalent	–
Trading securities	–
Liquidity	<u>(4,220)</u>
Current financial receivable	–
Current bank debt	–
Current portion of non current debt	–
Other current financial debt	–
Current financial debt	<u>–</u>
Net current financial indebtedness	<u>(4,220)</u>
Non-current bank loans	–
Bonds issued	–
Other non-current loans	–
Non-current financial indebtedness	<u>–</u>
Net financial indebtedness	<u><u>(4,220)</u></u>

PART VI

HISTORICAL FINANCIAL INFORMATION RELATING TO ABE

The table set out below in this Part VI sets out the various sections of the documents which are incorporated by reference into this document, so as to provide the information required pursuant to paragraphs 19, 20.1, 20.3, 20.4, 20.5 and 20.6 of Annex I to Appendix 3 to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the Ordinary Shares, is necessary to enable the Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the Ordinary Shares:

<i>Document</i>	<i>Section</i>	<i>Page number in reference document</i>
2009 ABE Annual Report and Accounts dated 31 March 2009 (audited)	Group balance sheet	15
	Group income statement	14
	Group statement of recognised income and expense	14
	Group cash flow statement	16
	Group accounting policies	9
	Notes to the group financial statements	17
	2009 independent auditor's report – Group	7
	Remuneration report	44
2010 ABE Annual Report and Accounts dated 31 March 2010 (audited)	Group balance sheet	15
	Group income statement	14
	Group statement of comprehensive income	14
	Group statement of changes in equity	16
	Group cash flow statement	17
	Group accounting policies	8
	Notes to the group financial statements	18
	2010 independent auditor's report – Group Remuneration report	7 45
2011 ABE Annual Report and Accounts dated 31 March 2011 (audited)	Group balance sheet	15
	Group income statement	14
	Group statement of comprehensive income	14
	Group statement of changes in equity	16
	Group cash flow statement	17
	Group accounting policies	8
	Notes to the group financial statements	18
	2010 independent auditor's report – Group Remuneration report	7 46
2011 ABE interim statement for the six months to 30 September 2011 (unaudited)	Group balance sheet	4
	Group income statement	3

Copies of the documents of which part or all are incorporated in this document are available as provided in paragraph 20 of Part VIII (*Additional Information*) of this document.

In addition, copies of ABE's Annual Report and Accounts for the three years ended 31 March 2009, 31 March 2010 and 31 March 2011, and its interim statement to 30 September 2011 are available on the Company's website (www.abepc.co.uk). Except to the extent expressly set out above in this Part VI, neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this document and investors should not rely on it.

PART VII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

SECTION A: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS ON THE GROUP

The following is the full text of a report on the unaudited pro forma statement of net assets on the Group from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Company.



The Directors
Associated British Engineering plc
9 High Street
Little Eversden
Cambridge
CB23 1HE

11 January 2012

Dear Sirs,

ASSOCIATED BRITISH ENGINEERING PLC (“the Company”)

We report on the unaudited pro forma consolidated statement of net assets (the “Pro Forma”) set out in Section B of this Part VII of the Prospectus dated 11 January 2012 (“Prospectus”) of the Company, which has been prepared on the basis described in notes to Section B, for illustrative purposes only, to provide information about how the fundraising via an open offer, the reorganisation and capital reduction, redemption and cancellation of preference shares and the issue of new shares and loan notes (together “the Transaction”) might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the year ended 31 March 2012. This report has been prepared in accordance with the requirements of paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of Company to prepare the Pro Forma in accordance with paragraph 20.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of Appendix 3.1.1 of the Prospectus Rules, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

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

Opinion

In our opinion:

- (a) the Pro Forma has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of Appendix 3.1.1 of the Prospectus Rules and paragraph 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London, EC4A 4AB

SECTION B: UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF NET ASSETS OF THE GROUP

Set out below is an unaudited pro-forma consolidated statement of net assets of the Group, which has been prepared by the Directors on the basis of the notes set out below.

The unaudited pro-forma consolidated statement of net assets has been prepared to show the effects of the fundraising via an open offer, the reorganisation and capital reduction, redemption and cancellation of preference shares and the issue of new shares and loan notes (together “the Transaction”) on the consolidated net assets of the Group as at 30 September 2011 as if the Transaction had occurred on that date.

It is the sole responsibility of the Directors to prepare the pro-forma statement. The pro-forma statement has been prepared by the Directors for illustrative purposes only and, because it addresses a hypothetical situation, does not represent the Company’s actual consolidated financial position either prior to or following the proposed placing.

	<i>Net assets of the Group as at 30 Sept 2011 (note 1) £'000</i>	<i>Open Offer proceeds (note 2) £'000</i>	<i>Redemption of 8% Preference Shares (note 3) £'000</i>	<i>Cancellation of 7% Preference Shares (note 4) £'000</i>	<i>Pro-forma net assets of the Group £'000</i>
ASSETS					
Non-current assets					
Property, plant and equipment	62	–	–	–	62
Current assets					
Inventories	1,136	–	–	–	1,136
Trade and other receivables	556	–	–	–	556
Held for trading investments	75	–	–	–	75
Cash and cash equivalents	3,981	135	(299)	–	3,817
Total current assets	<u>5,748</u>	<u>135</u>	<u>(299)</u>	<u>–</u>	<u>5,584</u>
TOTAL ASSETS	<u>5,810</u>	<u>135</u>	<u>(299)</u>	<u>–</u>	<u>5,646</u>
LIABILITIES					
Current liabilities					
Trade and other payables	(676)	–	–	–	(676)
Current tax liabilities	(223)	–	–	–	(223)
	<u>(899)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(899)</u>
Non-current liabilities					
Retirement benefit obligations	(1,852)	–	–	–	(1,852)
Cumulative preference shares	(476)	–	104	372	–
Loan notes	–	–	–	(555)	(555)
	<u>(2,328)</u>	<u>–</u>	<u>104</u>	<u>(183)</u>	<u>(2,407)</u>
TOTAL LIABILITIES	<u>(3,227)</u>	<u>–</u>	<u>104</u>	<u>(183)</u>	<u>(3,306)</u>
NET ASSETS	<u>2,583</u>	<u>135</u>	<u>(195)</u>	<u>(183)</u>	<u>2,340</u>

Notes:

1. The net assets of the Group have been extracted, without adjustment, from the unaudited consolidated interim financial information for the six month period ended 30 September 2011.
2. The Underwritten Open Offer is expected to raise a net amount of £134,637 being the gross proceeds of £350,247 less issue costs amounting to £215,610 exclusive of VAT (where applicable).
3. The net proceeds of the Open Offer are to be applied, in part, to the redemption of the 8% Preference Shares with a nominal value of £157,395 and total dividend arrears of £149,865 with the remaining balance to be settled from existing cash resources. As at 30 September 2011 the 8% Preference Shares have an amortised cost of £104,000, in accordance with the Group's accounting policy.
4. Following the cancellation of the 7% Preference Shares, the liability will be settled by the issue of Loan Notes with an aggregate nominal value of £555,000, as detailed in Part III of this Prospectus. The Company will also apply to cancel £462,379 of share premium account and will then issue 385,316 New Ordinary Shares at £1.20 per share to settle dividend arrears on 7% Preference Shares. As at 30 September 2011 the 7% Preference Shares have an amortised cost of £372,000, in accordance with the Group's accounting policy.
5. If the fundraising via the Open Offer, redemption of the 8% Preference Shares, cancellation of the 7% Preference Shares and the Issue of Loan Notes had taken place on 30 September 2011, the reported pre-tax loss of £186,000, for the interim period, would have increased to £564,000, with additional finance costs of £195,000 following the redemption of the 8% Preference Shares and £183,000 following the cancellation of the 7% Preference Shares. The reported basic and diluted loss per share of 14p would increase to 43p. This has been calculated assuming all issue costs relating to the transaction are deducted from the share premium account.

PART VIII

ADDITIONAL INFORMATION

1. Responsibility

The Company and each of the Directors whose names appear on page 14 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. The Company

- 2.1 The Company's legal and commercial name is Associated British Engineering plc.
- 2.2 The Company was incorporated in England and Wales on 7 July 1910 under the name Petters Limited with registered number 00110663 as a private limited company under the Companies (Consolidation) Act 1908. On 2 January 1939 the Company changed its name to Associated British Engineering Limited and on 15 March 1982 the Company re-registered as a public limited company. The domicile of the Company is the United Kingdom.
- 2.3 The principal legislation under which the Company operates is the Companies Act. The liability of the members is limited.
- 2.4 The Company's registered office is at 15 Fulwood Place, London WC1V 6AY and its principal place of business is at 133 Helen Street, Govan, Glasgow GS1 3HD, Scotland and the telephone number is +44 (0) 141 445 2455.
- 2.5 On 5 November 1937, the Ordinary Shares were listed on the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange.
- 2.6 The Company is the ultimate holding company of the following subsidiary companies which are financed from the Company's internal resources:

<i>Name</i>	<i>Registered Office</i>	<i>Country of Incorporation</i>	<i>Nature of Business</i>	<i>Percentage of issued share capital held by the Company or another member of the Group</i>
Aspley Investments Limited	15 Fulwood Place London WC1V 6AY	England	Dormant	100%
British Polar Engines Limited	133 Helen Street, Govan, Glasgow GS1 3HD	Scotland	Engineering	100%
Danway Limited	PO Box 309, Uglan House, South Church Street, George Town, Grand Cayman KY1-1104 Cayman Islands	Cayman Islands	Dormant	100%
Hirst & Mallinson Limited	15 Fulwood Place London WC1V 6AY	England	Dormant	100%

The principal activity of the Company is a holding company. The principal activity of BPE is diesel and related engineering. There are no exceptional factors that have influenced the Group's activities in the period covered by the financial information set out in Part VI of this Document.

3. Share capital

- 3.1 The Company was incorporated on 7 July 1910 with an authorised share capital of £150,000 comprising 75,000 ordinary shares of £1 each and 75,000 preferred shares of £1 each.
- 3.2 As at the date of this document, the Company's issued share capital (all of which is fully paid) comprises 1,313,427 Ordinary Shares of £2 each, 555,000 7% Preference Shares of £1 each and 157,395 8% Preference Shares of £1 each. Following completion of the Proposals, and the issue of the Open Offer Shares and Settlement Shares, the Company's issued share capital will be £2,645,243.1 comprising 2,048,990 New Ordinary Shares of 2.5 pence each and 1,313,427 Deferred Shares of £1.975 each.
- 3.3 During the three years prior to the date of this document no changes to the authorised and issued share capital of the Company have occurred other than that the Company no longer has an authorised share capital.
- 3.4 Following the approval by the Shareholders of the Resolutions at the GM, the Directors will be authorised to exercise all or any of the powers of the Company to allot relevant securities, up to an aggregate nominal amount of £20,000, such authority expiring on whichever is the earlier of the Company's next annual general meeting and 26 January 2013.
- 3.5 Following approval of Shareholders at the GM, the Directors will be authorised to allot equity securities in the Company without first offering them to existing shareholders in proportion to their holdings, such authority expiring on 26 January 2013. The Directors may also allot equity securities following an offer or agreement made before the expiry of the authority. This authority is limited to:
- 3.5.1 the allotment of equity securities in connection with the Open Offer; and
 - 3.5.2 the allotment of the Settlement Shares.
- 3.6 There are no Ordinary Shares held by or on behalf of the Company itself or by any of the Company's subsidiaries.
- 3.7 There are no rights and/or obligations over the Company's unissued capital.
- 3.8 The Ordinary Shares are in registered and certificated form other than those Ordinary Shares held in CREST. Ordinary Shares may be held in uncertificated form and title to them may be transferred electronically by means of a relevant electronic system (including CREST).
- 3.9 The ISIN number in respect of the New Ordinary Shares is GB00B4QGX117. The Ordinary Shares are created and issued pursuant to the laws of England and Wales and are denominated in pounds sterling, the lawful currency of the United Kingdom.
- 3.10 The Company has no shares which do not represent capital nor any shares which are held by or on behalf of the Company itself or by subsidiaries of the Company.

4. Articles of Association and statutory matters affecting Shareholders

4.1 Articles of Association

The Articles of Association of the Company contain, among other matters, provisions to the following effect:

(a) *Dividends*

The Company may by ordinary resolution declare dividends not exceeding an amount recommended by the Board.

The Board may in so far as, in its opinion, the profits of the Company justify such payments, pay interim dividends from time to time of such amounts and on such dates and in respect of such periods as it thinks fit.

The Board may also pay the fixed dividends payable on any shares of the Company half yearly or otherwise on fixed dates.

Unless, and to the extent that, the rights attaching to or the terms of issue of any shares otherwise provide, all dividends must as regards any shares not fully paid throughout the period in respect of which the dividend is paid be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes, no amount paid in advance of a call upon the members shall be treated as paid on the shares. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly.

Any general meeting declaring a dividend may, upon the recommendation of the Board, direct payment of such dividend wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other body corporate, and the Board shall give effect to such direction. Where any difficulty arises in regard to such distribution the Board may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board.

The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice requiring the disclosure of information relating to interests in the shares concerned as referred to in this Part VIII paragraph 4.1(d) below, under the heading "Restrictions on Voting".

Any dividend unclaimed after a period of 12 years after such dividend becomes payable shall be forfeited and revert to the Company.

(b) *Voting*

Subject to any special terms as to voting upon which shares may be issued or may for the time being be held, and any restrictions on voting referred to under the heading "Restrictions on Voting" in this Part VIII paragraph 4.1(d) below, on a show of hands every holder of New Ordinary Shares who is present in person or by proxy at a general meeting of the Company will have one vote and on a poll every holder of New Ordinary Shares who is present in person or by proxy will have one vote for every New Ordinary Share held by him.

Under the Company's present articles of association, on a show of hands every holder of Existing Ordinary Shares who is present in person or by proxy at a general meeting of the Company has one vote for every one penny nominal value of an Existing Ordinary Share held by him.

The Preference Shares have voting rights when they are in arrears, as set out in paragraphs 4.1(p) and 4.1(q) of this Part VIII.

No major shareholders of the Company have or will have voting rights different from these set out above in this Part VIII.

Members may appoint a proxy, in hardcopy or electronically in accordance with CA 2006, to exercise their rights to attend, speak and vote at meetings. Multiple proxies

may be appointed provided that each is appointed to exercise the rights attached to a different share. A member may terminate the authority of a person to act as proxy by notice in writing delivered to the Company not later than the last time at which a proxy form should have been received.

(c) *Issue of Shares*

Subject to CA 2006 and the Articles, all unissued shares shall be at the disposal of the Directors and they may allot, grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think fit.

(d) *Restrictions on voting*

The Board may preclude a shareholder from attending or voting at any general meeting of the Company or at any separate meeting of the holders of any class of share of the Company or from exercising any other right in relation to any meeting of the Company or any class of shareholders, if such member or other person appearing to be interested or to have been interested in the shares held by such member fails to comply with a notice served under the CA 2006 requiring the disclosure of information concerning the interests in the shares concerned within 14 days following the date of service or deemed service of such notice.

No shareholder is, unless the Board otherwise determines, entitled to be present or to vote, either personally or by proxy, or to be reckoned in a quorum at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

(e) *Transfer of Shares*

The Articles of Association provide for shares to be held in CREST accounts, or through another system for holding shares in uncertificated form, such shares being referred to in the Articles as "Uncertificated Shares". Subject to the restrictions in the Articles of Association as may be applicable, any member may transfer all or any of his shares. In the case of shares represented by a certificate ("Certificated Shares"), the transfer must be made by a instrument of transfer in the usual common form or in any other form which the Board may approve. A transfer of an Uncertificated Share need not be in writing, but shall comply with such rules as the Board shall make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.

The instrument of transfer of a Certificated Share must be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register.

The Board may, in its absolute discretion, decline to register any transfer of a share which is not fully paid up, but such discretion may not be exercised to prevent dealings in listed shares or those admitted to AIM from taking place on an open and proper basis.

The Board may also decline to register a transfer unless:

- (i) in the case of a Certificated Share, the duly stamped instrument of transfer is lodged with the Company accompanied by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and

- (iii) in the case of a transfer to joint holders of a Certificated or an Uncertificated Share, the transfer is in favour of not more than four such transferees.

In the case of Uncertificated Shares, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 allow it to do so, and must do so where such regulations so require.

If the Board refuses to register a transfer, they shall, in the case of certificated shares, within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal and (except in the case of fraud) return to him the instrument of transfer or, in the case of uncertificated shares, notify such person as may be required by the Uncertificated Securities Regulations 2001 and CREST or similar system. All instruments of transfer which are registered may be retained by the Company.

(f) *Directors*

(1) Number of Directors

Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than 2 and not more than 10 in number.

(2) Rotation and age of Directors

The Company may from time to time by ordinary resolution, as special business, and within the limits provided in the Articles of Association increase or reduce the number of Directors in office and upon passing any resolution for an increase may appoint the additional Director or Directors necessary to carry the same into effect, and may also determine in what rotation such increased or reduced number is to go out of office.

The continuing Directors or Director may act notwithstanding any vacancies in the Board, provided that if the number of the Board be less than the prescribed minimum, the remaining Directors or Director shall forthwith appoint an additional Director or Directors to make up such minimum, or to convene a general meeting of the Company for the purpose of making such appointment.

The Board shall have power at any time and from time to time appoint any other person as a Director either to fill a casual vacancy or as an addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed as above. Subject to the provisions of the Statutes, as defined in the Company's Articles of Association, any Director so appointed or appointed under the provisions of the Articles, shall hold office only until the next following annual general meeting, and shall then be eligible for reappointment. Any Director who retires under the provisions of the Articles shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

No person other than a Director retiring at the meeting shall, unless recommended by the Board for appointment, be eligible for the office of a Director at any general meeting, unless at least four and not more than 48 clear days before the day appointed for the meeting notice shall have been left at the Company's registered office signed by a member qualified to be present and vote at such meeting of the intention to propose him, together with a notice in writing signed by such person of his willingness to be appointed.

There is no age limit for the appointment or retirement of a Director, and no Director shall be required to vacate that office by reason only of the fact that he has attained the age of 70 years, or any other age.

(3) Remuneration of Directors

The Directors' remuneration report shall be subject to the approval of the members of the Company in general meeting as required by the Directors' Remuneration Report Regulations 2002.

Any Director who is the holder of any employment or executive office is entitled to such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and either in addition to or in lieu of his remuneration as a Director.

Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the 'ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) or may receive such other benefits as the Board may determine.

Each Director is entitled to be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or meetings of members and to be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or on the discharge of his duties as a Director.

(4) Pensions and allowances

The Board may on behalf of the Company, subject to the provisions of the Companies Act, exercise all the powers of the Company to grant and pay pensions, annuities, gratuities, superannuation or other allowances and benefits in favour of any person, including any Director or former Director, or the relations or dependants of any Director or former Director.

Unless the Articles otherwise permit, no benefits may be granted to or in respect of a Director or former Director who has not been employed by, or held an executive or other office or place of profit under the Company or any of its present or former subsidiaries or any predecessor in business of the Company or any such body corporate, without the approval of an ordinary resolution of the Company.

(5) Directors' interests and restrictions on Voting

(A) Subject to the provisions contained in the Articles of Association, the Board may authorise any matter which relates to a situation in which a Director (the "relevant Director") has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company and which would, if not so authorised, result in a breach of duty by the relevant Director under section 175 of the CA 2006 (a "Conflict"). Where the Board authorises a Conflict, the relevant Director and any other interested Director will not count towards the quorum nor vote on any resolution giving such authorisation (and if he does vote his vote will not be counted). The Board may (in connection with giving the authorisation or subsequently) require that the relevant Director is excluded from the receipt of information, participation in discussions and/or the making of decisions (whether at meetings of the Board or otherwise) relating to the Conflict.

(B) Except as set out below, a Director may not vote (or be counted in the quorum) on any resolution of the Board in respect of any matter in which he is directly or indirectly interested and if he does so his vote shall not be counted. Subject to the provisions of the Companies Acts and the Articles of Association, this prohibition does not apply to a Director in relation to:

- (1) a matter where his interest cannot reasonably be regarded as likely to give rise to a conflict of interest;

- (2) a Conflict to the extent authorised by the Board as described above in this Part VIII paragraph (5)(A);
 - (3) a matter where his interest arises only from one or more of the following;
 - (a) any guarantee, security or indemnity to such Director in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiary undertakings;
 - (b) any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings in respect of which the Director has given an indemnity or that he has guaranteed or secured in whole or in part;
 - (c) any subscription by such Director for shares, debentures or other securities of the Company or any of its subsidiaries issued or to be issued pursuant to any offer or invitation to the members or debenture holders of the Company or any class thereof or to the public or any section thereof, or any underwriting or sub-underwriting by such Director of any shares, debentures or other securities;
 - (d) such Director is interested by virtue only of his interest in shares, debentures or other securities of the Company;
 - (e) any matter or situation concerning any other company (not being a company in which such Director owns 1 per cent. or more (as defined in the Articles of Association)) in which he is interested, directly or indirectly, whether as an officer, shareholder, creditor or otherwise howsoever;
 - (f) the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme or share option scheme, share incentive scheme or profit sharing scheme that relates both to Directors and employees of the Company or of any of its subsidiaries and that does not provide to any Director as such any privilege or advantage not generally provided to employees to whom such scheme or fund relates; or which has been approved by HM Revenue and Customs for tax purposes;
 - (g) any insurance which the Company is empowered to purchase and/or maintain for the benefit of the Directors, being insurance against any liability incurred by them in the course of their duties; and
 - (h) (except in relation to any matter concerning or directly affecting his own participation therein) the adoption or modification of any other share option or share incentive scheme of the Company.
- (C) A Director shall not be counted in the quorum nor vote (and if he does vote his vote will not be counted) on any resolution of the Board concerning his own appointment (including the terms thereof) or removal as the holder of any office or place of profit with the Company or any other body corporate in which the Company is interested.

(6) *Indemnity*

Subject to the provisions of the Companies Acts, every present or former Director, alternate Director, secretary or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) or any present director of an associated company of the Company, as de-fined by the CA 2006 (an "Associated Company") shall be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and/or discharge of his duties to the Company or any Associated Company and/or the exercise of his powers and/or in relation thereto including any liability incurred by him in defending any civil or criminal proceedings in which judgement is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the Court grants him relief from liability for negligence, default, breach of duty or breach of trust in relation to the Company or any Associated Company.

The Company may buy and maintain for every Director, alternate Director, secretary or other officer of the Company or for any director of an Associated Company insurance against any liability incurred by such person in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any Associated Company or otherwise in connection with his duties, powers or office.

(g) *Variation of Rights*

Whether or not the Company is being wound up, the rights attaching to any class of shares for the time being in issue may, subject to the provisions of the Companies Acts, be varied or abrogated with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

(h) *Non UK Shareholders*

Shareholders with addresses outside the United Kingdom are not entitled to receive notices from the Company (including notices of meetings of shareholders) unless they have given the Company an address within the United Kingdom at which such notices may be served or an address for the service of notices by Electronic Means (as defined within the Articles of Association).

(i) *Convening of Shareholders' (i.e. general) meetings*

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Acts at such times and places as the Board shall appoint. Any general meeting of the Company other than an annual general meeting shall be called a general meeting.

Section 336 of the CA 2006 requires that a company must hold an annual general meeting in each period of six months beginning with the day following its accounting reference date.

The Board may, whenever it thinks fit, and in accordance with the Companies Acts convene a general meeting and, on the requisition of members under the Companies Acts, shall forthwith proceed to convene such a meeting in accordance with the Companies Acts and if it should fail to do so within the time allowed, any of the requisitionists may do so. If sufficient Directors are not within the United Kingdom to call a general meeting, any Director or shareholder may call a general meeting.

Section 303 of the CA 2006 provides that a general meeting may be requisitioned by shareholders holding at the date of deposit of the requisition not less than 10 per cent. of the paid up voting capital of the Company, excluding any treasury shares. The requisition must state the general nature of the business to be dealt with must be authenticated by the requisitionists, and may be in hard copy or electronic form. If the Directors do not within 21 days from the date of the deposit of the requisition proceed to convene a general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the requisition. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or become due from the Company to such of the Directors who were in default by way of their fees or other remuneration.

If within five minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present the meeting, if convened on the requisition of the members, shall be dissolved. An annual general meeting or a meeting called for the passing of a resolution appointing a person as a Director shall be called by not less than 21 clear days' written notice. Any other general meeting shall be called by not less than 14 clear days' written notice.

No amendment, (other than a clerical amendment to correct a patent error) may in any event be considered or voted upon unless approved by the chairman or unless written notice of the proposed amendment has been left at the office (or at such other place in the United Kingdom as May be specified in the notice convening the meeting) not less than 48 hours before the time appointed for the holding of the meeting.

If the Board, in its absolute discretion, considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling it, or on the date or at the time or place to which it has been previously postponed, it may postpone the meeting to another date, time or place. When a meeting is postponed for 30 days or more, not less than seven clear days' notice of the postponed meeting shall be given. Otherwise, notice of the date, time and place of the postponed meeting shall be placed in at least two national newspapers circulating in the United Kingdom.

The Board may at any time prior to the appointed time of commencement of any general meeting or any separate meeting of the holders of any class of share of the Company, and the chairman of any such meeting may at any time after the appointed time of the commencement of such a meeting, make or alter arrangements for the meeting as it or he shall in its or his absolute discretion consider to be appropriate for the purpose of ensuring the safety of those attending at any place at which the meeting is to be held and so as to enable the persons present adequately to hear the proceedings of the meeting and to speak and vote on the matters before it, or to reflect the wishes of the majority of the meeting. In making such arrangements the chairman of the meeting may alter the arrangements made by the Board. Such arrangements may include attendance by Shareholders and their proxies at a place or places other than the place specified in the notice of the meeting (the "Principal Place"), provided that persons attending the Principal Place and at such other place or places are able to participate in the business of the meeting and hear and see all persons who speak at the Principal Place or such other place or places and when speaking may be heard and seen by all other persons present at the Principal Place and every other place or places. The Board or the chairman of the meeting may implement such searches and

security arrangements as it or he shall think appropriate to which shareholders, their proxies and other persons attending the meeting shall be subject. Such arrangements may include a requirement that any person attending the meeting shall not bring into it any item which might be used to disrupt it or which might be a security risk. The Board and the chairman of the meeting shall be entitled to refuse entry to the meeting or eject from it any such shareholder or proxy who does not submit to such searches, fails to comply with such security arrangements or who disrupts the orderly conduct of the meeting.

Without prejudice to any other arrangements, the Board may resolve to enable persons entitled to attend a general meeting to do so by attendance and participation (concurrently with proceedings at the Principal Place) at one or more satellite meeting places anywhere in the world and the shareholders present in person or by proxy at such satellite meeting places shall be counted in the quorum for and entitled to vote at the relevant general meeting provided that the Board shall ensure that facilities are available throughout such general meeting designed to ensure that Shareholders attending at the Principal Place and each satellite meeting place are able to participate in the business of the meeting, and hear and see all persons who speak at the Principal Place or in any satellite meeting place and when speaking may be heard and seen by all other persons present at the Principal Place and in any satellite meeting place.

Save as otherwise provided by the Articles of Association, two members present in person or by proxy and entitled to vote or two persons who are proxies for the same member shall be a quorum for all purposes.

(j) *Share Capital*

Without prejudice to any rights conferred on existing holders of any class of share, any share in the Company may be issued with or have attached thereto such preferred, deferred, qualified or other rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as specified in the Articles of Association. Subject to the provisions of the Companies Acts, the Company may, with the sanction of a special resolution, issue shares which are, or at the option of the Company or the shareholder, liable to be redeemed.

(k) *Untraced Shareholders – Power to Sell Shares*

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, any share of a member or any share to which a person is entitled by transmission if and provided that:

- for a period of 12 years no cheque, warrant or order sent by the Company in the manner authorised by the Articles of Association in respect of the share in question has been cashed and no communication has been received by the Company from the member or the person entitled by transmission, provided that, in such period of 12 years, at least three dividends whether interim or final on or in respect of the share in question have become payable and no such dividend during that period has been claimed;
- the Company has, on or after expiration of the said period of 12 years, by advertisement in both a national newspaper and a newspaper circulating in the area in which the last known address of the member or the address at which service of notices may be effected in the manner authorised in accordance with the provisions of the Articles of Association is located, given notice of its intention to sell such shares (but so that such advertisements need not refer to the names of the holder(s) of the share or identify the share in question);
- the Company has not, during the further period of three months after the publication of such advertisements and prior to the exercise of the power of sale,

received any communication from the member or person entitled by transmission; and

- if the shares are listed or dealt in on the London Stock Exchange, the Company has given notice in writing to the London Stock Exchange of its intention to sell such share.

If, during any 12 year period or three month period, as referred to in the Articles of Association, further shares have been issued in respect of those held at the beginning of such 12 year period or of any subsequently issued during such periods and all the other requirements of the Articles of Association have been satisfied in respect of the further shares, the Company may also sell such further shares.

(l) *Lien*

The Company shall have a first paramount lien on every share that is not a fully paid up share. Subject to the provisions of the Articles of Association, the Company may sell any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 7 days' notice demanding the sum payable and the intention to sell in default. If the share is an uncertificated share, the Board may do everything necessary to transfer the share under the Uncertificated Securities Regulations 2001.

(m) *Borrowing Powers*

The Board may borrow or raise any sum or sums of money upon such terms as to interest or otherwise as they may deem fit, and may create, issue, make and give respectively any perpetual or redeemable debentures or debenture stock, or any mortgage or charge on the undertaking or the whole or any part of the property and assets, present or future, or the uncalled capital of the Company, either for the purpose of securing the monies so borrowed or raised and interest thereon, or for any other purposes, and any debentures or debenture stock or other securities may be made assignable free from any equities between the Company, and the person to whom the same may be issued.

Provided that the aggregate amount at any one time outstanding of monies so borrowed, raised or secured by the Company and all its subsidiary companies for the time being (excluding inter company loans) shall not without the sanction of a resolution of the Company in general meeting exceed an amount equivalent to four times the amount of the issued and paid up capital for the time being of the Company, no lender shall be bound to see that the limit imposed by the Articles of Association is observed, but the Board shall take all necessary steps to ensure its observance.

The Board shall restrict the borrowings of the Company and shall so far as practicable exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries, if any, with the intention of securing (as regards such subsidiaries so far as, by such exercise, they can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed by the Company and/or any such subsidiaries (exclusive of inter company borrowings) shall not without such sanction as aforesaid exceed the limit imposed by the Articles of Association.

(n) *Electronic Communications*

The Company may, subject to the provisions of the CA 2006, give or send to members any notice or other document (excluding a share certificate or other document of title) in electronic form where the Company and the member have agreed to the use of electronic form for sending copies of documents; or by making such notice or other document available on a website where the Company and the member have agreed to any notice or other document being sent to the member in that way. A member will

be deemed to have agreed to any notice or other document being sent to the member by making it available on a website if the member has been asked individually by the Company to agree that the Company may send or supply documents or information generally, or the documents or information in question, to him by means of a website; and the Company has not received a response within the period of 28 days beginning with the date on which the Company's request was sent.

(o) *Liability of members*

The liability of members is limited to the amount, if any, unpaid on the shares held by them.

(p) *7% Preference Shares*

The holders of the 7% Preference Shares are entitled to be paid out of the profits of the Company available for distribution and resolved to be distributed a fixed cumulative preferential dividend at the rate of 7% pa exclusive of the imputed tax credit available to holders thereof) on the amount for the time being paid up thereon. The 7% Preference Shares rank for dividend behind the 8% Preference Shares but in priority to all other shares or stock of the Company for the time being in issue.

On a return of capital on liquidation or otherwise, the assets of the Company available for distribution among its members shall be paid, after repaying the holders of the 8% Preference Shares, in priority to any payment to the holders of any other class of shares or stock, in repaying to the holders of the 7% Preference Shares the amount paid up thereon together with a sum equal to any arrears and accruals of the fixed dividend thereon to be calculated down to the date of the return of capital and to be payable whether or not such dividend has been declared or earned.

As regards restrictions on the Company the Company shall not, without the sanction of an extraordinary resolution of the holders of the 7% Preference Shares passed at a separate general meeting of the holders of the 7% Preference Shares:

- issue any preference shares ranking equally with or in priority of the 7% Preference Shares in issue on the date upon which the article is adopted except that the restriction does not apply to the issue of existing 8% Preference Shares;
- reduce its share capital by repayment to the holders of the 7% Preference Shares of the amount paid up thereon or any part thereof; or
- issue any secured debentures or debenture stock otherwise than to its bankers to secure monies borrowed or raised for the purposes of the Company's business or to the bankers of any subsidiary company to secure monies borrowed or raised by that subsidiary for the purposes of its business;

As regards voting the holders of the 7% Preference Shares have no rights to receive notice of or to be present or to vote, either in person or by proxy, at any general meeting by virtue of their holdings of 7% Preference Shares unless their preferential dividend is at the date when the notice convening the meeting is sent out be six months in arrears and remains unpaid, or unless a resolution is to be proposed directly affecting the rights or privileges of the holders of the 7% Preference Shares as such provided that if the directors upon convening any annual general meeting do not recommend the payment of the preferential dividend (in so far as not then already paid) on the 7% Preference Shares for the period ending on the date at which the accounts to be submitted to that meeting are made up, the holders of the 7% Preference Shares shall be entitled to receive notices of and to be present and to vote, in person or by proxy, at the annual general meeting so convened.

At any general meeting at which the holders of the 7% Preference Shares are entitled to attend and vote, on a show of hands every such holder present in person shall have one vote and on a poll every such holder present in person or by proxy shall have four votes for each 7% Preference Share held by him.

(q) *8% Preference Shares*

The holders of the 8% Preference Shares are entitled to be paid out of the profits of the Company available for distribution and resolved to be distributed in respect of any financial year for which the Company's accounts are made up a fixed cumulative preferential dividend at the rate of 8% pa (exclusive of the imputed tax credit available to the holders thereof) on the amount for the time being paid up thereon. The 8% Preference Shares rank for dividend in priority to all shares or stock of the Company for the time being in issue (including the 7% Preference Shares). The dividend shall be payable half yearly in equal amounts on 31 March and 30 September in each year in respect of the half years ending on those dates.

On a return of capital on liquidation or otherwise, the assets of the Company available for distribution among the members will be applied in priority to any payment to the holders of any other class of shares or stock in repaying to the holders of the 8% Preference Shares the amounts paid up on such 8% Preference Shares together with a sum equal to any arrears and accruals of the fixed dividend thereon to be calculated down to the date of the return of capital and to be payable whether or not such dividend has been declared or earned.

As regards redemption, the Company shall have the power to redeem any of the 8% Preference Shares in issue at par (together with any arrears or accruals of dividends) at any time after the final conversion date in 1992 in any manner permitted by law and as the Directors may determine.

As regards voting the 8% Preference Shares shall not entitle the holders to receive notice of or to attend or vote at any general meeting unless either at the date of the notice convening the meeting the dividend on such shares is six months in arrears and remains unpaid or the business of the meeting includes the consideration of a resolution for winding up the Company or reducing its share capital or any resolution directly abrogating or varying any of the special rights or privileges attached to such shares. At any general meeting at which the holders of the 8% Preference Shares are entitled to attend and vote, on a show of hands every such holder present in person shall have one vote and on a poll every such holder present in person or by proxy shall have 50 votes for each £1 (one pound) nominal of 8% Redeemable Preference Shares held by him.

(r) *Deferred Shares*

On the winding up of the Company, after the holders of ordinary shares have received the aggregate amount paid up on such shares plus £100 (one hundred pounds) per ordinary share, there shall be distributed amongst the holders of the Deferred Shares an amount equal to the nominal value of the Deferred Shares and thereafter any surplus shall be distributed amongst the holders of the ordinary shares *pro rata* to the number of ordinary shares held by each of them respectively. Except as provided above, the Deferred Shares will carry no right to participate in the profits or assets of the Company.

The Deferred Shares will not carry any entitlement to dividends.

The Company may purchase, in accordance with CA 2006, all the Deferred Shares in issue at any time for no consideration.

The Deferred Shares do not confer on the holders any entitlement to receive notice of or to attend or vote at any general meetings of the Company.

4.2 **Notice of three per cent. interest**

Chapter 5 of the FSA's Disclosure and Transparency Rules requires that a person who acquires an interest in three per cent, or more of the issued voting shares of the Company must, within two business days of such acquisition, or of his becoming aware of the facts constituting his acquisition of the interest, notify the Company of his interest. If he later ceases to have such an interest, or he acquires or disposes of an interest in one per cent. or more of the issued voting shares of the Company, he must notify this to the Company within two business days and such notification obligations continue for such a time as his interest crosses the three per cent. threshold and every one per cent. thereafter. Subject to certain specific exclusions, a person's interest includes, among other things, an agreement to purchase shares or the right to do so by virtue of an option, the interests to be notified include those of companies which the person controls and the interests of his spouse and infant children. Where a person is party to an agreement between two or more persons which includes provision for the acquisition of any one or more of them of interests in shares of the Company, the interests of all such persons are aggregated for the purposes of the notification of provisions and each party is required to notify not only his own interests and changes therein but those of the other parties to the agreement. All notifications received under these provisions will be made available to the market.

4.3 **Mandatory takeover bids, squeeze-out and sell-out rules**

- (a) The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the Company's Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for the Company's Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying at least 30 per cent. but not more to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).
- (b) Pursuant to section 979 CA 2006, a person who has acquired or contracted to acquire 90 per cent. or more of the issued share capital of the Company following a takeover offer, may give notice to the holder(s) of any of the remaining issued shares that it desires to purchase such shares from them and shall, where such notice has been served, be bound to purchase such shares.
- (c) Pursuant to sections 983 and 984 CA 2006, where a person has acquired or contracted to acquire 90 per cent, or more of the issued share capital of the Company following a takeover offer, a holder of any of the remaining issued share capital may, by notice, require the company making the offer to purchase the shares held by such holder and the company making the offer will be obliged to purchase any such holdings.
- (d) Other than as provided by Chapter 3 of Part 28 CA 2006 and the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory takeover bids and/or squeeze out and sell-out rules in relation to the Ordinary Shares.

5. Directors and Senior Managers

5.1 Details of the Directors and Senior Managers and their functions in the Company are set out in paragraph 1 of Part IV of this document under the heading “Directors and Senior Managers”.

5.2 Each of the Directors and Senior Managers can be contacted at 133 Helen Street, Govan, Glasgow G51 3HD, Scotland (telephone number is +44 (0) 141 445 2455).

5.3 The interests of the Directors (including the interests of their spouses, civil partners and infant children and the interests of any other persons connected with them (within the meaning of section 252 CA2006), (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at the date of this document, are as follows:

<i>Directors</i>	<i>Ordinary Shares</i>		<i>7% Preference Shares</i>		<i>8% Preference Shares</i>	
	<i>No.</i>	<i>Percentage of Issued</i>	<i>No.</i>	<i>Percentage of Issued</i>	<i>No.</i>	<i>Percentage of Issued</i>
AR Beaumont	–	–	–	–	–	–
DAH Brown	2,146	0.16	–	–	–	–
SJ Cockburn	1,250	0.10	55,314	9.96	2,000	1.27
C Weinberg	19,991	1.52	–	–	–	–

5.4 The interests of the Directors (including the interests of their spouses, civil partners and infant children and the interests of any other persons connected with them (within the meaning of section 252 of the CA 2006), (all of which are beneficial unless otherwise stated) in the issued Ordinary Share capital of the Company as they are expected to be immediately following Admission assuming full participation by all Directors in the Open Offer, are as follows:

<i>Directors</i>	<i>Ordinary Shares</i>		<i>7% Preference Shares</i>		<i>8% Preference Shares</i>	
	<i>No.</i>	<i>Percentage of Issued</i>	<i>No.</i>	<i>Percentage of Issued</i>	<i>No.</i>	<i>Percentage of Issued</i>
AR Beaumont	–	–	–	–	–	–
DAH Brown*	2,718	0.13	–	–	–	–
SJ Cockburn*	1,583	0.08	–	–	–	–
C Weinberg*	25,321	1.24	–	–	–	–

* If the Underwriters are required to subscribe in full pursuant to the Underwriting, Mr Brown will be interested in 77,146 New Ordinary Shares (3.77%), Mr Cockburn in 76,250 New Ordinary Shares (3.72%) and Mr Weinberg in 94,991 New Ordinary Shares (4.64%).

5.5 The interests of the Senior Managers (including the interests of their spouses, civil partners and infant children and the interests of any other persons connected with them (within the meaning of section 252 of the CA 2006), (all of which are beneficial unless otherwise stated) in the issued share capital of the Company as at the date of this document, are as follows:

<i>Senior Managers</i>	<i>Number of Issued Ordinary Shares</i>	<i>Percentage of Issued Share capital</i>
Stewart Davis	–	–
Rupert Pearce Gould	120,750	9.19

5.6 The interests of the Senior Managers (including the interests of their spouses, civil partners, infant children and the interests of any other persons connected with them (within the meaning of section 252 of the CA 2006), (all of which are beneficial unless otherwise stated)

in the issued Ordinary Share capital of the Company as they are expected to be immediately following Admission, are as follows:

	<i>Number of Issued Ordinary Shares</i>	<i>Percentage of Issued Share capital</i>
<i>Senior Managers</i>		
Stewart Davis	–	–
Rupert Pearce Gould	152,950	7.46

- 5.7 Other than their current directorships in the Company and any current or former directorships in the subsidiaries of the Company, during the five years immediately prior to the date of this document, the Directors have held or currently hold the following directorships and/or partnerships:

<i>Name</i>	<i>Current</i>	<i>Past</i>
AR Beaumont	Aldbury Associates Limited White Rose Formations Limited Aldbury Secretaries Limited Tenantline Limited Ansike Consulting Limited AAA Formations Limited Green Asset Services Limited Firgrange Limited Bestoak Limited The Herb & Spice Exchange Limited NewtonBrook Limited Atlantic Caspian Resources Plc Debt Recoveries Limited Free Call Limited Car Spares Limited Suzy K Jewellery Limited Cardgift Limited Heabright Limited Freehold Property Partners Limited Blue Badge Limited Formula One Direct Limited Service Address MK Limited Services Address UK Limited Dubai Abbass Investments PLC Suzy K Limited The Herb Exchange Limited NDT Engineering Services Limited NDT Equipment Supplies Limited Potsgrove Limited Cavebrook Limited Crabhaven Limited Monkfield Limited Easycarseat International Limited Carbonbalanced Limited Carbonmatters Limited The Centre MK Limited	Monkstone Limited Brinklake Limited Amberford Limited Leaford Limited Portbond Limited Barley Grange (Dagnall) Management Company Limited E.A. Enterprises Limited Digisportmedia Limited IPTV Communications Holdings Limited Orea Resource Management Limited The New George Inn Limited Kabell Consulting Limited EFM Limited Medical Toxicology and Information Bluebush Limited Treegrange Limited Warwick Property Management Services Limited Crabmore Limited Webmade4you Limited Ivy Partners Limited Sofas Handmade Limited C and D Developments (Northants) Limited Contractor 2010 Limited Ramsfield Limited EDT Engineering Services Limited EDT Equipment Supplies Limited V-Contract Limited Eatonlake Limited Bushbrook Limited EPB (UK) Limited Witanfield Limited Dungrange Limited

<i>Name</i>	<i>Current</i>	<i>Past</i>
DAH Brown	Ternion Gas & Oil Limited Denby Investment (UK) plc Raines & Willow Limited DB2 Consultancy Limited DB2 Property Limited Crayson Limited Balmat Holdings Limited Centragas Investments Limited Centragas Ventures Limited Denby Holdings Limited DF Finance Limited Morottix Trading Limited Sabre Capital Limited Sabre Development Management Limited Sabre Executive Services Limited Sabre Projects Limited Seafield Limited	Centragas Holding Gmbh (formerly AG) Kalamazoo Limited Klamouria Trading Limited Solid Range Limited Titanium International Limited Zarenda Investments Limited Mabofi Holdings Limited Ostchem Investments Limited Group DF International GMBH Nibelungemgasse 15 Besitz GmbH Group DF Real Estate GmbH Gentech Holding GmbH Zangas Hoch und Tiefban GmbH
SJ Cockburn	Jove Investment Trust plc (in liquidation) Danae Investment Trust plc (in liquidation) Rivermoor Investments Limited (in liquidation) Rivermoor Securities Limited (in liquidation) The Investment Company plc Nesco Investments Limited Abport Limited Cumnor House School Trust Ionian Investment Management Limited Ionian Nominees Limited Fiske plc New Centurion Trust Limited Garro Finance Limited Nomina No 459 LLP Key Brand International Holdings LP	Key Brand Entertainment LLP Ionian Corporate Finance Limited Ionian Group Limited Dartmoor Investment Trust plc Dartless Limited Lightening Graphics Limited 59 Eaton Place Limited Perseus Finance Limited Cumnor House Leisure Services Limited Cumnor House School (Sussex) Limited Bucklersoak Investments Limited
C Weinberg	Denby Investment (UK) plc Zander Group Limited Pallini Investment Fund Zarenda Investments Ltd Seafield Limited	Embarked Nominees Limited Crayson Limited
S Davis	None	None
R Pearce Gould	Cambridge Corporate Consultants Ltd (formerly H P Gould & Son Ltd) Cambridge Management Consultants Ltd (formerly Cambridge Corporate Consultants Ltd) Gould Nominees Ltd	Sovereign Reversions PLC Home & Capital Trust Ltd Reversionary Gains I Limited Reversionary Gains II Limited Reversionary Gains III Limited Reversionary Gains IV Limited Unchained Reversionary Limited

<i>Name</i>	<i>Current</i>	<i>Past</i>
R Pearce Gould (continued)	Cambridge Investment Associates Ltd CB1 Ltd Home Equity Ltd R Broadcast Limited (formerly Cambridge Personnel Consultant Limited) Newsfax International Ltd Newsfax (Bow) Limited (formerly Newsprinters Limited) Newspaper Printers Limited Magus Investments Limited Magus Group Limited Newsfax Digital Print Limited Magus Investments (2003) Limited Cystic Fibrosis Trust Ltd CF Merchandising Limited The Unquoted Companies' Group Ltd	The Home & Capital Trust Group Limited Sovereign Retirement Capital Limited Second Spring Reversions Limited Capital Reversions PLC Sovereign Equity Release Limited The Welfare Dwelling Trust Limited Home & Capital Trust Partners Ltd St Mary's School Cambridge Ltd St Mary's Junior School Ltd HAL Trading Ltd Cambridge VCT PLC The New Petcare Company Limited

- 5.8 Except as disclosed in paragraph 5.7 above, at the date of this document and during the previous five years, none of the Directors or Senior Managers has been a member of the administrative, management or supervisory bodies or partner of any company or partnership at any time in the previous five years (excluding any current or former directorships in the subsidiaries of the Company).
- 5.9 Within the past five years, none of the Directors or Senior Managers has ever been convicted of any offences involving fraud.
- 5.10 None of the Directors or Senior Managers was within the past five years associated with any bankruptcy, receivership or liquidation in their capacity as a member of any administrative, management or supervisory bodies or as a senior manager except that Stephen Cockburn was a director of Perseus Finance Limited which was dissolved December 2009 following a voluntary members' liquidation and is a director of Jove Investments Trust plc (in liquidation), Danae Investment Trust plc (in liquidation), Rivermoor Investments Limited (in liquidation) and Rivermoor Securities Limited (in liquidation).
- 5.11 None of the Directors or Senior Managers has been the subject of any public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor have any of the Directors or Senior Managers been disqualified by a court for acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of any affairs of a company.
- 5.12 Except for the Related Party Transactions described in Part I of this document, none of the Directors or Senior Managers has or has had any interest, whether direct or indirect in any transaction or proposed transaction with the Group which remains in any respect outstanding or unperformed.
- 5.13 None of the Directors or Senior Managers has any conflict of interest between his duties to the Company and any private interests or other duties.
- 5.14 Except as disclosed in paragraph 10 of Part I and paragraphs 5.3, 5.4 and 5.6 of this Part VIII, none of the Directors, their immediate families, nor any person connected with any Director (within the meaning of section 252 of the CA 2006) will at Admission have any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company or any of its subsidiaries.

6. Directors' service agreements, letters of appointment and emoluments

- 6.1 Except as set out in paragraphs 6.2 to 6.5, there are no existing or amended service agreements or letters of appointment between any of the current Directors and the Company which have been entered into or amended in the last six months and there are no proposed service agreements or letters of appointment between any of the Directors and the Company or any of its subsidiaries.
- 6.2 The Company and David Brown are parties to a letter of appointment dated 11 January 2012 which confirms the terms upon which Mr. Brown has acted and continues to act as the non-executive chairman of the Company. The Company pays Mr. Brown £15,000 per year, quarterly in arrears. The appointment is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr. Brown is in material breach of the terms of the appointment.
- 6.3 The Company and Colin Weinberg are parties to a letter of appointment dated 11 January 2012 which confirms the terms upon which Mr. Weinberg has acted and continues to act as a non-executive director of the Company. The Company pays Mr. Weinberg £10,000 per year, quarterly in arrears. The appointment is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr. Weinberg is in material breach of the terms of the appointment.
- 6.4 The Company and Stephen Cockburn are parties to a letter of appointment dated 11 January 2012 which confirms the terms upon which Mr. Cockburn has acted and continues to act as a non-executive director of the Company. The Company pays Stephen Cockburn Limited £10,000 per year, quarterly in arrears. The appointment is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr. Cockburn is in material breach of the terms of the appointment.
- 6.5 The Company and Andrew Beaumont are parties to a letter of appointment dated 11 January 2012 pursuant to which, the Company appointed Mr. Beaumont as a non-executive director of the Company. The Company will pay Mr. Beaumont £10,000 per year, quarterly in years. The appointment is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr. Beaumont is in material breach of the terms of the appointment.
- 6.6 In the financial year ended 31 March 2011, the aggregate remuneration paid (including any contingent or deferred compensation) and benefits in kind granted by the Company or any of its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person to each of the Directors at that time were as set out in the table below:

<i>Name of Director</i>	<i>Remuneration and benefits in kind paid</i>
AR Beaumont	Nil
DAH Brown	£15,000
SJ Cockburn (paid to Stephen Cockburn Ltd)	£10,000
C Weinberg	£10,000

- 6.7 In the financial year ended 31 March 2011 no funds were paid, set aside or accrued by the Company to provide pension/retirement benefits to directors.

- 6.8 In the financial year ended 31 March 2011, the aggregate remuneration paid (including any contingent or deferred compensation) and benefits in kind granted by the Company or any of its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person to each of the Senior Managers were as set out in the table below:

<i>Name of Senior Manager</i>	<i>Remuneration and benefits in kind paid</i>
Stewart Davis	£100,327
Rupert Pearce Gould (paid to Cambridge Management Consultants Ltd)	£15,000

- 6.9 In the financial year ended 31 March 2011 contributions were made to a defined benefit pension scheme in relation to Stewart Davis. The amounts contributed was £14,585. As at 31 March 2011, no funds were set aside or accrued by the Company to provide pension/retirement benefits to senior managers.

7. Employees

- 7.1 As at 31 March 2011, the Group had the equivalent of 23 full-time employees. An analysis by main category of activity and geographic location is set out below:

<i>Activity</i>	<i>Geographic location</i>	<i>Number of employees</i>
Production	Glasgow	13
Administration	Glasgow	10
Total		23

8. Employee Share Scheme

The Company does not have an executive or employee share option scheme.

9. Major Shareholders

- 9.1 So far as the Company is aware, the interests, direct or indirect, of persons (other than interests held by the Directors) in three per cent., or more of the Company's issued share capital at the date of this document are:

<i>Name</i>	<i>Ordinary Shares held</i>	<i>Percentage of issued share capital</i>
Pershing Keen Nominees Limited (BFCLT)		
non discretionary	221,782	16.89%
Rupert Pearce Gould	120,750	9.19%
Fiske Nominees Limited (FISKPOOL)		
non discretionary	83,551	6.36%
LR Nominees Limited	82,782	6.30%
WB Nominees Limited	75,796	5.77%
Forest Nominees Limited	40,539	3.09%

- 9.2 So far as the Company is aware, and assuming full take-up of entitlements to Open Offer Shares and the issue of the Settlement Shares, the interests, direct or indirect, of persons (other than interests held by the Directors) in three per cent., or more of the Company's issued share capital immediately following Admission will be:

<i>Name</i>	<i>Ordinary Shares held</i>	<i>Percentage of issued share capital</i>
Pershing Keen Nominees Limited (BFCLT)		
non discretionary	280,923	13.71%
Rupert Pearce Gould	152,950	7.46%
Fiske Nominees Limited (FISKPOOL)		
non discretionary	105,831	5.17%
LR Nominees Limited	104,857	5.12%
WB Nominees Limited	96,008	4.69%

- 9.3 The Company is not directly or indirectly owned or controlled by any single Shareholder or group of Shareholders who are connected.
- 9.4 None of the Company's major Shareholders have different voting rights to those of other Shareholders.
- 9.5 So far as the Company is aware, there are no arrangements in place, the operation of which may at a subsequent date result in a change of control of the Company.

10. Material Contracts

Set out below is a summary of each material contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group: (a) within the two years immediately preceding the date of this document; or (b) which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

- 10.1 An engagement letter dated 22 October 2010 between the Company and BCL pursuant to which the latter agreed to act as the Company's sponsor and joint financial adviser in connection with the Proposals and Admission.
- 10.2 An underwriting and sponsorship agreement dated 11 January 2012 between the Company, BCL and the Underwriters pursuant to which the Underwriters agreed to subscribe at the Issue Price for any Open Offer Shares not purchased by Qualifying Shareholders. The Company agreed to pay BCL a corporate finance fee equal to 1 per cent. of the gross proceeds of the Open Offer. No fee or commission is payable to the Underwriters.

The agreement is conditional, among other things, a copy of this document being delivered to the UKLA for registration by no later than 5.00 p.m. on 11 January 2012 and the approval of the Proposals at the GM, the approval of the Court and the Class Consent all by no later than 22 February 2012. BCL and the Underwriters may each terminate the agreement before Admission, in their absolute discretion, if in their reasonable opinion certain events have occurred before Admission, including among other things, any of the warranties in the Underwriting Agreement being untrue or misleading in any material respect, any material adverse change in the financial position of the Company or any member of the Group, any statement in this document becomes or is discovered to be untrue, incorrect or misleading in any material respect or if there is a material change in national or international financial, political, economic or stock market conditions or there is a material disruption to settlement systems. The Company gave an indemnity and certain warranties to BCL, including warranties as to the accuracy of the information in this document.

- 10.3 A recovery plan dated April 2010 between the Trustees of the ABE Pension Scheme and BPE pursuant to which BPE agreed to make additional contributions to the scheme to eliminate a funding shortfall of £2,408,000 by 31 December 2021. BPE agreed to pay: a lump sum of £54,000 by 31 July 2011 in respect of the year to 31 March 2011; £616,000 in respect of the three years to 31 March 2014, of which £196,000 was paid by 31 July 2011, with the balance payable in monthly installments over three years; and, £204,000 per year in monthly installments of £17,000 from 1 April 2014 to 31 December 2021.
- 10.4 The letters of appointment with the Directors referred to in paragraph 6 of this Part VIII.

11. Related Party Transactions

- 11.1 Except as set out in paragraph 10 of Part I, the Company is not party to any transactions with related parties, for the period covered by the historical financial information up to the date of this document.

12. Properties

- 12.1 The Company owns the freehold title of office and factory premises at 133 Helen Street, Govan, Glasgow and leases those premises to BPE under a lease for the period 1 January 2003 to 31 December 2023.
- 12.2 The Group has no items of equipment which are material tangible fixed assets.
- 12.3 There are no environmental issues relating to the Group which may affect the Group's use of the tangible fixed assets.

13. Middle-market Quotations

The closing middle-market quotations for an Existing Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the first dealing day of each of the six months immediately preceding the date of this document and on 10 January 2012 (being the last practicable date prior to the publication of this prospectus) are as follows:

	<i>p</i>
1 August 2011	125
1 September 2011	110
3 October 2011	120
1 November 2011	120
1 December 2011	115
3 January 2012	115
10 January 2012	115

14. Litigation

- 14.1 Except as set out in paragraph 14.2, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened so far as the Company is aware) in the previous 12 months which may have, or have had in the recent past significant effects on the financial position or profitability of the Company and/or the Group.
- 14.2 On 9 December 2011 proceedings were issued against BPE and a third party by a former employee of BPE (who alleges to have been employed by BPE between 1966 and 1968). The claim relates to the claimant's mesothelioma which was contracted as a result, it is alleged, of working with asbestos whilst employed by BPE and elsewhere. The amount claimed is £300,000 plus costs. The Directors believe the claim to be fully insured.

15. Working Capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least 12 months from the date of this document.

16. Significant change

There has been no significant change in the financial or trading position of the Group since 30 September 2011, the date to which the latest unaudited interim statement of the Group was prepared.

No agreement, arrangement or understanding (including any compensation agreement) exists between the Shareholders, any person acting in concert with the Shareholders and any of the Directors, recent directors, Shareholders or recent shareholders of the Company or its advisors having any connection with or dependence upon the outcome of the Open Offer, except as set out in the Underwriting and Sponsorship Agreement.

17. United Kingdom taxation

The following comments are intended as a general guide only and are based on current UK tax legislation and what is understood to be the current practice of HMRC in the UK as at the date of this document and which may be subject to change, perhaps with retroactive effect. The statements in this paragraph 17 do not constitute advice to any Shareholder on his or her personal tax position, and may not apply to certain classes of people (such as dealers in securities). Except where the position of non-UK resident Shareholders is expressly referred to, these comments deal only with the position of Shareholders who are resident or ordinarily resident and domiciled in the UK for taxation purposes who hold the Ordinary Shares as investments and who are the beneficial owners of the Ordinary Shares. In particular these comments do not address the position of those who have obtained shares through any employee share scheme or the UK tax position of holders of warrants issued by the Company. Shareholders are advised to consult their own independent advisers concerning the consequences under UK tax law of the transactions contemplated in this document.

(a) Taxation of dividends

Under current UK tax legislation, no tax will be withheld at source from any dividend paid by the Company. A UK resident individual Shareholder is currently entitled to a tax credit in respect of the dividend received of an amount equal to one tenth of the aggregate of the cash dividend and the associated tax credit. A UK resident individual Shareholder will be subject to UK income tax on the aggregate of the dividend and the associated tax credit (which will be regarded as the top slice of the individual's income). The rates in the current tax year are 10 per cent; 32.5 per cent. and 42.5 per cent (depending on whether the taxpayer is a basic, higher or additional rate taxpayer respectively). The effect will be that taxpayers who are otherwise liable to pay tax at the basic rate of income tax will not have any further liability in respect of the dividend received as the tax credit will satisfy his liability in full. Higher rate taxpayers will have further income tax to pay (after taking into account the tax credit) of 22.5 per cent, of the aggregate of the net dividend and associated tax credit (equivalent to 25 per cent. of the dividend received). A UK resident individual Shareholder subject to UK income tax at the rate of 50 per cent. on income exceeding £150,000, will be subject to UK income tax on the aggregate of the dividend and associated tax credit at the rate of 42.5 per cent. This will give an effective tax rate of approximately 36 per cent. of the net dividend.

To the extent that a UK resident Shareholder's total tax credits exceed his overall UK income tax liability, the excess is not recoverable from HMRC. For trustees, the notional tax credit does not form part of the trustee's tax pool and so cannot be used to frank subsequent income distributions to beneficiaries.

A UK tax resident corporate Shareholder should not generally (subject to a number of anti-avoidance provisions) be liable to UK corporation tax on any dividend received from the Company provided such dividend is treated as an income dividend for UK tax purposes.

Certain UK resident Shareholders, who are exempt from tax on dividends, including approved pension funds and most UK corporate Shareholders, will not be entitled to claim a refund of all or part of the tax credit in respect of those dividends.

A non-UK resident Shareholder may be subject to foreign tax on the dividend received. Such a Shareholder should consult his own tax adviser on the incidence of taxation in the country in which he is resident and whether he is entitled to the benefit of any tax credit.

(b) Stamp duty and Stamp Duty Reserve Tax ("SDRT")

The summary in this paragraph 17.1 sub-paragraph (b) of Part IX of this Prospectus below does not apply to shares issued or transferred into depository or clearance services, to which special rules apply. The Company will not be responsible for the payment of stamp duty or SDRT in any event.

No liability to stamp duty or SDRT should arise on the issue/allotment of Ordinary Shares by the Company.

No liability to stamp duty or SDRT should arise on the issue or transfer of the Loan Notes.

No stamp duty or SDRT will arise on a transfer of shares into CREST unless the transfer is itself for consideration, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of the consideration given. Subsequent transfers of Ordinary Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent, of the amount or value of the consideration. Euroclear UK & Ireland (which owns and operates CREST) is obliged to collect SDRT from the purchaser in relation to transfers settled through the CREST system.

Transfers of Ordinary Shares outside CREST will generally be liable to *ad valorem* stamp duty at the rate of 0.5 per cent, of the amount or value of the consideration (rounded up to the nearest £5) when the consideration exceeds £1,000. A charge to SDRT at the rate of 0.5 per cent, will arise in relation to an unconditional agreement to transfer such shares. However, where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or a conditional agreement becomes unconditional) the stamp duty will cancel the SDRT liability and any SDRT paid can be recovered.

SDRT is normally the liability of the purchaser of the Ordinary Shares and stamp duty is normally paid by the purchaser.

The above statements under the heading 'Stamp Duty and Stamp Duty Reserve Tax ("SDRT")' are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person may be able to claim specific reliefs or exemptions (for example, market makers, brokers and dealers) or may be required (as the "accountable person" under the Stamp Duty Reserve Tax Regulations 1986) to give notice of an account for SDRT to HMRC notwithstanding that another person is ultimately liable for the tax. Persons who are in any doubt as to their tax position should consult their own professional advisers.

(c) **Capital gains**

(i) *The Sub-Division of Existing Ordinary Shares*

The Sub-Division of Existing Ordinary Shares should be treated as a reorganisation of the Existing Ordinary Shares with the consequence that it should be treated as giving rise to either a capital gain or a capital loss for the purposes of capital gains tax. A shareholder's base cost in his Existing Ordinary Shares will be apportioned between his holding of New Ordinary Shares and his holding of Deferred Ordinary Shares by reference to the market value on the first day in which the price of those shares is quoted.

(ii) *Acquisition of New Ordinary Shares under the Open Offer*

As a matter of UK law, the acquisition of Open Offer Shares by Qualifying Shareholders under the Open Offer may not be regarded as a reorganisation of the share capital of the Company for the purposes of the UK taxation of chargeable gains. Although the published practice of HMRC to date has been to treat an acquisition of shares by an existing shareholder up to their *pro rata* entitlement under the terms of an open offer as a reorganisation, the Company understands that HMRC may not apply this practice in circumstances where an open offer is not made to all shareholders. Specific confirmation as to whether the Open Offer will be treated as a reorganisation has not been requested from HMRC.

If the issue of Open Offer Shares by the Company to Qualifying Shareholders under the terms of the Open Offer is treated as a reorganisation for the purposes of the UK

taxation of chargeable gains, to the extent that a Qualifying Shareholder takes up all or part of their entitlement under the Open Offer, it would not be treated as making a disposal of all or part of its holding of Existing Ordinary Shares and the Open Offer Shares acquired under the Open Offer would generally be treated as the same asset as, and as if they had been acquired at the same time as, the holding of Existing Ordinary Shares. In these circumstances, the issue of the Open Offer Shares should not give rise to UK taxation of chargeable gains. The subscription price paid for the Open Offer Shares would be added to the base cost of the holding of Existing Ordinary Shares and would, in the case of a corporate Qualifying Shareholder, qualify for indexation allowance from the date on which payment for the Open Offer Shares is made or is liable to be made. In the case of individuals, trustees and personal representatives, indexation allowance is not available. However, to the extent that a Qualifying Shareholder takes up Open Offer Shares in excess of its Entitlement, such acquisition would not be treated as a reorganisation.

If and to the extent that the issue of Open Offer Shares by the Company to Qualifying Shareholders under the terms of the Open Offer is not treated as a reorganisation for the purposes of the UK taxation of chargeable gains, the Open Offer Shares would be treated as acquired as part of a separate acquisition and share identification provisions would need to be taken into consideration when computing any gain or loss on a subsequent disposal of such Open Offer Shares.

(iii) *Disposal of New Ordinary Shares*

A Shareholder resident (or ordinarily resident) for tax purposes in the UK or a non resident Shareholder who carries on a trade, profession or vocation in the UK through a branch or agency or (in the case of a Shareholder which is a non-resident company) a permanent establishment and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation, or such branch, agency or permanent establishment, who sells or otherwise disposes of his Ordinary Shares may incur a liability to UK tax on any capital gain which is realised, subject to any available exemptions and reliefs.

Otherwise, an individual Shareholder who is neither resident nor ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares will not normally be liable to UK capital gains tax on any gain which is realised.

However, there is specific legislation which provides for where an individual Shareholder became non UK resident in a tax year prior to the tax year in which such a transaction takes place, (and the individual Shareholder was resident in the UK for four of the seven years of assessment immediately preceding the year of departure) and then becomes UK resident within 5 complete tax years of their departure. In this situation the individual will be taxed in the UK in the tax year of return on any assets disposed of during the period of temporary non residence that were owned prior to leaving the UK.

Where an individual shareholder leaves the UK before, but during the tax year in which, such a transaction takes place they will remain within the charge to UK capital gains tax for that entire tax year unless they qualify for the concessionary treatment in Extra Statutory Concession D2.

In the case of a Shareholder of New Ordinary Shares within the charge to UK corporation tax, indexation allowable will be available to reduce any chargeable gain but will apply to the amount paid for the New Ordinary Shares only from, generally, the date the money for the New Ordinary Shares was paid (or liable to be paid), not from the time the original holding was acquired (if applicable). Chargeable gains are subject to UK corporation tax (the main rate for which in the current tax year is 26 per cent.)

UK resident individual Shareholders can obtain the benefit of the capital gains tax annual exempt amount, which is £10,600 for 2011-2012. The rate of capital gains tax from 6 April 2011 is currently 28 per cent, for a higher rate taxpayer (18 per cent. for a basic rate taxpayer - with capital gains representing the top slice of income).

Any person who is in any doubt as to their tax position, or who may be subject to tax in any other jurisdiction, should consult a professional tax adviser.

(iv) *Redemption of 8% Preference Shares*

Capital raised from the Open Offer will be used to redeem the 8% Preference Shares in full. A proportion will be applied towards payment of the accrued arrears of dividend and the balance towards payment of the nominal value of the 8% Preference Shares.

Any sum received by holders of the 8% Preference Shares in respect of the arrears of dividends will be treated as the payment of those arrears and taxed as such (Shareholders are referred to subparagraph (a) above on how dividends are taxed in the UK). The repayment of the nominal value originally subscribed for the 8% Preference Shares will be treated as a return of capital and not taxed (although holders of the 8% Preference Shares who were not original subscribers may also accrue a capital gain or loss if the price at which they purchased the shares was less than or greater to respectively the original subscription price).

(v) *Cancellation of 7% Preference Shares*

The 7% Preference Shares will be cancelled and it is proposed that the resulting liability to the 7 per cent. Preference Shareholders will be settled by the issue of Loan Notes.

The cancellation of the 7% Preference Shares should not give rise to an immediate taxable capital gain or loss. Any gain realised in respect of the shares will be deferred until the loan notes are redeemed.

Any coupon paid on the Loan Notes whilst in existence will be taxed as interest income for the recipient. Holders of Loan Notes who are individuals will receive such interest subject to basic rate withholding tax.

This issue of Settlement Shares will be treated as the payment of a dividend and will be taxed as such to the extent that the holder of the 7% Preference Shares have received capital from the Company which, broadly speaking, was not itself taxed as a distribution, for example, redemption of the 8% Preference Shares.

(d) ***Inheritance tax***

The Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the UK. For inheritance tax purposes a transfer of assets at less than market value may be treated as a gift and particular rules may apply where the donor reserves or retains some benefit in the assets gifted.

18. Intellectual Property

The Company is not dependent on any patents, licences, industry, commercial or financial contracts, or new manufacturing processes, where such are of fundamental importance to the Company's business or profitability.

19. General

- 19.1 Grant Thornton UK LLP were appointed as the auditors of the Company and its UK incorporated subsidiaries from the year ended 31 March 2000. Grant Thornton UK LLP are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales at the address of 3140 Rowan Place, John Smith Drive, Oxford OX4 2WB.
- 19.2 Beaumont Cornish Limited, which has no material interest in the Company, has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.
- 19.3 Baker Tilly Corporate Finance LLP, which has no material interest in the Company, has given and has not withdrawn its written consent to the inclusion of its report on the pro forma net assets statement in Part VII of this document, in the form and context in which it appears.
- 19.4 The total costs and expenses of or incidental to the Proposals payable by the Company are expected to be £215,610 (excluding VAT).

20. Documents available for inspection

Copies of the following documents may be inspected at the offices of Beaumont Cornish Limited 2nd Floor, Bowman House, 29 Wilson Street, London EC2M 2SJ during normal business hours of any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until a date one month following Admission and at the GM from 15 minutes before the meeting and during the meeting:

- 20.1 the Articles of Association of the Company;
- 20.2 the audited consolidated accounts of the Group for the period ended 31 March 2009;
- 20.3 the audited consolidated accounts of the Group for the period ended 31 March 2010;
- 20.4 the audited consolidated accounts of the Group for the period ended 31 March 2011;
- 20.5 the consent letter of BCL referred to above in Part VIII paragraph 19.2;
- 20.6 the consent letter of Baker Tilly Corporate Finance LLP referred to above in Part VIII paragraph 19.3;
- 20.7 this document;
- 20.8 the service contracts/letters of appointment of Directors referred to above in Part VIII paragraph 6;
- 20.9 the material contracts referred to above in Part VIII paragraph 10; and
- 20.10 the interim statement for the six months ended 30 September 2011.

PART IX

DEFINITIONS

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

Admission	the admission of the New Ordinary Shares to listing on the Official List, trading on the London Stock Exchange's main market.
Articles of Association	the articles of association of the Company.
BCL	Beaumont Cornish Limited, the Company's sponsor.
Blue Form of Proxy	the form of proxy accompanying this document for use by 7% Preference Shareholders at the Class Meeting, which has a blue band across it.
Board or Directors	the directors of the Company whose names are set out on page 14 of this document or, as applicable, the directors of the Company from time to time.
BPE	British Polar Engines Limited, incorporated in Scotland with registered number SC014560.
Business Day	a day, other than a Saturday, Sunday or public holiday, on which clearing banks are open for ordinary banking business in London.
Capital Reduction	the proposed cancellation of the 7% Preference Shares and the proposed cancellation of a portion of share premium account as more particularly described in paragraph 4 of Part I of this document.
City Code	the City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers.
Class Consent	the resolution of 7% Preference Shareholders to be proposed at the Class Meeting.
Class Meeting	the meeting of the 7% Preference Shareholders convened for the purpose of considering the Capital Reduction and issue of the Settlement Shares and the Loan Notes, notice of which is set out in Appendix I of this document.
Companies Act or CA2006	the Companies Act 2006.
Company or ABE	Associated British Engineering plc, incorporated in England and Wales with registered number 00110663.
Completion	completion of the Proposals following the approval of the Capital Reduction by the Court and the registration of the Court order with the registrar of companies.
Corporate Governance Code	the UK Corporate Governance Code, published by the Financial Reporting Council.
Court	the High Court of England and Wales.

CREST	the paperless share settlement system and system for the holding of shares in uncertified form in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations 2001).
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended).
CREST member	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations).
CREST participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations).
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended.
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor.
CREST sponsored member	a CREST member admitted to CREST as a sponsored member.
Deferred Shares	the deferred shares of £1.975 each arising from the Sub-Division.
Directors	the current directors of the Company.
Disclosure and Transparency Rules	the disclosure and transparency rules of the FSA.
Enlarged Issued Share Capital	the issued share capital of the Company following Completion, consisting of the New Ordinary Shares.
Entitlement	the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 4 Open Offer Shares for every 15 Existing Ordinary Shares registered in their name as at the Record Date.
EU	the European Union.
European Economic Area or EEA	territories comprising the European Union together with Norway, Iceland and Liechtenstein.
Excluded Overseas Shareholders	other than as agreed in writing by the Company and BCL and as permitted by applicable law, Shareholders who are located or have registered addresses in a Restricted Jurisdiction.
Existing Ordinary Shares	the 1,313,427 Ordinary Shares of £2 each in the capital of the Company.
FSA or Financial Services Authority	the Financial Services Authority of the United Kingdom.
FSMA	the Financial Services and Markets Act 2000, as amended from time to time.

General Meeting or GM	the general meeting of the Company convened for the purpose of considering the Proposals, notice of which is set out in Appendix 1 of this document.
Group	the Company and its subsidiaries and subsidiary undertakings from time to time, or any one of them as the context may require.
HMRC	HM Revenue and Customs.
IFRS	International Financial Reporting Standards, as adopted for use in the EU.
ISIN	International Securities Identification Number.
Issue Price	£1.00 (one pound).
Listing Rules	the listing rules of the FSA.
Loan Notes	the £555,000 new 6 per cent. loan notes 2012 to be issued by the Company pursuant to an instrument dated 11 January 2012, as more particularly described in Part III of this document.
London Stock Exchange	London Stock Exchange plc.
Memorandum of Association	the memorandum of association of the Company.
Money Laundering Regulations	the Money Laundering Regulations 2007 (SI 2007/2157), as amended from time to time.
New Ordinary Shares	the ordinary shares of 2.5 pence each arising from the Sub Division.
Non-CREST Application Form	the application form for use by Qualifying Non-CREST Shareholders relating to applications for Open Offer Shares.
Official List	the Official List of the UKLA.
Open Offer	the offer to Qualifying Shareholders, constituting an invitation to apply for the Open Offer Shares on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders, in the Non-CREST Application Form.
Open Offer Entitlement	an entitlement to apply for Open Offer Shares allocated to a Qualifying Shareholder pursuant to the Open Offer.
Open Offer Shares	the 350,247 New Ordinary Shares to be offered to Qualifying Shareholders under the Open Offer.
Ordinary Shares	ordinary shares of £2 each in the capital of ABE.
Overseas Shareholders	holders of Existing Ordinary Shares or Preference Shares who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the UK or persons who are nominees or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the UK which

	may be affected by the laws or regulatory requirements of the relevant jurisdictions.
Prospectus	this prospectus which is dated 11 January 2012.
Prospectus Directive	the Directive of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (no. 2003/71/EC).
Prospectus Rules	the prospectus rules of the FSA.
Preference Shares	the 7% Preference Shares and the 8% Preference Shares.
Preference Shareholder	a holder of Preference Shares.
Proposals	the Sub-Division, the Open Offer, the Capital Reduction, the redemption of the 8% Preference Shares and the Underwriting.
Purple Form of Proxy	the form of proxy accompanying this document for use by Shareholders in relation to the GM, which has a purple band across it.
Qualifying CREST Shareholders	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are in uncertificated form.
Qualifying Non-CREST Shareholders	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are in certificated form.
Qualifying Shareholders	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date with the exclusion (subject to certain exceptions) of persons with a registered address or located or resident in the US or a Restricted Jurisdiction.
Receiving Agent	Computershare Investor Services PLC.
Record Date	close of business on 9 January 2012.
Registrar	Computershare Investor Services PLC.
Regulation S	Regulation S promulgated under the Securities Act.
Regulatory Information Service	one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information in respect of listed companies.
Resolutions	Resolutions 1, 2, 3 and 4 as set out in the notice of GM appended to this document.
Restricted Jurisdictions	each of Australia, Canada, Japan, New Zealand, South Africa and the United States.
Securities Act	the United States Securities Act of 1933, as amended.
Senior Manager	Stewart Davis and Rupert Pearce Gould.

Settlement Shares	the 385,316 New Ordinary Shares to be issued to the 7% Preference Shareholders in settlement of the principal amount of the 7% Preference Shares.
Shareholders	holders of Existing Ordinary Shares.
Sub-Division	the proposed sub-division of each Existing Ordinary Share into one New Ordinary Share and one Deferred Share.
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland.
UK Listing Authority or UKLA	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA in the exercise of its functions in respect of, among other things, the admission to the Official List.
Underwriters	each of the Directors (other than Andrew Beaumont), the trustees of the H P Gould & Sons Pension Fund and Colin Mason.
Underwriting	the underwriting of the Open Offer by the Underwriters pursuant to the Underwriting and Sponsorship Agreement.
Underwriting and Sponsorship Agreement	the agreement dated 11 January 2012 between ABE, BCL and the Underwriters, further details of which are set out in paragraph 10.2 of Part VIII of this document.
United States, US or USA	the United States of America, its territories and possessions.
USE Instruction	has the meaning given in the CREST Manual.
US Person	a natural person resident in the US, a corporation or a partnership organised or incorporated under the laws of the US, any estate of which any executor or administrator is a "US person" within the meaning of Rule 902(k) under the Securities Act, any trust of which any trustee is a "US person" within the meaning of Rule 902(k) under the Securities Act, or any other person, entity, trust or estate included within the definition of "US person" under the Securities Act or determined to be resident in the US for the purposes of the US Investment Company Act of 1940, as amended.
7% Preference Shareholder	a holder of 7% Preference Shares.
7% Preference Shares	the 555,000 7% cumulative preference shares of £1 each in the capital of the Company.
8% Preference Shares	the 157,395 8% cumulative redeemable preference shares of £1 each in the capital of the Company.

11 January 2012

APPENDIX 1

ASSOCIATED BRITISH ENGINEERING PLC

NOTICE OF GENERAL MEETING

A general meeting will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on 6 February 2012 at 11.00 a.m. You will be asked to consider and pass the resolutions below. Resolutions 3 and 4 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions. In this notice, **Prospectus** means the company's prospectus and circular dated 11 January 2012 of which this notice forms part.

The following resolutions will be proposed as **ordinary resolutions**:

1. That, in accordance with section 551 Companies Act 2006 (**CA 2006**), the directors are generally and unconditionally authorised, and in substitution for any previous authority, to allot the equity securities, as defined in section 560 CA 2006, up to an aggregate nominal amount of £20,000), such authority, unless previously revoked or varied by the company in general meeting, to expire on 26 January 2013 or, if earlier, the date of the company's next annual general meeting, except that the directors may allot relevant securities pursuant to an offer or agreement made before the expiry of the authority.
2. That the Underwriting by the Underwriters (as such terms are defined in the Prospectus) be approved for the purposes of Listing Rule 11.1.7 (*Related Party Transactions*).

The following resolutions will be proposed as **special resolutions**:

3. That, subject to the passing of resolutions 1, 2 and 4, under section 570 CA 2006, the directors are authorised, in substitution for any previous authority, to allot equity securities, as defined in section 560 CA 2006, wholly for cash for the period commencing on the date of this resolution and expiring on 26 January 2013, as if section 561CA 2006 did not apply to such allotment, except that the directors may allot relevant securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:
 - 3.1 the allotment of equity securities, in connection with the Open Offer up to a maximum nominal value of £8,757), such securities to be issued at a discount of 13% to the middle market price of an Existing Ordinary Share (as defined in the Prospectus) on 10 January 2012 being the last business day prior to the date of announcement of the Open Offer; and
 - 3.2 the allotment of Settlement Shares (as defined in the Prospectus) up to a maximum nominal value of £10,000.
4. Subject to the confirmation of the High Court of Justice of England and Wales, to the approval of the Class Consent (as defined in the Prospectus) and to the passing of resolutions 1, 2 and 3:
 - 4.1 that, each issued ordinary share of £2 in the capital of the Company be sub-divided into one ordinary share of 2.5p (two and a half pence) and one deferred share of £1.975, such deferred shares having the rights set out in paragraph 4.2 below;
 - 4.2 that the company's articles of association be amended by the inclusion of a new article 3 as follows:

"3 Any deferred shares in issue will have the following rights and shall be subject to the following restrictions:

- 3.1 *on the winding up of the Company, after the holders of ordinary shares have received the aggregate amount paid up on such shares plus £100 (one hundred pounds) per ordinary share, there shall be distributed amongst the holders of the deferred shares an amount equal to the nominal value of the deferred shares and thereafter any surplus shall be distributed amongst the holders of the ordinary shares pro rata to the number of ordinary shares held by each of them respectively;*
- 3.1.1 *the deferred shares shall not carry any entitlement to dividends;*
- 3.1.2 *the Company may purchase, in accordance with CA 2006, all the deferred shares in issue at any time for no consideration. Pending such purchase, each holder of deferred shares will be deemed to have irrevocably authorised the Company, at any time:*
- 3.1.2.1 *to appoint any person to execute (on behalf of the holders of the deferred shares) a transfer of such shares and/or an agreement to transfer them to the Company or to such person or persons as the Company may determine as custodian of them; and*
- 3.1.2.2 *pending such transfer, to retain such holder's certificate for the deferred shares;*
- 3.1.3 *the deferred shares will not confer on the holders any entitlement to receive notice of or to attend or vote at any general meetings of the Company;*
- 3.1.4 *except as provided above, the deferred shares will carry no right to participate in the profits or assets of the Company; and*
- 3.1.5 *the rights attaching to the deferred shares shall not be or be deemed to be varied or abrogated by the passing of any resolution of the Company reducing its share capital or cancelling the deferred shares but so that none of the rights or restrictions attached to the deferred shares shall be or be deemed to be varied or abrogated in any way by the passing or coming into effect of any special resolution of the Company to reduce its share capital and/or reduce or cancel (as the case may be) its share premium account (including a special resolution to reduce the capital paid-up or to cancel such deferred shares) provided that upon a cancellation of all the deferred shares the Company's articles of associations will automatically be altered by the deletion of article 3."*
- 4.3 *the share capital of the company be reduced by cancelling and extinguishing all of the 7 per cent. cumulative preference shares of £1 each;*
- 4.4 *subject to and conditional upon the reduction of capital referred to in paragraph 4.3 above taking effect and notwithstanding anything contrary in the company's articles of association the reserve arising in the books of the company as a result of the reduction of share capital referred to in paragraph 4.3 above be capitalised and applied in paying up in full at par such number of new Loan Notes (as defined in the Prospectus) as have an aggregate nominal value equal to the nominal value of the 7% cumulative preference shares of £1 each cancelled in accordance with paragraph 4.3 above and that such Loan Notes be issued to the 7% Preference Shareholders (as defined in the Prospectus) pro-rata to their holdings of 7% cumulative preference shares of £1 each;*
- 4.5 *£462,379 of the amount standing to the credit of the company's share premium account be and is hereby cancelled;*

- 4.6 subject to and conditional upon the reduction of capital referred to in paragraph 4.5 above taking effect and notwithstanding anything contrary in the company's articles of association the reserve arising in the books of the company as a result of the cancellation of share premium account referred to in paragraph 4.5 above be capitalised and applied in paying up in full 385,316 new ordinary shares of 2.5p at an issue price of £1.20 per share to satisfy in full the arrears due on the 7% cumulative preference shares of £1 each;
- 4.7 conditional upon the reductions of capital referred to in paragraphs 4.3 and 4.5 above taking effect, the company's articles of association be amended by the deletion of articles 3.1 to 3.5 inclusive and their replacement with the article set out in paragraph 4.2 above.

By order of the Board
C Weinberg
Director

Registered Office:

Fairfax House
15 Fulwood Place
London WC1V 6AY
Registered in England and Wales No. 110663

11 January 2012

ASSOCIATED BRITISH ENGINEERING PLC

NOTICE OF A MEETING OF THE HOLDERS OF 7 PER CENT. CUMULATIVE PREFERENCE SHARES

A meeting of the holders of the 7 per cent. cumulative preference shares of £1 each in the capital of the company will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on 6 February 2012 at whichever is the earlier of 11.30 a.m. and the end of the general meeting scheduled for 11.00 a.m. on the same day. You will be asked to consider and pass the resolution as an extraordinary resolution. In this notice, **Prospectus** means the company's prospectus and circular dated 11 January 2012 of which this notice forms part.

The following resolution will be proposed as **extraordinary resolution**:

That the holders of the 7 per cent. cumulative preference shares of £1 each in the capital of the company agree to:

1. the cancellation and extinguishing of such shares;
2. the application of the reserve arising in paying up in full at par such number of new Loan Notes (as defined in the Prospectus) as have an aggregate nominal value equal to the nominal value of the 7 per cent. cumulative preference shares of £1 each cancelled and that such Loan Notes be issued to the 7 per cent. Preference Shareholders (as defined in the Prospectus) pro-rata to their holdings of 7 per cent. cumulative preference shares of £1 each; and
3. the issued and allotment to the 7 per cent. Preference Shareholders of 385,316 new ordinary shares of 2.5p at an issue price of £1.20 per share to satisfy in full and final settlement the arrears due on the 7 per cent. cumulative preference shares of £1 each.

By order of the Board
C Weinberg
Director

Registered Office:

Fairfax House
15 Fulwood Place
London WC1V 6AY

Registered in England and Wales No. 110663

11 January 2012

NOTES TO THE NOTICE OF GM AND NOTICE OF CLASS MEETING

The Purple Proxy Form is for the GM.

The Blue Proxy Form is for use at the Class Meeting.

Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact the Company's registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at his discretion. Your proxy will vote (or abstain from voting) as he thinks fit in relation to any other matter which is put before the meeting.

Appointment of proxy using the hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold his vote.
6. To appoint a proxy using the proxy form, it must be:
 - 6.1. completed and signed;
 - 6.2. sent or delivered to the Company's registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and
 - 6.3. received by the Company's registrars no later than 11.00 a.m. on 2 February 2012 in the case of the proxy for the General Meeting and 11.30 a.m. for the proxy for the Class Meeting.
7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those ordinary shareholders registered in the register of members of the

Company 48 hours before the meeting shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Appointment of proxy by joint members

10. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

Changing proxy instructions

11. To change your proxy instructions simply submit a new proxy appointment using the method set out in paragraph 6 above. Note that the cut off time for receipt of proxy appointments specified in that paragraph also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.
12. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrar as indicated in paragraph 3 above.
13. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

14. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrar as indicated in paragraph 3 above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
15. The revocation notice must be received by the Company no later than 11.00 a.m. on 2 February 2012.
16. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 17 below, your proxy appointment will remain valid.
17. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Nominated persons

18. Any person to whom this notice is sent who is a person nominated under section 146 Companies Act 2006 to enjoy information rights ("Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the GM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
19. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

Total voting rights

20. As at the date of this document, the Company's issued share capital comprised 1,313,427 ordinary shares of £2 each, 555,000 7% cumulative preference shares of £1 each and 157,395 8 per cent. cumulative redeemable preference shares of £1 each. Each ordinary share of £2 carries the right to 200 votes at a general meeting of the Company. Since the dividends are more than six months in arrears the 8% cumulative preference shares of £1 each have 50 votes per share and the 7% cumulative preference shares of £1 each have four votes per share. Therefore, the total number of voting rights in the Company as at the date of this document is 272,775,150.

Questions at the meeting

21. In accordance with section 319A Companies Act 2006, the Company must cause to be answered at any general meeting any question relating to the business being dealt with at the meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Website statements

22. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the GM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 Companies Act 2006. Where the Company is required to place a statement on a website under section 527 Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the GM includes any statement that the Company has been required under section 527 Companies Act 2006 to publish on a website.

Communication

23. Except as provided above, members who have general queries about voting by proxy should contact the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY.
24. Shareholders may not use any electronic address provided in either this notice or any related documents, including the form of proxy, to communicate with the Company for any purposes other than those expressly stated.

Website giving information regarding the meeting

25. A copy of the notice of GM and notice of the Class Meeting and other information required by section 311A Companies Act 2006 can be found at www.abepc.co.uk.

