THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult your stockbroker, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document has been prepared in accordance with the POS Regulations and the rules of AIM, a market of the London Stock Exchange, but is not a prospectus for the purposes of the POS Regulations.

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that admission will become effective and that the Ordinary Shares will commence trading on AIM on 20 December 2004.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. It is emphasised that no application is being made for admission of these securities to the Official List. Neither the London Stock Exchange nor the United Kingdom Listing Authority has itself examined or approved the contents of this document.

Prospective investors should read the whole of this document and should be aware that an investment in the Company is speculative and involves a higher than normal degree of risk. The attention of prospective investors is drawn to the section entitled "Risk Factors" in Part 2 of this document. All statements regarding the Group's business should be viewed in the light of these risk factors.

To the best of the knowledge and belief of the Directors, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors accept responsibility accordingly.

Pure Wafer plc

(Incorporated in England and Wales with registered number 5289130)

Placing of 4,827,586 Ordinary Shares of 2p each at 145p per share
and
Admission to trading on AIM

Nominated Adviser and Broker
Numis Securities Limited

SHARE CAPITAL

Following completion of the Placing, the authorised and issued share capital of the Company will be as follows:

Authorised			*Issued and fully paid*	
£	*Number*		*£*	*Number*
1,000,000	50,000,000	ordinary shares of 2p each	529,885.38	26,494,269

The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares in the capital of the Company, including the right to receive all future dividends and other distributions declared, made or paid after the date of admission to trading on AIM.

Numis Securities Limited, a company regulated by the Financial Services Authority, is acting as the Company's nominated adviser and broker in connection with the matters described in this document and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Numis or for advising any other person in connection with the matters described in this document. Numis' responsibilities as the Company's nominated adviser are owed solely to the London Stock Exchange. No liability is accepted by Numis for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document, for which the Company and its directors are solely responsible.

This document should not be distributed in, into or from the US, Canada, Australia, Japan or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America, Australia, Canada or Japan. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, taken up or delivered within the United States of America, Canada, Australia or Japan or to or for the account or benefit of any national, resident or citizen of Australia, Canada or Japan or any person located in the United States. This document does not constitute an offer or the solicitation of an offer to subscribe for or buy any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make an offer or solicitation in such jurisdictions.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings commence on AIM	20 December 2004
CREST accounts credited (where applicable)	20 December 2004
Despatch of definitive share certificates (where applicable)	7 January 2005

Each of the times and dates in the above timetable is subject to change

PLACING STATISTICS

Placing Price	145p
Number of Placing Shares being offered in the Placing	4,827,586
Placing Shares as a percentage of the enlarged issued share capital	18.2%
Number of Ordinary Shares in issue immediately following Admission	26,494,269
Gross proceeds of the Placing receivable by the Company	£7,000,000
Estimated proceeds, after expenses, of the Placing receivable by the Company	£5,650,000
Market capitalisation of the Company at the Placing Price	£38,416,690

DIRECTORS, SECRETARY AND ADVISERS

Directors	Charles Giles Clarke	*(Non-executive Chairman)*
	Keith Baker	*(Chief Executive Officer)*
	Peter George Harrington	*(Finance Director)*
	John Andrew Walter Samuel	*(Non-executive Director)*
	Eurfyl ap Gwilym	*(Non-executive Director)*
Registered Office	Central Business Park Swansea Vale Swansea SA7 0AB	
Company Secretary	Peter George Harrington	
Nominated Adviser and Broker	Numis Securities Limited Cheapside House 138 Cheapside London EC2V 6LH	
Solicitors to the Company	DLA LLP Princes Exchange Princes Square Leeds LS1 4BY	
Solicitors to the Placing	Nabarro Nathanson Lacon House 84 Theobald's Road London WC1X 8RW	
Auditors	PricewaterhouseCoopers LLP Princess House Princess Way Swansea SA1 5LH	
Reporting Accountant	PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD	
Registrars	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

KEY INFORMATION

Pure Wafer provides a high-quality silicon test wafer reclaim service to major semiconductor manufacturing companies around the world. It is not itself a chip manufacturer. Semiconductor circuits are manufactured on silicon wafers in advanced fabrication facilities. All such facilities use large quantities of "test" wafers for the purposes of testing, maintenance and calibration of semiconductor manufacturing equipment. Wafer reclaim is a highly specialised industrial process enabling the multiple re-use of these silicon test wafers.

The Directors believe that the key attractions of the silicon wafer reclaim industry and strengths of Pure Wafer's position within it are as follows:

- Favourable market dynamics with a forecast doubling of 300mm semiconductor production facilities in the next two years by companies of whom many are existing Pure Wafer customers.
- A limited number of 300mm global wafer reclaimers.
- A move towards production of semiconductors on 300mm wafers independent of the cyclical nature of chip volume production.
- Pure Wafer is the leading high-volume European provider of 300mm wafer reclaim services to an established and global market where it is common for international semiconductor manufacturers to have multiple service providers in different geographic regions.
- Forecast market demand to support the Group's investment in additional on-site capacity.
- Established customer relationships with the majority of the leading semiconductor manufacturers worldwide.
- Constant pressure on semiconductor manufacturers to improve profitability by employing margin-enhancing technologies point to the increasing use of wafer reclaim, particularly in down-cycles.
- Significant barriers to entry for independent new entrants and economics of scale preclude semiconductor manufacturers from establishing their own reclaim facilities.
- A state-of-the-art wafer reclaim facility that provides technologically advanced reclaim solutions to the world's leading semiconductor manufacturers.
- Consistent quarter-on-quarter revenue growth for the last five quarters during the transition to operational profitability.

DEFINITIONS

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

"Act"	the Companies Act 1985, as amended
"Admission"	admission of the entire ordinary share capital of the Company, issued and to be issued, to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	a market operated by the London Stock Exchange
"AIM Rules"	the rules for AIM companies and their nominated advisers as published by the London Stock Exchange
"Apax"	Apax Partners Holdings Ltd with the assistance of various of its subsidiaries and Est2004 Advisers AB, acting in its capacity as the Investment Adviser to Apax Europe IV GP, L.P., the managing general partner of each of the parallel limited partnerships comprising the Guernsey-based fund known as Apax Europe IV
"Apax Funds"	Apax Europe IV-A LP, Apax Europe IV-B LP, Apax Europe IV-C GmbH & Co. KG, Apax Europe IV-D LP, Apax Europe IV-E LP, Apax Europe IV-F LV, Apax Europe IV-G LV, Apax Europe IV-H GmbH & Co. KG and Apax Europe IV GP Co. Limited
"Board"	the board of directors of the Company from time to time
"BOS"	The Governor and Company of the Bank of Scotland
"Combined Code"	the revised combined code on the principles of good governance and code of best practice published in July 2003 by the Financial Reporting Council
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of share transfers and holding of shares in uncertificated form which is administered by CRESTCo Limited
"Directors"	the directors of the Company whose names are set out on page 4 of this document, and "Director" means any one of them
"EBITDA"	profit before interest, tax, depreciation, amortisation and release of deferred grant income
"FSA"	the Financial Services Authority Limited
"Group"	the Company and its subsidiary, PWIL
"IBM"	IBM United Kingdom Financial Services Limited
"ISO"	International Organisation for Standardisation
"London Stock Exchange"	London Stock Exchange plc
"Model Code"	the model code on dealing in securities as defined in the Listing Rules of the UK Listing Authority
"Numis"	Numis Securities Limited

"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 2p each in the share capital of the Company
"Placing"	the proposed conditional placing of the Placing Shares with investors by Numis on behalf of the Company pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 10 December 2004 between Numis, the Company, the Directors and others relating to the Placing, details of which are set out in paragraph 13 of Part 6 of this document
"Placing Price"	145p per Placing Share
"Placing Shares"	the 4,827,586 Ordinary Shares to be issued by the Company pursuant to the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995, as amended
"PWIL"	Pure Wafer International Limited, the principal trading company of the Group
"Shareholder"	a holder of Ordinary Shares
"subsidiary"	as defined in sections 736 and 736A of the Act
"Pure Wafer" or "the Company"	Pure Wafer PLC, a company incorporated in England and Wales with registered number 5289130
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the FSA acting in its capacity as the competent authority for purposes of Part IV of the Financial Services and Markets Act 2000
"Unapproved Plan"	the Pure Wafer plc Unapproved Company Share Option Plan, details of which are set out in paragraph 5.1 of Part 6 of this document
"US"	the United States of America, its states, districts, territories and possessions
"WDA"	The Welsh Development Agency

GLOSSARY

"fab"	semiconductor fabrication facility
"FMCG"	fast moving consumer goods
"large silicon wafer"	silicon wafers with a diameter of at least 200mm
"micron"	a unit of length equal to one thousandth of a millimetre
"prime wafer"	a wafer used as the base for the manufacture of semiconductors
"semiconductor", "semiconductor circuit", "silicon chip" or "chip"	an integrated circuit or other electronic component containing a semiconductor material as a base
"silicon on insulator"	a highly advanced silicon wafer used in the manufacture of ultra high speed semiconductors
"test wafer"	a wafer used instead of a prime wafer to assess the calibration of the machines used to manufacture semiconductors
"wafer"	a thin polished disc of silicon

PART I

INFORMATION ON THE GROUP

1. Introduction

Pure Wafer provides a high-quality silicon test wafer reclaim service to major semiconductor manufacturing companies around the world.

The production of semiconductor circuits (or "silicon chips") takes place in highly specialised fabrication facilities, known in the industry as "fabs". Such fabs are highly capital intensive, with the latest generation costing up to US$3bn each to build and equip. The major semiconductor companies, which are able to afford this scale of investment, continue to seek to lower unit production costs through economies of scale and tight cost controls. The reclaim of silicon test wafers is a significant part of this cost control process.

Semiconductor circuits are manufactured on thin, polished discs of pure silicon, known as "wafers". The circuits are built up by depositing molecular layers of different materials often only a few atoms thick onto each wafer in precise, intricate patterns as dictated by the circuit design. As layer upon layer is deposited, this process eventually results in the creation of hundreds of tiny, identical three-dimensional electrical devices on each wafer.

Depending upon the complexity of the circuit, a design may require up to 30 different patterned layers, which might entail a single wafer passing through a series of up to 400 precise, discrete manufacturing stages in the fab: a process which may take up to a month to complete. A major error (for example, as a result of machine mis-alignment or particle contamination) at any of these stages would, in most cases, render the device useless and the wafer (carrying hundreds or thousands of such devices) would probably be scrapped. It is not uncommon for several hundred wafers at a time to be affected in this way, resulting in significant financial loss to the semiconductor manufacturer.

In order to reduce the risk of such costly errors, semiconductor fabs use large quantities of test wafers as an integral part of the fabrication process. Test wafers are used to check the accurate calibration of the equipment at each stage of the process before committing the actual product wafers to that stage. Test wafers are also used extensively when fabs have recently been constructed or are developing new process technologies or circuit designs.

Although a test wafer may have only a small number of layers deposited on it during the testing process, this generally renders it unfit for further use. Silicon test wafers are thus often the most significant consumable cost in the manufacture of semiconductors. Rather than scrapping a test wafer after a single use, it is possible to reclaim it by removing layers of deposit through the application of chemicals and advanced polishing processes. This reclaim process allows a test wafer to be reused up to six times. However, given the importance of the function of test wafers, fabs will only contemplate using reclaimed test wafers if they meet stringent quality and technical specifications, the purpose of which is to ensure that the reclaimed wafer is of a quality equivalent to that of an unused test wafer. It is this high-quality, high-specification reclaim service that Pure Wafer provides to its customers.

Pure Wafer provides reclaim services for the more technically demanding large diameter silicon wafers (200mm and 300mm), which are used in the manufacture of higher specification semiconductors. 300mm silicon wafer reclaim is the newest and fastest growing segment of this market. The capital intensive nature of the latest generation of wafer reclaim facilities means that it is currently not practical for semiconductor manufacturers to reclaim large diameter test wafers themselves. It is only specialist reclaimers, such as Pure Wafer, who can aggregate sufficient demand from several semiconductor manufacturers to make large diameter wafer reclaim cost-effective.

The key technical parameters in wafer reclaim are the purity (absence of contaminating particles on the surface) and flatness of the reclaimed product. The Directors believe that Pure Wafer's reclaimed wafers are the flattest and amongst the purest in the industry. The Group's processes are highly regarded within the semiconductor industry, to the extent that certain manufacturers of new wafers have contracted with Pure Wafer to apply its finishing processes to their high-quality products.

2. Overview of Pure Wafer's business

Pure Wafer's operating subsidiary, PWIL, was established in 2000 by a management team widely experienced in the semiconductor industry. Its aim was to provide the highest quality reclaimed wafers with industry-leading standards of service. Initial capital was provided by personal investment from the then executive directors of PWIL and, amongst others, BOS, IBM and certain private equity funds managed by Apax. The Group operates from a state-of-the-art, purpose-built 4,500m^2 facility in South Wales and provides the majority of its services to semiconductor manufacturers based in South East Asia, Europe and North America.

The fact that the 300mm wafer reclaim industry is so new means that there is no standard reclaim process or generic machinery. The machinery and processes used by the Group have been designed and developed internally and are specific to Pure Wafer, thereby the Directors believe providing the Group with an important competitive advantage. Pure Wafer has been recognised as a leading service provider following stringent audits carried out by several major semiconductor manufacturers.

The Group has reached several key milestones in the short period since its formation. These include:

- the design and construction of a bespoke reclaim facility in South Wales which became operational in August 2001;
- the development of technically advanced systems, including a proprietary process producing ultra-flat wafers and a novel drying and finishing technique, resulting in market leading levels of cleanliness and flatness;
- achieving the individual accreditations required for each customer's factory, the first of which was secured in October 2001;
- achieving ISO 9001 accreditation (which is now required by semiconductor manufacturers) in July 2002;
- developing significant market penetration and establishing a strong position in the key growth market for reclaiming 300mm wafers; and
- becoming EBITDA positive in March 2004.

3. Overview of the semiconductor market

In order for semiconductor manufacturers to continue to increase the functionality of semiconductors at a reduced cost, the industry has sought to increase the size of wafers on which semiconductor devices are manufactured. For approximately ten years, manufacturing semiconductors on 200mm wafers has been the most efficient method available to the industry. However, the technical difficulties involved in producing and using 300mm wafers have recently been overcome, resulting in a significant increase in the number of fabs able to manufacture semiconductor devices on 300mm wafers. According to Intel and Infineon Technologies, two leading semiconductor manufacturers, the transition from 200mm to 300mm wafers has enabled them to reduce their manufacturing costs by around 30 per cent.

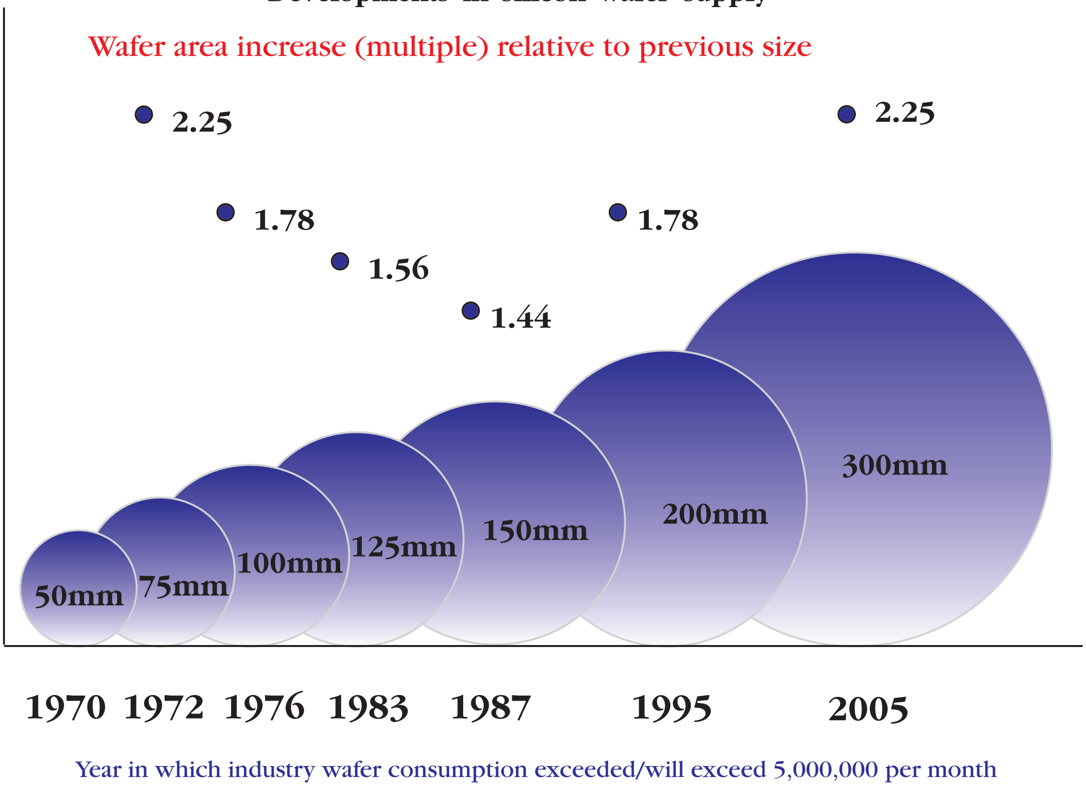
There are currently 23 semiconductor fabs worldwide that are using 300mm wafers. Analysts from Semiconductor International, a trade journal, report that an additional 24 new 300mm fabs have been commissioned and are expected to be operational by March 2006.

The majority of semiconductor devices are currently manufactured on wafers that have a diameter of 200mm or lower. Over the last four years, the growth of 300mm wafer usage has averaged 80 per cent per annum. Dataquest forecasts future growth of 300mm wafer usage of 33 per cent over the next three years: this reflects semiconductor manufacturers seeking to exploit the economies provided by such wafers and the consequent lower unit production costs. International Sematech, a standards and research organisation, has predicted that this strong growth will continue for the foreseeable future, resulting in 300mm fabs outnumbering all other facilities by 2015.

The Directors believe that, because of the technical difficulties involved, further increases in wafer diameter are not expected in the industry for some time. International Sematech predicts that 300mm wafer manufacturing will continue to be the dominant wafer size for the next 14 years. Nevertheless, the Directors are confident that in the event of expansion in wafer diameters in the longer term, Pure Wafer's flexibility and scaleable processes will help to ensure that it is well positioned to exploit such market developments.

The following diagram illustrates the development of silicon wafers since 1970 and shows the increase in wafer areas as a multiple of the previously dominant size:

Developments in silicon wafer supply



Source: Intel Corp

For the following reasons, the Directors believe that Pure Wafer's business may be resistant to a downturn in the semiconductor industry:

- Whilst manufacturers are unlikely to commission new production facilities in a cyclical downturn, such downturns have in the past resulted in manufacturers closing facilities which use the smaller sized wafers and shifting production to the more cost-effective, larger diameter facilities. The effect of this in a future downturn would be to increase production on, and therefore usage of, 300mm wafers, even though overall production of silicon chips may be reduced.
- Secondly, the Directors believe that any downturn is likely to lead to the increased use of reclaimed wafers in the production process. The cost saving that reclaimed wafers can produce has in previous cyclical downturns led manufacturers to use reclaimed wafers in a greater proportion of the stages in the manufacturing process, as the focus of engineering resources moves from increasing capacity to reducing cost. The Directors estimate that customers currently use reclaimed wafers in only 50 per cent of the number of manufacturing stages in which the Group's reclaimed wafers could potentially be used.

4. Overview of the wafer reclaim market

Test wafers are used several times a day in each of the many stages of the semiconductor manufacturing process to ensure that equipment is properly calibrated. These test wafers are a key consumable in the manufacture of semiconductors and the ability to reclaim them provides manufacturers with the opportunity to reduce costs.

The Directors expect that the long term growth in the semiconductor industry, together with the transition to 300mm wafers, will result in strong growth in the demand for reclaimed large silicon wafers. Prismark, a US-based analyst of the semiconductor industry, has confirmed that the global reclaim market will grow from US$183 million in 2003 to US$254 million by 2008. This represents annual growth of 6.8 per cent. The areas served by Pure Wafer are growing particularly rapidly, with all its target markets experiencing strong growth.

Prismark forecasts that the global market for the reclaim of copper 300mm wafers (discussed further below) will grow from 295,000 reclaim wafers valued at US$28.1 million in 2003, to 3.4 million wafers valued at US$126.7 million by 2008. This represents a unit growth of 63 per cent per annum and a revenue growth of 35 per cent per annum.

Prismark also forecasts that the global market for the reclaim of non-copper 300mm wafers will grow from 180,000 reclaim wafers valued at US$16 million in 2003, to 1 million wafers valued at US$34.7 million by 2008. This represents a unit growth of 63 per cent per annum and a revenue growth of 17 per cent per annum.

Prismark also expects the 200mm copper wafer reclaim market to grow from 435,000 wafers and US$6.1 million in revenue in 2003, to 2.37 million wafers and US$24 million by 2008. This is a growth of 32 per cent per annum in revenue terms, and nearly 40 per cent per annum in unit volume.

The target 300mm wafer reclaim market is predominantly shared between Pure Wafer and five major competitors, of which three are based in Japan, one in Taiwan and one in the United States. The Directors estimate that Pure Wafer presently has 12 per cent of this market.

As the semiconductor industry moves to larger diameter wafers, test wafer costs tend to increase as a proportion of the total production cost. This is demonstrated by the table below, which is based on the experience of Intel:

Relative costs of semiconductor production by wafer diameter

	200mm		300mm	
Line Item	*US$*	*%*	*US$*	*%*
Allocated Costs	1,180	61	1,653	49
Consumables:				
Materials	535	28	1,295	38
Test Wafers	**45**	**2**	**203**	**6**
Other	174	9	226	7
Totals	1,934	100	3,377	100

Source: Intel Corp

This increase in cost consequently provides semiconductor manufacturers with greater scope for savings by expanding their use of reclaimed wafers. Indeed, the experience of the Directors is that take-up of wafer reclaim has been much faster for 300mm wafers than previously experienced during the initial stages of 200mm production.

To improve the performance and functionality of semiconductors, the semiconductor industry has recently introduced copper as an interconnect metal to replace aluminium, which has traditionally been used in this process. Copper provides a new challenge to semiconductor manufacturers and wafer reclaimers because cross-contamination of an aluminium production process with copper particles can cause a fab to cease production until all such contamination has been removed. As such, cross-contamination presents an unacceptable risk to manufacturers. Pure Wafer's South Wales facility has been built with separate copper and non-copper reclaim areas. The Directors believe that Pure Wafer is alone in having such a facility and the Company hopes to use this to strengthen its relationship with its customers.

The wafer reclaim market is characterised by the following structural factors:

Embedded systems

300mm wafers are technically more difficult to reclaim than smaller wafers. This is due to the difficulties in controlling specialist processes across larger surfaces, as well as the more complex engineering solutions required for controlling the materials used exclusively on 300mm wafers. In particular, the technical challenges of returning wafers to customers without addition of any contaminant particles. A small number of wafer reclaim suppliers, including Pure Wafer, have now resolved these problems through a lengthy but co-operative process with semiconductor manufacturers. The Directors believe that the Group's services are well established within the systems and processes of its customers and that these manufacturers would be reluctant to invest the time and resources in the iterative process necessary to assist a new supplier in developing appropriate systems.

Industry capacity

The ability to enter the industry is affected by the long lead time on wafer reclaim machinery, which can be up to one year. Once such machinery is in place, Pure Wafer's experience is that it then commonly takes new entrants to the 300mm reclaim market a further year to have developed a process around this machinery capable of reclaiming wafers to a standard which secures technical approval from semiconductor manufacturers. These factors present significant barriers to entry to the 300mm wafer reclaim market. Those already in the 300mm market, such as Pure Wafer, therefore enjoy a significant advantage which should increase as more 300mm semiconductor fabs come online, thus providing further demand for 300mm wafer reclaim services.

5. Pure Wafer's process

Pure Wafer's process for reclaiming test wafers involves the following key stages:

- inspection of the wafers for defects and classification by type of deposit to be removed;
- submersion in a precise mix of chemicals appropriate to remove the deposit;
- extensive polishing to achieve flatness and correct defects;
- cleaning and drying to extremely high levels of precision; and
- final quality inspection and packaging for return to the customer.

The latter stages of this process are conducted in Class 1 clean rooms with no more than one particle of dust larger than one micron in a cubic metre of air. This is compared to the billions of such particles in a similar amount of normal air.

The return packaging must be as clean as the reclaimed wafer itself. The new materials employed in the boxes used to transport 300mm wafers have proved harder to decontaminate than those previously used. Pure Wafer has developed, with the assistance of its customers, its own proprietary process to clean the boxes in which the wafers are transported.

The Group utilises its factory automation systems to schedule work to provide short cycle times, enabling it to offer a significantly shorter cycle for its services to specific customers than its competitors. Typically, semiconductor manufacturers face a turnaround time of five weeks, whereas Pure Wafer has demonstrated its ability to deliver reclaimed wafers back to specific customers within two weeks.

The fundamental driver for the expected growth in wafer reclaim is the fact that reclaiming and re-using test wafers can significantly reduce costs for semiconductor manufacturers. Pure Wafer's reclaim process removes a smaller amount of silicon from the wafer than achieved through competing processes. Consequently, customer feedback leads the Directors to believe that test wafers treated by Pure Wafer can be reclaimed more times than those reclaimed through competing processes providing even greater cost benefits to its customers.

6. Key strengths

The Directors believe that the key strengths of the Group are as follows:

Technological advantages: smaller geometrics and higher specification

In order to increase the functionality and speed of semiconductors, manufacturers seek to reduce the size of the components on a single chip. In 1998, the typical width of a transistor printed on semiconductors was 0.24 microns. This has now reduced to 0.1 micron and by 2005 is predicted by Infineon, a leading semiconductor manufacturer, to be only 0.07 microns. This means that prime and test wafers used in modern manufacturing facilities must be cleaner and flatter than before. Customer feedback leads the Directors to believe that no other wafer reclaimer achieves the flatness of Pure Wafer's process, and that Pure Wafer is also one of the leading reclaimers in terms of cleanliness (number of contaminant particles per reclaimed wafer).

As specifications have become more stringent as a consequence of the advance of semiconductor technologies, Pure Wafer's ability to provide flatter and cleaner wafers has enhanced its business. The Directors consider that this has contributed to the growth in Pure Wafer's market share over the past two years. Pure Wafer is still materially ahead of existing customer specifications in terms of flatness and cleanliness. As these specifications tighten further, the Directors expect that certain of Pure Wafer's competitors will be required to upgrade their existing technology if they wish to continue to compete with Pure Wafer.

The Directors believe that Pure Wafer is, therefore, well positioned to take advantage of the expected increase in demand for flatter wafers.

Flatness comparison

	Pure Wafer	*The leading Japanese reclaimer*	*A leading prime wafer manufacturer*
Variation of thickness over entire wafer (micron)	0.18	0.55	0.28
Variation in thickness over sample 25mm^2 chip area (micron)	0.15	0.35	0.22

Source: Pure Wafer customer feedback (October 2002 and May 2004)

Ability to reclaim 200mm and 300mm wafers

Pure Wafer's facilities and equipment have been designed to service the growing 300mm reclaim market. However, unlike many of Pure Wafer's competitors, its machinery is equally capable of handling 200mm wafers. The Directors are not aware of any competitor that uses all of its machinery for both 200mm and 300mm wafer reclaiming. This makes Pure Wafer's facilities flexible and able to vary production between 200mm and 300mm wafers to satisfy short term fluctuations in demand. It is also able to undertake the long term change to higher margin 300mm wafers without significant obstacles.

Expansion potential

Capacity in the Group's current facility can be expanded fivefold through the purchase of further bespoke machinery, some of which the Group has recently ordered. Capacity can then be doubled again by "butterflying" a mirror image of the existing floorplan. The facility was built with this express purpose: all key systems are constructed along what would become the central wall with the intention of minimising disruption to the existing production areas in the event of expansion. The Group has already received outline planning permission for this expansion.

Information technology

The Group has made substantial investment in its information technology to ensure that it can offer customers services that are not readily obtainable from competitors. For instance, the Group offers customers a web-enabled system through which they are able to track each wafer and thereby record the usage and reclaim history of the wafer throughout its life time. The Directors believe this facility provides customers with welcome reassurance as to the integrity of Pure Wafer's systems, a key factor in the decision making process for selecting a wafer reclaimer. Customer feedback has confirmed that Pure Wafer has a leading position in the application of this technology.

Engineering ability

The Directors believe that the Group benefits from a highly experienced engineering team. Feedback obtained by the Group has confirmed that customers welcome the pro-active approach of this team to anticipating and solving customer problems and deepening the relationship between Pure Wafer and its customers.

7. Growth opportunities

Having proven the cost benefit of utilising 300mm wafers, the semiconductor industry is now moving rapidly towards establishing 300mm wafers as the dominant wafer size and it is likely that the great majority of new manufacturing sites under construction will use 300mm wafers. The Directors believe that there are a number of significant growth opportunities available to the Group including:

Growth in general demand for 300mm wafers

Dataquest, an industry analyst, estimates that by the end of 2004, 13 per cent of semiconductors will be manufactured on 300mm wafers. Dataquest predicts that this will rise to 26 per cent by 2007. Industry expectations are that within the next eight years 300mm wafers will become the dominant wafer size.

Expanded range of services

The Group intends to leverage its technological capabilities to expand the applications for its portfolio of services and thus grow its target market.

The Group expects shortly to secure accreditation with customers for additional services and believes that following Admission it will be able to deploy the sales and marketing activity required to bring these revenue streams online. These are:

- Reclaiming ultra-flat wafers

  Until recently it has not been possible to reclaim the ultra-flat wafers employed in certain aspects of the semiconductor manufacturing process. Pure Wafer has now shown that it can reclaim wafers to the flatness required in an ultra-flat application, thereby providing customers with further scope for additional cost savings. The Directors expect the Group to commence earning revenue from ultra-flat reclaim during the second half of the present financial year.

- Polishing wafers incorporating advanced materials

  While the testing of semiconductor manufacturing processes is almost exclusively performed on test wafers of pure silicon, some advanced semiconductors are manufactured on new types of wafer such as 'silicon on insulator'. Pure Wafer is working with the manufacturers of these wafers to refine the existing wafer reclaim process so that it can be used as an outsourced finishing service providing an integral part of the production process for such prime wafers.

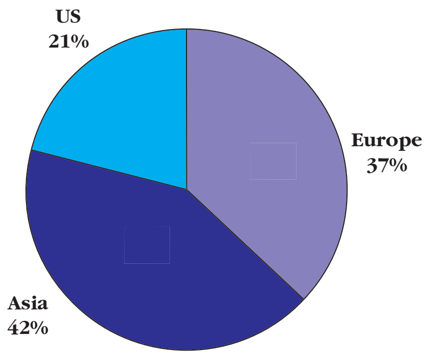
Increase in the number of applications for reclaimed wafers

Pure Wafer has worked closely with several customers to extend their use of reclaimed wafers within their manufacturing processes. This has resulted in significantly increased demand from those manufacturers.

Expansion into further geographical markets

The Directors are confident that turnover growth can be achieved through increased sales and marketing activities in certain regions. The following diagram demonstrates that Pure Wafer has a well-balanced source of revenue as analysed by geographical region:

300mm sales, nine months to 30 September 2004



The Group is expecting to increase its market share in North America through its distribution agreement with Metron Technologies, one of the world's leading providers of support services to the semiconductor industry. This is also expected to provide Pure Wafer with opportunities in the

Japanese wafer reclaim market as Metron Technologies already supplies services to all leading Japanese semiconductor facilities. The Group has recently begun to market its services to Chinese semiconductor manufacturers. China currently consumes in excess of 105,000 200mm wafers per month. Semiconductor International has reported that 300mm capacity in excess of 200,000 wafers per month is currently under construction in China.

8. Financial information

The following summary financial information relating to PWIL should be read in conjunction with the Reporting Accountant's Report set out in Part 4 of this document:

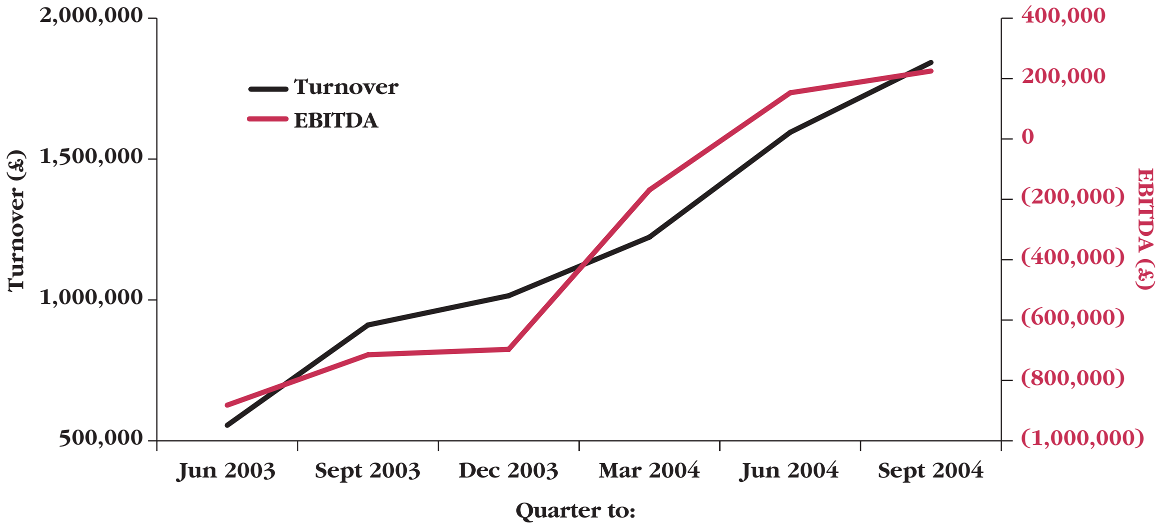
Quarter to:	*30 Jun 2003 audited £'000*	*30 Sep 2003 unaudited £'000*	*31 Dec 2003 unaudited £'000*	*31 Mar 2004 unaudited £'000*	*30 Jun 2004 unaudited £'000*	*30 Sep 2004 unaudited £'000*
Turnover	555	911	1,015	1,223	1,595	1,843
(of which is 300mm (%))	29%	36%	52%	52%	63%	65%
EBITDA	(882)	(715)	(697)	(169)	153	225

The summary shows that turnover has grown strongly since the second quarter of 2003, displaying month on month growth of approximately 7.5 per cent. This growth has been driven principally through an increase in sales of 300mm reclaim services.

Pure Wafer charges approximately four times as much to reclaim a 300mm wafer as to reclaim a 200mm wafer. The current sales mix is approximately one third 300mm wafers and two thirds 200mm wafers. The margins achieved on 300mm reclaim are considerably higher and it is on this market that the Group now firmly focuses its sales and marketing activity. Furthermore, if at any point capacity does become constrained, the service mix can be shifted towards the higher margins offered by reclaiming 300mm wafers.

The improvement in gross profit reflects the high operational gearing of Pure Wafer's business model. The majority of direct costs are fixed and so additional revenue has a relatively low associated variable cost. Additional revenue therefore achieves a high incremental profit contribution.

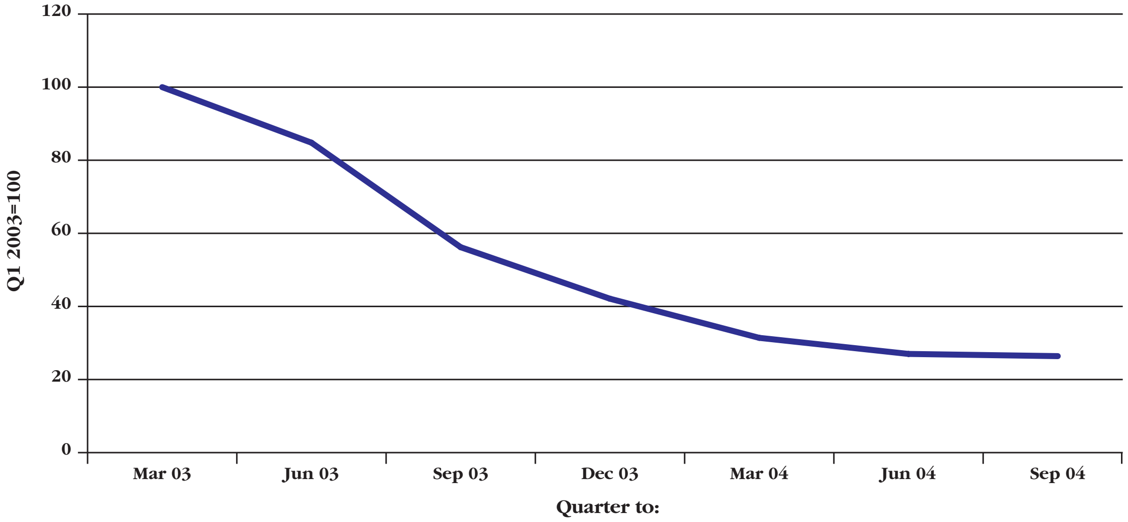
The Directors expect that, as a result of an expanding market and by taking opportunities for cost reduction, the Group will be able to accelerate the growth in EBITDA that PWIL has achieved since January 2003.



Source: Pure Wafer

Since the first quarter of 2003, the Group has also achieved significant unit cost reduction as shown by the following graph.

Unit cost (excluding depreciation) per wafer sold (Rebased Q1 2003)



Source: Pure Wafer

The Group's cost base has a high fixed cost component and the unit cost of manufacture has therefore reduced in line with increased wafer volumes. The Directors are confident that they can continue to make reductions in the unit cost of manufacture through economies of scale as the Group increases its production volumes.

However, the Group has also achieved cost reductions by developing more cost effective manufacturing processes. A key component of this cost reduction has been the focus by the Group on improving its reclaim success rates. The specifications laid down by customers are highly demanding. In June 2003, 42 per cent of wafers reclaimed by Pure Wafer were passed by quality control for return to the customer, the remainder undergoing further processing by Pure Wafer. By June 2004, this figure had risen to 81 per cent. Currently Pure Wafer is targeting a 90 per cent pass rate.

9. Current trading and prospects

During 2002, following its development of a reliable process for reclaiming 300mm test wafers, Pure Wafer began marketing its services to 300mm customers throughout Asia, Europe and North America, many of whom were utilising 300mm wafers for the first time. Without exception, all of these manufacturers were interested in Pure Wafer's offering and were willing to audit Pure Wafer for accreditation purposes. Between September 2002 and June 2003, Pure Wafer completed the accreditation phase with most of the leading semiconductor manufacturers using 300mm wafers and entered into monthly order cycles, albeit in small volumes. It has since then won several high volume orders.

Pure Wafer incurred significant losses during its initial development stage, during which time it was required to prove its technology and achieve customer accreditation. However, it has made strong progress to date and is well placed to take advantage of the significant growth occurring in the 300mm reclaim market. The Directors believe that this progress will continue for the foreseeable future.

The principal driver behind the transition to 300mm wafer sizes is the reduction in manufacturing costs of approximately 30 per cent that 300mm processes afford to the fabs. This, together with the cost reductions offered by wafer reclaim, should help to afford some protection to Pure Wafer from any cyclical downturn in the semiconductor industry. The Directors are therefore confident of continued growth.

Trading in the period since 30 June 2004 continues to be encouraging and represents a significant improvement on the same period in the prior year. The Company has secured high volume agreements with blue-chip customers and EBITDA has continued to grow.

During 2005, Pure Wafer intends to:

- focus on developing new customer accounts and continuing to increase volumes; and
- continue to develop its product and service range in order to keep pace with its customers' technological requirements.

10. Reasons for flotation and use of proceeds

It is intended that the net proceeds from the Placing receivable by the Group, being approximately £5.65 million, will be used to continue the expansion of the Group's business through capital expenditure targeted at significantly increasing the Group's capacity in response to the expansion of the market for 300mm wafer reclaim.

11. Directors and senior management

11.1 *Directors*

Giles Clarke (51): *Non-Executive Chairman*

Giles is chairman and majority shareholder of ATL Telecom, a Cardiff-based designer of data transmission chips, which has manufacturing facilities in both Wales and China, and is a customer of Infineon and Globespan Virata. He founded Majestic Wine in 1981 and co-founded Pet City in 1990, taking the business public in 1995. He is a National Council member of the Learning and Skills Council, the largest UK non-governmental organisation, a director of the England and Wales Cricket Board and chairman of several private companies.

Keith Baker (42): *Group Chief Executive*

Keith has more than 20 years experience in the semiconductor industry, working for leading semiconductor manufacturers such as Siemens Microelectronics and National Semiconductor. Prior to joining Pure Wafer, Keith was vice president of technology for Steag Microtech where he played a key role in the early development of the 300mm wafer manufacturing processes.

Peter Harrington (50): *Group Finance Director*

Peter has over 30 years experience in finance and commercial activities within industry and has worked within the semiconductor sector for ten years including as finance executive with Meissner + Wurst, one of the world's leading constructors of semiconductor fabrication facilities.

John Samuel (52): *Non-Executive Director*

John qualified as a chartered accountant with Price Waterhouse in 1979. He has held a number of financial positions in industry including group finance director of Whessoe plc and Ellis & Everard plc. He has been a director of various Apax investee companies including as finance director of ESM Limited. He was appointed to the board of PWIL earlier this year as the representative of Apax. He has also been appointed to the board of the Company as a representative of Apax.

Eurfyl ap Gwilym (60): *Non-Executive Director*

Eurfyl has worked at board level for many years in an executive capacity and has a wide experience within the world of technology. Eurfyl has worked for a range of companies including Unilever Limited and Philips Electronics NV. In 1983, he joined GE where he was Chief Executive of GE Information Services Limited. In 1992, he joined BIS Banking Systems

International, a subsidiary of Nynex Corp, as Chief Executive and was subsequently involved in the company's sale to ACT. He was also Chief Executive of TCA Consulting Limited and was closely involved in the flotation, in 1999, of the Terence Chapman Group plc, of which he was a director. Since 2000 Eurfyl has been a non-executive director of iSOFT Group plc and the Principality Building Society. In July 2004 he became a non-executive director of NCC Group plc prior to its flotation on AIM.

11.2 *Senior Management*

David Lewis (44): *Technical Director*

David has more than 20 years experience within the semiconductor industry with ST Microelectronics, Europe's leading semiconductor manufacturer, and Steag Microtech, a leading wafer cleaning technology company.

David Maternaghan (37): *Sales & Marketing Director*

David has over 20 years experience within the semiconductor industry. He has held various senior management positions, responsible for business development, sales and marketing in worldwide markets supporting blue chip customers. David joined from Rockwood Electronic Materials, a supplier of materials and services to the semiconductor industry.

Mark Selway (35): *Business Planning Manager*

Mark brings 15 years of manufacturing experience to the business and has held several key managerial positions in both supply chain and production management roles within the aerospace and FMCG sectors. Currently Mark is responsible for operations planning and control, logistics and sourcing activities within Pure Wafer.

Martin Teague (42): *Process Engineering Manager*

Martin brings over 20 years semiconductor manufacturing experience to the business. He is highly experienced in the application and use of wafer reclaim from the customer perspective.

Mark Roberts (37): *Quality Manager*

Mark joined Pure Wafer in November 2002. Mark brings almost 16 years of experience in quality, safety and environmental systems and has held several key managerial positions in multinational companies covering quality and development activities in the technology sector.

12. Corporate governance

The Directors recognise the value and importance of high standards of corporate governance and intend to observe the requirements of the Combined Code to the extent that they consider appropriate in the light of Pure Wafer's size, stage of development and resources.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions. The Company will adopt the Model Code.

The Board has established audit, remuneration and nominations committees, each with formally delegated duties and responsibilities.

The audit committee will receive and review reports from the management and the Company's auditors relating to annual and interim accounts and the accounting and internal controls in place throughout the Group. The audit committee will have unrestricted access to the Group's auditors. The members of the audit committee are the three non-executive Directors.

The remuneration committee will review the scale and structure of the executive directors' remuneration and the terms of their service contracts. The remuneration and terms of appointment of the non-executive directors will be set by the Board. The remuneration committee will also approve the issue of share options. The members of the remuneration committee are the three non-executive Directors.

The nominations committee will nominate potential members of the Board. The members of the nominations committee are the three non-executive Directors.

13. Dividend policy

Having considered the investment required for the organic development of the Group, in the short term it is likely that earnings will be retained within the Group. The Board will keep the situation under review and intend to commence the payment of dividends as soon as is appropriate and practicable. The declaration and payment of dividends by the Company and the quantum of them will be dependent upon the Group's results financial position, cash requirements, future prospects, profits available for distribution and other factors regarded by the Board as relevant at the time.

14. Unapproved Plan

In preparation for Admission, the Company has adopted the Unapproved Plan, details of which are also set out in paragraph 5.1 of Part 6 of this document. It is intended that grants of options under this scheme will be used in the future to incentivise and reward employees of the Group in line with their performance.

It is intended that options over approximately 138,000 Ordinary Shares will be granted pursuant to the Unapproved Plan within 28 days following Admission.

15. City Code on Takeovers and Mergers

Under Rule 9 of the City Code on Takeovers and Mergers (the "City Code"), any person (or group of persons acting in concert) who acquires 30 per cent or more of the voting rights of a public company is normally required to make a general offer to all shareholders of that company. Immediately after Admission, more than 50 per cent of the Ordinary Shares in issue will be owned by or on behalf of the Apax Funds. However, under the City Code, provided the Apax Funds continue to hold or control more than 50 per cent of the voting rights of Pure Wafer, they are free to acquire voting rights in Pure Wafer's share capital without incurring any obligation under Rule 9 to make a general offer to holders of Ordinary Shares. Pursuant to a relationship agreement with the Company, details of which are set out in paragraph 14.3 of Part 6 of this document, Apax has undertaken to allow the business of the Group to operate independently of the Apax Funds as majority shareholder. Pursuant to the relationship agreement, Apax is entitled to send an observer to the board meetings of the Company for as long as 15 per cent or more of the issued share capital of the Company owned by or on behalf of the Apax Funds. Further details of the relationship agreement are set out at paragraph 14.3 of Part 6 of this document.

16. Taxation

General information relating to UK taxation with regard to Admission and the Placing is summarised in paragraph 8 of Part 6 of this document. A potential shareholder who is in any doubt as to his or her tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional advisers immediately.

17. International Financial Reporting Standards

In June 2002, the Council of Ministers of the European Union approved a regulation (the "IAS Regulation") requiring all companies that are governed by the law of a member state of the European Union and whose securities are admitted to trading on a regulated market of any member state to prepare their consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The IAS Regulation is to be effective for each financial year starting on or after 1 January 2005.

On 12 October 2004, AIM changed its regulatory status and it is now regulated by the London Stock Exchange. Therefore, it is no longer a regulated market under the European Union IAS Regulation. On 7 October 2004, the London Stock Exchange issued guidance relating to rule 17 of the AIM Rules which stated that the London Stock Exchange intends to mandate International Accounting Standards for all AIM companies for financial years commencing on or after 1 January 2007. AIM companies are encouraged to prepare for this change well in advance of this date.

The International Accounting Standards Board issued a standard on transition to IFRS in June 2003. It is expected that there will be significant continuing developments in IFRS between now and the date of adoption of IAS by the Company and consequently there is uncertainty about exactly what IFRS will require at that time. This uncertainty will be reduced as the International Accounting Standards Board finalises and publishes its standards.

In the meantime, the UK Accounting Standards Board is adopting a phased transition to the conversion of existing UK GAAP to IFRS and is in the process of issuing a number of new standards or revisions to existing standards over the next two years. However, it is likely that by the implementation date set by the European Union, UK GAAP will be not be fully aligned with IFRS.

Therefore the transition of UK GAAP to IFRS and/or the adoption of IFRS could possibly have a material impact on the Group's financial position and results, although it is not possible for the Directors to quantify the impact at this time.

18. Admission, dealings and CREST

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will take place and that dealings on AIM will commence at 8.00 a.m. on 20 December 2004.

Application will be made to permit Ordinary Shares to be settled through CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred other than by a written instrument. The articles of association of the Company permit the holding of Ordinary Shares in uncertificated form under the CREST system.

19. Further information

Your attention is drawn to the additional information set out in Parts 2 to 6 of this document.

PART 2

RISK FACTORS

The attention of prospective investors is drawn to the fact that ownership of shares in the Company will involve a variety of risks which, if they occur, may have a materially adverse effect on the Group's business or financial condition, results or future operations. In such case, the market price of the Ordinary Shares could decline and an investor might lose all or part of his or her investment.

In addition to the information set out in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. In particular, the Group's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements. Additionally, there may be additional risks of which the Board are not aware or believe to be immaterial which may, in the future, adversely affect the Group's business and the market price of the Ordinary Shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under the Financial Services and Markets Act 2000.

1. Nature of an AIM investment

Application will be made for the Ordinary Shares to be admitted to trading on AIM. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. AIM is run primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority.

The value of the Ordinary Shares may go down as well as up. Shareholders may therefore realise less than the current value of their investment. There is no guarantee that the market price of an investment in the Company will fully reflect its underlying value.

2. Market liquidity

AIM will provide a market for and a means of valuing the Ordinary Shares that are traded on it. However, the market for shares in smaller public companies, such as the Company, is less than for larger public companies. Additionally, 81.6 per cent of the Ordinary Shares in issue will be held by Shareholders who have undertaken not to sell their shares for a period of at least 6 months from the date of Admission. There can be no assurance that there will be a liquid market in the Ordinary Shares. Consequently, the value of an investment in the Ordinary Shares may be difficult to realise.

As the market for shares in smaller public companies is less liquid than for larger public companies, their share prices may be subject to greater fluctuation.

3. Management of growth

The ability of the Group to implement its strategy in a rapidly evolving market requires effective planning and management control systems. The Directors anticipate that significant expansion will be required to respond to market opportunities, such as the growth in the market expected from the industry's transition to 300mm silicon wafers and to the potential growth of the Group's customer base. The Company's growth plans may place a significant strain on the Group's management, operational, financial and personnel resources. The Group's future growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational and financial performance, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and quality control systems in line with the Company's growth could have a material adverse effect on the Group's business, financial condition and results of operation.

4. Significant shareholder

Following Admission, the Apax Funds will hold or control approximately 51.87 per cent of the Ordinary Shares and as a result may be able to exert significant influence over the Company with respect to its corporate affairs requiring shareholder approval. Pursuant to the relationship agreement between the Company and Apax, further details of which are set out in paragraph 14.3 of Part 6, Apax has undertaken to allow the business of the Group to operate independently from the Apax Funds as the majority shareholder.

5. Dependence on key personnel

Pure Wafer's future success is dependent on the continued services and performance of its executive directors and senior management and its ability to continue to attract and retain highly skilled staff and qualified personnel. The Directors cannot give assurances that members of the senior management team and executive Directors will continue to remain within the Group. The loss of the services of the Directors, members of senior management and other key employees could damage the Group's business.

6. Foreign exchange

The majority of the Group's revenue is denominated in US dollars. As a result, fluctuations in the exchange rate between the US dollar and sterling can have a material impact on the Group's financial results.

7. Dependence on key suppliers

The Group has a policy of dual sourcing all key supplies and its only single source supplies are obtained from substantial companies which are usually leaders in their field. The Group enjoys good relationships with these strategic suppliers. However, a business or service failure by one of these suppliers or an unwillingness on their part to continue to trade with the Group could lead to operational problems that might have a material impact on the Group's ability to generate revenue.

8. Market price of Ordinary Shares

The market price of an Ordinary Share may be subject to wide fluctuations in response to a variety of factors. These could include failure to meet analysts' expectations, changes in earnings estimates by stock market analysts, legislative change impacting the Group's performance, general stock market conditions or other factors outside the Group's control.

9. Technological change

If competitors introduce new products that employ new technologies, or if new standards or practices emerge, the Group's existing technologies and systems may become obsolete. The future success of the Group will depend on its ability to:

- enhance its existing products and services;
- address the increasingly sophisticated and diverse needs of its customers; and
- respond to technological advances and emerging industry and public sector standards and practices on a cost-effective and timely basis.

Developing the Group's technology and product range entails significant technical and business risk. The Group may use or procure new technologies ineffectively or fail to adapt its systems to customer requirements or emerging industry standards. If the Group faces material delays in introducing new products, services or enhancements, it may be put at a competitive disadvantage.

10. Market Saturation

If other companies in the sector significantly increase their manufacturing capacities, the Group may not be able to meet its operational and financial targets.

11. Dependence on key customers

Although the Group has a growing customer base, it is presently dependent on ten key customers. The loss of one or more of these key customers to a competitor or a reduction in the gross margin on the services provided to one or more of these key customers could have a material adverse effect on the Group's revenues.

12. No long term material customer contracts

The Group does not have any long term contracts from which it derives revenue and revenue is therefore subject to fluctuation. There are no guarantees that previous levels of revenue from such sources will be maintained. These factors could lead to an adverse effect upon the Group's revenues and earnings through decreased market share and/or declining profit margins caused by price competition.

13. Adverse market conditions

The semiconductor industry is cyclical in nature. In the event of a major downturn in the industry, the rate at which Pure Wafer's customers continue to progress towards manufacturing on more efficient 300mm wafers may be affected. A significant reduction in these activities may have an adverse effect on the business.

14. Forward-looking statements

Certain statements contained in this document may constitute forward-looking statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, save as required to comply with any legal or regulatory obligations, to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

15. Taxation

Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current UK tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

16. Resilience of process

The Group's manufacturing process involves a number of single route pieces of equipment. In the event that these items of equipment suffered a significant amount of downtime, this could jeopardise the Group's ability to fulfil orders and could have a material adverse effect on the Group's revenues.

PART 3

FINANCIAL INFORMATION ON THE COMPANY

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
31 Great George Street
Bristol BS1 5QD

The Directors
Pure Wafer plc
Central Business Park
Swansea Vale
Swansea SA7 0AB

The Directors
Numis Securities Limited
Cheapside House
138 Cheapside
London EC2V 6LH

10 December 2004

Dear Sirs

Pure Wafer plc

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 10 December 2004 (the "Admission Document") of Pure Wafer plc (the "Company").

The Company was incorporated as Pure Wafer International plc on 17 November 2004 and changed its name to Pure Wafer plc on 10 December 2004. Save for entering into the agreements referred to in paragraphs 14.22 to 14.24 of Part 6 of the Admission Document, the Company has not yet commenced to trade, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company, to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the directors of the Company.

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting polices are appropriate to the circumstances of the Company and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 of the Public Offers of Securities Regulations 1995.

Financial information

The balance sheet of the Company at 17 November 2004 is as follows:

	Notes	*£*
Current assets		
Cash at bank and in hand	2	2
Net assets		2
Share capital	2	2

Notes to the financial information

1. Accounting policies

The balance sheet has been prepared in accordance with the historical cost convention and in accordance with accounting standards applicable in the United Kingdom.

2. Share capital

The Company was incorporated on 17 November 2004 with an authorised share capital of £100,000, comprising 100,000 ordinary shares of £1 each.

On 17 November 2004, the Company allotted two £1 ordinary shares for cash, fully paid.

3. Post balance sheet events

On 9 December 2004,

- one of the existing ordinary shares of £1 in issue was subdivided and redesignated into 10 A ordinary shares of 10p each;
- the other existing ordinary share of £1 in issue was subdivided and redesignated into 10 B ordinary shares of 10p each;
- the existing 99,998 authorised but unissued ordinary shares of £1 each in were subdivided and redesignated into 999,980 A ordinary shares of 10p each; and

- the authorised share capital of the Company was increased from £100,000 to £433,333.60 by the creation of 3,133,346 A ordinary shares of 10p each, 134,984 B ordinary shares of 10p each and 65,006 C ordinary shares of 10p each.

On 9 December 2004, the Company entered into a share exchange agreement with the shareholders of Pure Wafer International Limited ("PWIL"), under which the Company acquired the entire issued share capital of PWIL, and issued 4,133,326 A ordinary shares of 10p each, 134,984 B ordinary shares of 10p each and 65,006 C ordinary shares of 10p each as consideration for that acquisition.

On 9 December 2004,

- the 4,133,336 authorised and issued A ordinary shares of 10p each, the 134,994 authorised and issued B ordinary shares of 10p each and the 65,006 authorised and issued C ordinary shares of 10p each were redesignated as 4,333,336 ordinary shares of 10p each;
- the 4,333,336 ordinary shares of 10p each were subdivided into 21,666,680 ordinary shares of 2p each;
- the authorised share capital of the Company was increased from £433,333.60 to £1,000,000 by the creation of 28,333,320 new ordinary shares of 2p each in the Company; and
- the Company issued three ordinary shares of 2p each, fully paid, in consideration for the assignment to it of loans totalling £6,450,000 owed by PWIL.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 4

FINANCIAL INFORMATION ON PWIL

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
31 Great George Street
Bristol BS1 5QD

The Directors
Pure Wafer plc
Central Business Park
Swansea Vale
Swansea
SA7 0AB

The Directors
Numis Securities Limited
Cheapside House
138 Cheapside
London EC2V 6LH

10 December 2004

Dear Sirs

Pure Wafer International Limited

Introduction

We report on the financial information on Pure Wafer International Limited ("PWIL") set out below. This financial information has been prepared for inclusion in the admission document dated 10 December 2004 (the "Admission Document") of Pure Wafer plc (the "Company").

Basis of preparation

The financial information set out below is based on the audited financial statements of PWIL for the 18 months ended 31 March 2002, the year ended 31 March 2003, the 3 months ended 30 June 2003 and the year ended 30 June 2004, and has been prepared on the basis set out below, after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of PWIL, who approved their issue.

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audits of the financial statements underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting polices are appropriate to the circumstances of PWIL, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of PWIL as at the dates stated and of its result and cash flows for the periods then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

PROFIT AND LOSS ACCOUNTS

	Notes	*18 months ended 31 March 2002 £'000*	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Turnover	2	900	2,122	555	4,744
Cost of sales		(2,578)	(3,610)	(1,012)	(4,757)
Gross loss		(1,678)	(1,488)	(457)	(13)
Administrative expenses		(3,823)	(5,598)	(1,210)	(3,020)
Operating loss	3	(5,501)	(7,086)	(1,667)	(3,033)
Net interest payable	6	(2,633)	(2,622)	(1,022)	(168)
Loss on ordinary activities before taxation		(8,134)	(9,708)	(2,689)	(3,201)
Tax on loss on ordinary activities	7	522	–	–	–
Loss for the financial period	18	(7,612)	(9,708)	(2,689)	(3,201)
Loss per Pure Wafer plc share (pence)	8	(35.1)	(44.8)	(12.4)	(14.8)

All of PWIL's operations are continuing.

There is no difference between the losses on ordinary activities before taxation and the retained losses for the periods stated above, and their historical cost equivalents.

There are no recognised gains or losses other than as stated in the profit and loss account, and so no separate statement of total recognised gains and losses has been presented.

Because the historical financing structure does not reflect its future capital structure, future interest and taxation charges may differ from those incurred historically.

BALANCE SHEETS

	Notes	*As at 31 March 2002 £'000*	*As at 31 March 2003 £'000*	*As at 30 June 2003 £'000*	*As at 30 June 2004 £'000*
Fixed assets					
Tangible assets	9	22,158	19,045	18,184	16,366
Current assets					
Stocks	10	342	468	447	326
Debtors	11	2,793	559	540	1,710
Cash at bank and in hand		96	698	217	621
		3,231	1,725	1,204	2,657
Creditors: amounts falling due within one year	13	(7,722)	(1,676)	(1,539)	(1,529)
Net current assets/(liabilities)		(4,491)	49	(335)	1,128
Total assets less current liabilities		17,667	19,094	17,849	17,494
Creditors: amounts falling due after more than one year	14	(20,699)	(31,794)	(6,500)	(6,643)
Deferred income	15	(3,916)	(3,956)	(3,878)	(3,581)
Net assets/(liabilities)		(6,948)	(16,656)	7,471	7,270
Capital and reserves					
Called up share capital	17	133	133	133	26,866
Share premium account	18	1,200	1,200	1,200	4,283
Profit and loss account	18	(8,281)	(17,989)	(20,678)	(23,879)
Shares to be issued	17(b)	–	–	26,816	–
Total equity and non-equity shareholders' funds/(deficit)	19	(6,948)	(16,656)	7,471	7,270

CASH FLOW STATEMENTS

	Notes	18 months ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	3 months ended 30 June 2003 £'000	Year ended 30 June 2004 £'000
Net cash outflow from operating activities	20	(4,455)	(3,645)	(830)	(2,479)
Returns on investments and servicing of finance	21(a)	(1,038)	(1,009)	–	4
Taxation		(5)	536	6	–
Capital expenditure and financial investment	21(b)	(20,177)	887	(157)	(66)
Cash outflow before the use of liquid resources and financing		(25,675)	(3,231)	(981)	(2,541)
Financing	21(c)	21,792	3,932	500	2,945
(Decrease)/increase in cash in the period		(3,883)	701	(481)	404
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash in the period	22	(3,883)	701	(481)	404
Cash inflow from increase in debt financing		(21,792)	(3,932)	(500)	(445)
Non-cash items	22	(137)	332	22,362	465
Movement in net debt in the period		(25,812)	(2,899)	21,381	424
Net debt at start of period		1,047	(24,765)	(27,664)	(6,283)
Net debt at end of period	22	(24,765)	(27,664)	(6,283)	(5,859)

NOTES TO THE FINANCIAL INFORMATION

1 ACCOUNTING POLICIES

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with Accounting Standards applicable in the United Kingdom.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. No depreciation is charged until the assets have been commissioned and are in use.

The principal lives used are as follows:

Leasehold buildings	15 years
Plant and machinery	10 years (see below)
Fixtures, fittings and equipment	5 years
IT equipment	3 years

During the year ended 30 June 2004, the directors of PWIL reviewed the remaining useful life of plant and machinery, and have assigned the assets a life of 10 years, compared with 5 years previously. Accordingly, the net book value of plant and machinery owned at 30 June 2003 is now being depreciated over its remaining estimated life. The impact of this change of estimate is shown in note 9.

Stocks and work in progress

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

In general, cost is determined on a first in first out basis. It includes expenditure directly incurred in purchasing or manufacturing stocks, transport and handling costs incurred in bringing the stocks to their present location and condition, and, where appropriate, attributable production overheads based on the normal level of activity.

Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Provision is made where necessary for obsolete, slow-moving and defective stocks.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Government grants
Government grants are recognised when all conditions for their receipt have been met. Grants related to capital expenditure are initially credited to deferred income, and released to the profit and loss account over the expected lives of the assets to which they relate. All other grants are credited to the profit and loss account to match the expenditure to which the grants relate.

Financing and debt issue costs
Premiums arising on redemption of loans are accrued for over the life of the loans so as to give a constant rate of charge on the balance outstanding.

When the terms of loans are renegotiated to give an interest free period, the benefit of that interest free period is spread over the remaining term of the loan so as to give a constant rate of charge on the balance outstanding.

Costs that are incurred directly in connection with the raising of loan finance are deducted from the finance received and written off over the period of the loan in accordance with Financial Reporting Standard No 4.

Translation of foreign currencies
Transactions in foreign currencies are recorded at the date of exchange ruling at the date of the transaction or, where covered by forward currency transactions, at the contracted rate.

Monetary assets and liabilities denominated in foreign currencies, where a contract rate does not apply, are translated to sterling at the rate of exchange ruling at the balance sheet date, and any exchange differences taken to profit and loss account. Non-monetary assets, where a contract rate does not apply, are translated to sterling at the rates of exchange ruling at the date of purchase.

Research and development expenditure
Research and development expenditure is written off to the profit and loss account as incurred.

Operating leases
Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Turnover and revenue recognition
Turnover represents the invoiced value of goods and services supplied, excluding value added tax, trade discounts and commissions paid. Revenue is recognised on despatch of goods to the customer.

Pension costs
PWIL makes contributions on behalf of its employees into defined contribution pension arrangements. These contributions are charged to the profit and loss account as incurred.

2 SEGMENTAL ANALYSIS

PWIL has one class of business; the reclamation and reprocessing of silicon test wafers. All its operations are continuing.

The origin of all of PWIL's business is in the United Kingdom.

An analysis of PWIL's turnover by destination is shown below:

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Europe	189	730	386	2,466
North America	639	1,036	69	860
Middle East	72	275	10	304
Asia	–	81	90	1,114
	900	2,122	555	4,744

3 OPERATING LOSS

is stated after charging/(crediting):

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Depreciation (note 9):				
Owned assets	1,484	3,438	863	1,901
Leased assets	–	–	–	1
Amortisation of deferred grant income (note 15)	(84)	(260)	(78)	(297)
Research and development costs	2,606	226	–	–
Operating lease rentals:				
Hire of plant and machinery	189	206	46	182
Other operating leases	18	37	9	37
Auditors' remuneration:				
For audit services	10	5	3	9
For non-audit services	5	45	5	17

4 EMPLOYEES

(a) Number of employees

The average monthly number of persons (including directors) employed by PWIL, analysed by function, was:

	18 months ended 31 March 2002 Number	*Year ended 31 March 2003 Number*	*3 months ended 30 June 2003 Number*	*Year ended 30 June 2004 Number*
Production	20	59	76	84
Sales and administration	18	17	15	11
	38	76	91	95

(b) Employment costs

	18 months ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	3 months ended 30 June 2003 £'000	Year ended 30 June 2004 £'000
Wages and salaries	(1,930)	(2,119)	(574)	(2,265)
Social security costs	(195)	(196)	(54)	(223)
Other pension costs	(85)	(77)	(20)	(78)
	(2,210)	(2,392)	(648)	(2,566)

5 DIRECTORS' EMOLUMENTS

	18 months ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	3 months ended 30 June 2003 £'000	Year ended 30 June 2004 £'000
Amounts payable to third parties for services of directors	45	30	8	30
Aggregate emoluments and benefits	508	384	88	381
	553	414	96	411
PWIL pension contributions to money purchase pension scheme	29	19	5	18
Compensation for loss of office	–	10	–	–
Highest paid director				
Aggregate emoluments and benefits	100	102	25	103
PWIL pension contributions to money purchase pension scheme	7	5	1	5

Retirement benefits under a money purchase pension scheme are accruing in respect of 4 directors (30 June 2003: 4; 31 March 2003: 4; 31 March 2002: 4).

6 NET INTEREST PAYABLE

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Interest payable and similar items:				
On bank overdrafts repayable within five years not by instalments	(6)	(28)	–	–
On other loans repayable within five years	(1,923)	(2,930)	(413)	(172)
Accrued redemption premium on debentures repayable within five years	–	(217)	(166)	–
On other loans repayable over more than five years	(781)	–	–	–
Amortisation of debt issue costs	(126)	(96)	–	–
Write off of debt issue costs on refinancing	–	–	(443)	–
	(2,836)	(3,271)	(1,022)	(172)
Interest receivable from bank deposits	214	4	–	4
(Loss)/gain on retranslation of loan denominated in foreign currency	(11)	645	–	–
	(2,633)	(2,622)	(1,022)	(168)

7 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of credit in the period

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Current tax – United Kingdom				
United Kingdom corporation tax at 30% on losses for the period	–	–	–	–
Taxation recoverable in relation to research and development expenditure	522	–	–	–
Under/(over) provision in respect of prior periods	–	–	–	–
Total current tax	522	–	–	–
Deferred tax	–			
Total credit on loss on ordinary activities	522	–	–	–

(b) Factors affecting tax credit for the period

The tax assessed in each period varies from the standard rate of corporation tax in the UK in the relevant periods. The differences are explained below:

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Loss on ordinary activities before tax	(8,134)	(9,708)	(2,689)	(3,201)
Loss on ordinary activities before tax multiplied by standard rate of UK corporation tax of 30%	2,440	2,912	807	960
Impact of:				
Expenses not deductible for tax purposes	(595)	(7)	(2)	(56)
Accelerated capital allowances and other timing differences	1,973	(606)	662	28
Losses carried forward to future periods	(3,818)	(2,299)	(1,467)	(933)
Taxation recoverable in respect of research and development expenditure	522	–	–	–
Marginal rates of tax	–	–	–	1
Current tax credit/(charge) for period	522	-	-	-

(c) Factors that may affect the tax charge in future periods

PWIL has approximately £28.3 million (30 June 2003: £25.2 million; 31 March 2003: £20.4 million; 31 March 2002: £12.8 million) of tax losses carried forward to future years. £6.6 million (30 June 2003: £6.5 million; 31 March 2003: £4.2 million; 31 March 2002: £6.1 million) of these losses have been offset against timing differences to eliminate the need for a deferred tax liability (note 12).

8 LOSS PER PURE WAFER PLC SHARE

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Loss for the period	(7,612)	(9,708)	(2,689)	(3,201)
Number of Pure Wafer plc shares	21,666,683	21,666,683	21,666,683	21,666,683
(Loss) per Pure Wafer plc share (pence)	(35.1)	(44.8)	(12.4)	(14.8)

The losses per share have been calculated based on the number of Pure Wafer plc shares expected to be in issue immediately prior to the Placing and Admission.

9 TANGIBLE FIXED ASSETS

	Long leasehold buildings £'000	*Plant and machinery £'000*	*Fixtures, fittings and equipment £'000*	*Total £'000*
Cost				
At 1 October 2000	–	–	29	29
Additions	10,240	13,072	301	23,613
At 31 March 2002	10,240	13,072	330	23,642
Additions	56	255	14	325
At 31 March 2003	10,296	13,327	344	23,967
Additions	–	2	–	2
At 30 June 2003	10,296	13,329	344	23,969
Additions	28	54	2	84
At 30 June 2004	10,324	13,383	346	24,053
Depreciation				
At 1 October 2000	–	–	–	–
Charge for the period	(341)	(1,098)	(45)	(1,484)
At 31 March 2002	(341)	(1,098)	(45)	(1,484)
Charge for the year	(689)	(2,656)	(93)	(3,438)
At 31 March 2003	(1,030)	(3,754)	(138)	(4,922)
Charge for the period	(171)	(667)	(25)	(863)
At 30 June 2003	(1,201)	(4,421)	(163)	(5,785)
Charge for the year	(688)	(1,117)	(97)	(1,902)
At 30 June 2004	(1,889)	(5,538)	(260)	(7,687)
Net book value				
At 31 March 2002	9,899	11,974	285	22,158
At 31 March 2003	9,266	9,573	206	19,045
At 30 June 2003	9,095	8,908	181	18,184
At 30 June 2004	8,435	7,845	86	16,366

During the year ended 30 June 2004, the directors of PWIL reassessed the estimated useful lives of the plant and machinery from 5 years to 10 years, taking into account the useful lives attributed by competitors to their plant. If this reassessment had not been made, the depreciation charge for the year would have been £3,458,000 rather than the £1,902,000 charged.

Plant and machinery includes assets held under finance leases with a net book value of: 31 March 2002: £nil; 31 March 2003: £nil; 30 June 2003: £nil; 30 June 2004: £33,000. The depreciation charge on these assets was: 18 months ended 31 March 2002: £nil; year ended 31 March 2003: £nil; 3 months ended 30 June 2003: £nil; year ended 30 June 2004: £1,000.

10 STOCKS

	31 March 2002 £'000	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
Raw materials	196	370	340	309
Work in progress and finished goods	146	98	107	17
	342	468	447	326

11 DEBTORS

	31 March 2002 £'000	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
Amounts falling due within one year:				
Trade debtors	481	426	406	1,527
Grants receivable in respect of capital expenditure	1,500	–	–	–
Other debtors	99	77	73	133
Prepayments and accrued income	187	56	61	50
Corporation tax recoverable	526	–	–	–
	2,793	559	540	1,710

12 DEFERRED TAXATION

Deferred taxation recognised in the accounts is as follows:

	31 March 2002 £'000	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	(2,320)	(2,073)	(1,969)	(1,992)
Short-term timing differences	495	809	6	–
Losses	1,825	1,264	1,963	1,992
Total deferred tax	–	–	–	–

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2002 £'000	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
Loans and overdrafts (note 16)	(4,162)	–	–	–
Obligations under finance leases (note 16)	–	–	–	(9)
Trade creditors	(922)	(1,062)	(1,032)	(870)
Capital creditors	(967)	(379)	(224)	(206)
Corporation tax	–	(10)	(15)	(15)
Other taxes and social security costs	(65)	(84)	(91)	(91)
Other creditors	(48)	(65)	(67)	(92)
Accrued loan interest (note 16)	(1,487)	–	–	–
Other accruals	(71)	(76)	(110)	(246)
	(7,722)	(1,676)	(1,539)	(1,529)

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2002 £'000	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
Amounts falling due after more than one year:				
Loans (note 16)	(20,699)	(28,362)	(6,500)	(6,450)
Obligations under finance leases	–	–	–	(21)
Accrued loan interest (note 16)	-	(3,432)	–	(172)
	(20,699)	(31,794)	(6,500)	(6,643)

15 DEFERRED INCOME

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Government grants				
At beginning of the period	–	(3,916)	(3,956)	(3,878)
Grants receivable in the period	(4,000)	(300)	–	–
Amount credited to profit and loss account in the period	84	260	78	297
At end of the period	(3,916)	(3,956)	(3,878)	(3,581)

16 FINANCIAL INSTRUMENTS

(a) Objectives, policies and strategies

Introduction

PWIL's financial instruments, other than derivatives, comprise borrowings, some cash, and various items such as trade debtors and trade creditors, which arise directly from its operations. The main purpose of these financial instruments is to provide finance for PWIL's operations.

PWIL also enters into forward foreign currency contracts and has in the past entered into interest rate collars. The purpose of such transactions is to manage the currency and interest rate risks arising from PWIL's operations and its sources of finance.

It is, and has been throughout the period, PWIL's policy that no trading in financial instruments is undertaken.

The main risks arising from PWIL's financial instruments are interest rate risk, foreign currency risk, and liquidity risk. The Board reviews and agrees policies for managing these risks as summarised below.

Interest rate risk

PWIL finances its operations through a mixture of bank and other borrowings, management of working capital, and finance leases. PWIL borrows at both fixed and floating rates of interest. PWIL then has in the past used interest rate derivatives to limit its exposure to interest rate movements. PWIL's Board considers that these arrangements provide an appropriate blend of certainty and flexibility in respect of interest rate risk.

Foreign currency risk

About 90% of PWIL's sales are invoiced in US$, and most of the remaining sales in €. The great majority of PWIL's costs are incurred in £. PWIL now uses forward currency contracts, based on the forecast exposure for each quarter, to manage the risk.

Liquidity risk

PWIL constantly reviews its borrowing requirements to ensure adequate funds are available for ongoing operations. This is achieved through the preparation of cash flow forecasts with comparison to actual performance. During the period covered by this report, the maturity profile of PWIL's borrowings has been renegotiated on a number of occasions in the light of PWIL's forecast cash requirements.

(b) Short term debtors and creditors

Short term debtors and creditors are excluded from the disclosures at (c) to (g) below, except for the currency profile at (d) below.

(c) Summary of financial instruments

	Notes	*31 March 2002 £'000*	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
Financial assets					
Cash at bank		96	698	217	621
Financial liabilities					
Bank overdraft	i	(99)	–	–	–
Bank commercial mortgage	ii	(7,260)	(7,471)	(2,000)	(2,000)
Debenture loans	iii				
Original		(6,867)	(6,867)	(2,000)	(2,450)
"A" and "B"		–	(1,450)	–	–
"C" and "F"		–	(1,500)	–	–
"D" and "E"		–	(1,500)	–	–
Accrued redemption premiums		-	(217)	–	-
Total		(6,867)	(11,534)	(2,000)	(2,450)
Bank bridging loan	iv	(1,000)	–	–	–
Share subscription prepaid	v	–	–	(500)	–
Other loans	vi	(9,800)	(9,800)	(2,000)	(2,000)
Issue costs	vii	407	443	–	–
Accrued interest payable within one year	viii	(1,487)	–	–	–
Accrued interest payable after more than one year	viii	–	(3,432)	–	(172)
Amounts drawn down under invoice discounting facility		(242)	–	–	–
Obligations under finance leases		–	–	–	(30)
Total financial liabilities		(26,348)	(31,794)	(6,500)	(6,652)

The terms of PWIL's principal financial instruments have been renegotiated a number of times during the period covered by this report. The interest and maturity profile of each principal instrument as at each period end are described in the notes below.

(i) Bank overdraft:

The bank overdraft at 31 March 2002 was secured by guarantees and debentures from PWIL. It was repayable on demand.

As at 31 March 2003, 30 June 2003 and 30 June 2004 PWIL had no overdraft balance outstanding and no unused overdraft facilities.

(ii) *Bank commercial mortgage*

The bank commercial mortgage is secured by a charge over PWIL's property and assets.

As at 31 March 2002, the commercial mortgage was denominated in US$, bore interest at 2.75% above bank base rate, and was repayable by quarterly instalments commencing on 30 September 2002 and ending on 30 June 2011.

During the year ended 31 March 2003:

- the commercial mortgage was converted into sterling. As a result of the movement of foreign exchange rates between 31 March 2003 and the date of conversion, PWIL realised an exchange gain of £645,000;
- additional funds were drawn down under the mortgage; and
- the repayments on the mortgage were rescheduled.

As at 31 March 2003, the commercial mortgage bore interest at 2.75% above bank base rate. The loan was to be repaid by instalments, under a repayment schedule to be agreed, between November 2004 and June 2011. Accrued interest, not payable until October 2004, amounted to £251,000 (see (viii) below).

During the 3 months ended 30 June 2003, PWIL agreed with its bankers that £5,471,000 of the commercial mortgage, together with £331,000 of accrued interest, should be cancelled, in exchange for the issue of deferred shares (see note 17(b)), and the interest and repayment profile of the mortgage was renegotiated.

As at 30 June 2003, the commercial mortgage was not to bear interest until 1 December 2004. From that date, it was to bear interest at 2.75% above bank base rate. There were to be no capital repayments until at least December 2005. The mortgage was to be repaid between December 2005 and December 2008 under a repayment schedule to be agreed by June 2004.

During the year ended 30 June 2004, the interest and repayment profile on the mortgage were renegotiated.

As at 30 June 2004, the commercial mortgage was not to bear interest until 1 January 2005. From that date, it was to bear interest at 2.75% above bank base rate. Interest for the 6 months ending 30 June 2005 was to be rolled up with the principal outstanding on the mortgage. There were to be no capital repayments until at least 25 June 2005. The mortgage was to be repaid between 25 June 2005 and June 2008 under a repayment schedule to be agreed. PWIL has obtained legal advice that it cannot be required to agree to a repayment schedule under which any of the mortgage would be repaid before June 2008; accordingly, the mortgage has been disclosed as due after more than one year.

(iii) *Debenture loans*

All PWIL's debenture loans were and are secured by charges over PWIL's assets.

Original, "A" and "B" debentures

As at 31 March 2002, the original debenture loans bore interest at 15% per annum. They were repayable on 30 June 2004 or, at PWIL's option, at any time from between 23 August 2002 subject to PWIL giving seven days' notice.

During the year ended 31 March 2003:

- PWIL issued a total of £1,450,000 of "A" and "B" debentures on the same terms as the original debentures;
- the terms of the original, "A" and "B" debentures were renegotiated.

As at 31 March 2003, the original, "A" and "B" debenture loans bore interest at 15% per annum. Interest for the period from the issue date to 30 November 2004 was to be payable on 30 November 2004. Thereafter, interest was to be payable half yearly on 31 May and 30 November. The loans were to mature on 31 May 2005. Accrued interest at 31 March 2003 amounted to £2,534,000 (see (viii) below).

During the three months ended 30 June 2003, PWIL agreed with the debenture loan holders that £4,867,000 of the original debenture loans, all the "A" and "B" debenture loans, and all accrued interest thereon should be cancelled, in exchange for the issue of deferred shares (see note 17(b)), and the interest and repayment profile on the original debentures was renegotiated.

As at 30 June 2003, the original debenture loans were not to bear interest until 1 December 2004. From that date, interest was to accrue at 15% per annum. The loans were to be repaid between December 2005 and December 2008 under a repayment schedule to be agreed by June 2004.

During the year ended 30 June 2004 a further £450,000 of original debentures were issued, and the interest and repayment profile of the debentures was renegotiated.

As at 30 June 2004, the original debentures were not to bear interest until 1 January 2005. From that date, they were to bear interest at 15% per annum. Interest for the 6 months ending 30 June 2005 was to be rolled up with the principal outstanding. There were to be no capital repayments until at least 25 June 2005. The debentures were to be repaid between 25 June 2005 and June 2008 under a repayment schedule to be agreed. PWIL has obtained legal advice that it cannot be required to agree to a repayment schedule under which any of the debentures would be repaid before June 2008; accordingly, the debentures have been disclosed as due after more than one year.

"C" and "F" debentures

During the year ended 31 March 2003, PWIL issued a total of £1,500,000 "C" and "F" debentures. These debentures were to mature on 31 May 2005. They did not bear interest, but a premium of 33.33% was to be payable on maturity.

During the three months ended 30 June 2003, PWIL agreed with the debenture loan holders that all of the "C" and "F" debentures should be cancelled, in exchange for the issue of deferred shares (note 17(b)).

"D" and "E" debentures

During the year ended 31 March 2003, PWIL issued a total of £1,500,000 "D" and "E" debentures. These debentures were to mature on 31 May 2005. They did not bear interest, but a premium of 100% was to be payable on maturity.

During the three months ended 30 June 2003, PWIL agreed with the debenture loan holders that all of the "D" and "E" debentures should be cancelled, in exchange for the issue of deferred shares (note 17(b)).

(iv) Bank bridging loan

The £1,000,000 bridging loan outstanding at 31 March 2002 bore interest at 2% per annum above LIBOR, and was repaid on receipt of a £1,000,000 government grant in April 2002.

(v) Share subscription prepaid

During the three months ended 30 June 2003, funds controlled by Apax Partners Limited (the "Apax funds") agreed with PWIL that they would subscribe up to an additional £2,000,000 for additional "A" ordinary shares in PWIL. Pursuant to that agreement, the Apax funds had advanced £500,000 to PWIL by 30 June 2003.

During the year ended 30 June 2004, the Apax funds advanced a further £2,500,000 to PWIL, and the parties agreed that the total £3,000,000 advanced should be settled by the issue of 3,000,000 "A" ordinary shares in PWIL (note 17).

(vi) Other loans

The other loans were and are secured by a charge over PWIL's assets.

As at 31 March 2002, the loans bore interest at 4% per annum above LIBOR, and were repayable by monthly instalments until November 2005.

During the year ended 31 March 2003, the interest and capital repayments on the loans were rescheduled.

As at 31 March 2003, the loan bore interest at 4% per annum above LIBOR. No interest or capital payments were to fall due until October 2004. The loan, together with accrued interest, were to be repaid by instalments, under a repayment schedule to be agreed, between November 2004 and June 2011. Accrued interest as at 31 March 2003 amounted to £647,000 (see (viii) below).

During the three months ended 30 June 2003, PWIL agreed with its lenders that £7,800,000 of the loans should be cancelled in exchange for the issue of deferred shares (note 17(b)), and the interest and capital repayments on the remaining loans were renegotiated.

As at 30 June 2003, the loans were not to bear interest until 1 December 2004. From that date, they were to bear interest at 4% above LIBOR. There were to be no capital repayments until at least December 2005. The loans were to be repaid between December 2005 and December 2008 under a repayment schedule to be agreed by June 2004.

During the year ended 30 June 2004, the interest and capital repayments on the loans were renegotiated.

As at 30 June 2004, the loans were not to bear interest until 1 January 2005. From that date, they were to bear interest at 4% per annum above LIBOR. Interest for the six months ending 30 June 2005 was to be rolled up with the principal outstanding on the loans. There were to be no capital repayments until at least 25 June 2005. The loans were to be repaid between 25 June 2005 and June 2008 under a repayment schedule to be agreed. PWIL has obtained legal advice that it cannot be required to agree to a repayment schedule under which any of the loans would be repaid before June 2008; accordingly, the loans have been disclosed as due after more than one year.

(vii) Issue costs

Issue costs incurred in connection with the raising of loan finance are deducted from the finance received and written off over the period of the loan in accordance with Financial Reporting Standard No 4. Following the agreement reached during the three months ended 30 June 2003 that much of PWIL's debt should be cancelled in exchange for the issue of deferred shares, and the renegotiation of the remaining debt, all issue costs then outstanding were fully written off to the profit and loss account during that period.

(viii) Accrued interest

Accrued interest related to the following financial liabilities:

	31 March 2002 £'000	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
Commercial mortgage (see (ii) above)	(81)	(251)	–	(40)
Original, "A" and "B" debentures (see (iii) above)	(1,340)	(2,534)	–	(85)
Other loans (see (vi) above)	(66)	(647)	–	(47)
	(1,487)	(3,432)	–	(172)

As at 31 March 2002, the accrued interest was payable within one year.

As at 31 March 2003, following renegotiation of the terms of the related loans, the accrued interest was payable after more than one year.

During the three months ended 30 June 2003, PWIL agreed with its lenders that the £3,845,000 of interest then accrued should be converted into deferred shares (note 17(b)). These shares were issued during the year ended 30 June 2004.

Following renegotiation of the terms of the loans during the year ended 30 June 2004, the bank commercial mortgage, debenture loans and other loans were not to bear interest until 1 January 2005. The interest accrual as at 30 June 2004 reflects the impact of spreading the benefit of the interest free period over the term of the loans, in accordance with PWIL's accounting policy and has been calculated assuming a LIBOR of 5.25% and that the loans are repaid at the start of the repayment period.

(d) Currency profile of financial assets and liabilities

The functional currency of all of PWIL's operations is sterling.

The net amount of monetary assets and liabilities denominated in currencies other than sterling as at each balance sheet date covered by this report was as follows:

	31 March 2002 £'000	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
US$	(7,039)	(46)	(123)	1,074
Euro	(700)	(171)	9	(53)
Yen	(38)	(8)	(16)	(13)
	(7,777)	(225)	(130)	1,008

(e) Maturity profile of financial liabilities

	31 March 2002 £'000	31 March 2003~ £'000	30 June 2003* £'000	30 June 2004# £'000
In one year or less, or on demand:				
Overdraft	(99)	–	–	–
Bank and other loans	(4,063)	–	–	–
Obligations under finance leases	–	–	–	(9)
Accrued loan interest	(1,487)	–	–	–
	(5,649)	-	-	(9)
In more than one year but not more than two years:				
Bank and other loans	(3,481)	–	–	–
Obligations under finance leases	–	–	–	(9)
Accrued loan interest	–	(3,432)	–	(172)
	(3,481)	(3,432)	–	(181)
In more than two years but not more than five years:				
Bank and other loans	(13,596)	(11,534)	–*	(6,450)#
Obligations under finance leases	–	–	–	(12)
	(13,596)	(11,534)	–	(6,462)
In more than five years				
Bank and other loans	(3,622)	(16,828)~	(6,000)*	–#
To be converted to shares				
Bank and other loans	–	–	(500)*	–
Total	(26,348)	(31,794)	(6,500)	(6,652)

~ = As at 31 March 2003, the bank commercial mortgage and other loans were all to be repaid over the period from November 2004 to June 2011, under schedules yet to be agreed (see (c) above). It is not therefore possible to analyse them into the required maturity headings. In the table above, they have been shown as if they were all repayable in June 2011, being the end of that repayment period.

* = As at 30 June 2003, PWIL had agreed with its lenders that:

- PWIL should issue ordinary shares to Apax in consideration for £500,000 advanced to it by Apax (see (c)(v) above); and
- the remaining £6,000,000 of bank and other loans should be repaid over the period from December 2005 to December 2008, under schedules yet to be agreed (see (c) above). It is not therefore possible to analyse them into the required maturity headings. In the table above, they have been shown as if they were all repayable in December 2008, being the end of that repayment period.

= As at 30 June 2004, the £6,450,000 of bank and other loans were all to be repaid over the period from June 2005 to June 2008, under a schedule yet to be agreed (see (c) above). It is not therefore possible to analyse them into the required maturity headings. In the table above, they have all been shown as if they were all repayable in June 2008, being the end of that repayment period.

(f) Fair value of financial assets and liabilities

The fair value of PWIL's floating rate and fixed rate cash and borrowings as at 31 March 2002 is considered to be the carrying amount. The fair value of the interest rate collar existing as at 31 March 2002 was a liability of £565,000.

As the repayment profile of PWIL's borrowings, details of which are given in note (c) above, as at 31 March 2003, 30 June 2003 and 30 June 2004 was still to be agreed, it is not practicable to determine their fair value as at those dates. Their fair value would be affected by movements in market interest rates, by PWIL's credit rating, and by the repayment profile eventually agreed upon.

(g) Hedging

PWIL has on occasion entered into forward foreign currency contracts to hedge against the currency exposures that arise on sales denominated in foreign currencies. It has also used interest rate swaps to manage is interest rate profile. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains	*Losses*	*Net gains/ (losses)*
	£'000	*£'000*	*£'000*
Arising in the 18 months ended 31 March 2002, not recognised in that period	–	(565)	(565)
At 31 March 2002	–	(565)	(565)
Of which recognised in the year ended 31 March 2003	–	(565)	(565)
At 31 March 2003, 30 June 2003 and 30 June 2004	–	–	–

17 CALLED UP SHARE CAPITAL

(a) Authorised and allotted share capital

The share capital of PWIL is shown below:

	31 March 2002		*31 March 2003*		*30 June 2003*		*30 June 2004*	
	Number	*£'000*	*Number*	*£'000*	*Number*	*£'000*	*Number*	*£'000*
Authorised								
£0.10 A ordinary shares	1,133,333	113	1,133,333	113	1,133,333	113	4,133,333	413
£0.10 B ordinary shares	235,943	24	235,943	24	235,943	24	170,037	17
£0.10 C ordinary shares	–	–	–	–	–	–	65,006	7
£1 deferred shares	–	–	–	–	–	–	26,432,413	26,432
		137		137		137		26,869
Allotted, called up and fully paid								
£0.10 A ordinary shares	1,133,333	113	1,133,333	113	1,133,333	113	4,133,333	413
£0.10 B ordinary shares	200,000	20	200,000	20	200,000	20	134,994	14
£0.10 C ordinary shares	–	–	–	–	–	–	65,006	7
£1 deferred shares	–	–	–	–	–	–	26,432,413	26,432
		133		133		133		26,866

(b) Issues of shares and agreements to issue shares

3 months ended 30 June 2003

During the year ended 30 June 2003, as part of a restructure of PWIL's financing, PWIL agreed with its finance providers that it would issue 26,432,413 deferred shares of £1 each in consideration for the cancellation of the following amounts of debt and accrued interest thereon (see note 16):

	£'000
Bank commercial mortgage	5,471
Other loans	7,800
"A" to "F" debenture loans	4,450
Original debenture loans	4,867
Total principal	22,588
Accrued interest	3,845
Accrued redemption premium	383
	26,816

Year ended 30 June 2004

During the year ended 30 June 2004:

- 3,000,000 A ordinary shares of 10p each were issued for cash at a premium of 90p per share. £500,000 of the cash consideration had been advanced to PWIL by Apax during the three months ended 30 June 2003 (note 16(c)(v)) ;
- 65,006 B ordinary shares of 10p each were converted into the same number of C ordinary shares of 10p each; and
- 26,432,413 deferred shares of £1 each were issued in accordance with the agreement reached in the 3 months ended 30 June 2003.

(c) Rights attaching to shares

Dividends and voting rights

The A and B ordinary shares rank *pari passu* for dividends, except that no dividends shall be declared or paid without the prior consent of the holders of 50% of the A ordinary shares.

The A and B ordinary shareholders have the right to receive notice of, attend and vote at general meetings of PWIL. Each A and B share gives the right to one vote.

The C ordinary shares of 10p each have no rights to income and no voting rights.

The deferred shares have no rights to income and no voting rights.

Rights on sale or flotation

Through an amended and restated finance restructuring and standstill agreement dated 30 June 2004 (the "restructuring agreement"), the A and B shareholders and the providers of PWIL's debt finance have agreed that, in the event of the sale or flotation of PWIL, or the sale of substantially all of PWIL's business and assets, the market capitalisation of PWIL on such sale or listing should be divided between them in the percentages agreed in the restructuring agreement.

Rights on winding up

In the event of a winding up of PWIL or other return of capital, the assets remaining after payment of all debts and liabilities shall be applied in the following order of priority:

firstly, in paying to the holders of the A ordinary shares an amount equal to the subscription price paid for the shares, and to the holders of the C ordinary shares an amount equal to the lower of (a) the amount per share paid to the holders of the A ordinary shares and (b) £1.00 per share;

secondly, in paying to the holders of the B ordinary shares an amount equal to the subscription price paid for the shares;

thirdly, in paying to the holders of the A and B ordinary shares, ranking *pari passu*, an amount of up to £10,000 per share;

fourthly, in paying to the holders of the deferred shares an amount of £1 per share; and

lastly, in distributing the balance between the holders of the A and B shares *pari passu*.

(d) Potential issues of ordinary shares

As at 31 March 2002, 31 March 2003, and 30 June 2003 PWIL had in issue the following warrants to subscribe for shares:

(a) a warrant issued to IBM United Kingdom Financial Services Limited, to subscribe for 20,539 B ordinary shares of 10p each at £1 per share. The warrant was exercisable within five years of 23 August 2000; and

(b) a warrant issued to Uberior Trading Limited (a member of the HBoS group) to subscribe for 15,404 B ordinary shares of 10p each at par. The option was exercisable within 10 years from 23 August 2000.

Both these warrants were cancelled in June 2004.

18 RESERVES

	Share premium account £'000	*Profit and loss Account £'000*
At 1 October 2000	1,200	(669)
Loss for the period	–	(7,612)
At 31 March 2002	1,200	(8,281)
Loss for the year	–	(9,708)
At 31 March 2003	1,200	(17,989)
Loss for the period	–	(2,689)
At 30 June 2003	1,200	(20,678)
Loss for the year	–	(3,201)
Premium on issue of ordinary shares (note 17)	2,700	–
Premium on issue of deferred shares (note 17)	383	–
At 30 June 2004	4,283	(23,879)

19 SHAREHOLDERS' FUNDS/(DEFICIT)

(a) Reconciliation of movement in shareholders' funds

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Loss for the period after taxation	(7,612)	(9,708)	(2,689)	(3,201)
Proceeds from issue of ordinary shares for cash (note 17)	–	–	–	3,000
Cancellation of debt (note 17)	–	–	26,816	–
Net (decrease)/increase in shareholders' funds	(7,612)	(9,708)	24,127	(201)
Opening shareholders' funds/(deficit)	664	(6,948)	(16,656)	7,471
Closing shareholders' funds/(deficit)	(6,948)	(16,656)	7,471	7,270

(b) Equity/non-equity analysis

	31 March 2002 £'000	*31 March 2003 £'000*	*30 June 2003 £'000*	*30 June 2004 £'000*
Equity shareholders' funds	(6,948)	(16,656)	7,471	7,263
Non-equity shareholders' funds	–	–	–	7
Total shareholders' funds	(6,948)	(16,656)	7,471	7,270

The "C" ordinary shares have been shown as non-equity, because their rights on winding up are limited to a maximum of £1 per share.

20 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Operating loss	(5,501)	(7,086)	(1,667)	(3,033)
Depreciation of tangible fixed assets	1,484	3,438	863	1,902
Release of deferred income	(84)	(260)	(78)	(297)
(Increase)/decrease in stocks	(342)	(126)	21	121
(Increase)/decrease in debtors	(709)	208	19	(1,170)
Increase/(decrease) in creditors	697	181	12	(2)
Net cash outflow from operating activities	(4,455)	(3,645)	(830)	(2,479)

21 ANALYSIS OF HEADINGS IN THE CASH FLOW STATEMENT

(a) Returns on investments and servicing of finance

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Interest received	214	4	–	4
Interest paid	(1,252)	(1,013)	–	–
Net cash (outflow)/inflow for returns on investment and servicing of finance	(1,038)	(1,009)	–	4

(b) Capital expenditure and financial investment

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Purchase of tangible fixed assets	(22,677)	(913)	(157)	(66)
Capital grants received	2,500	1,800	–	–
Net cash (outflow)/inflow for capital expenditure and financial investment	(20,177)	887	(157)	(66)

(c) Financing

	18 months ended 31 March 2002 £'000	*Year ended 31 March 2003 £'000*	*3 months ended 30 June 2003 £'000*	*Year ended 30 June 2004 £'000*
Issue of ordinary share capital	–	–	–	2,500
Debenture finance received	3,500	4,450	–	450
Mortgage loan received	7,250	855	–	–
Issue costs on new debt	–	(131)	–	–
Bridging loan received	1,000	–	–	–
Bridging loan paid	–	(1,000)	–	–
Other loans received	10,785	217	500	–
Other loan instalments paid	(985)	(217)	–	–
Invoice facility received/(repaid)	242	(242)	–	–
Capital element of finance lease payments	–	–	–	(5)
Net cash inflow from financing	21,792	3,932	500	2,945

22 ANALYSIS OF NET DEBT

	At start of period £000	*Cash flow £000*	*Other non-cash changes £000*	*At end of period £000*
18 months ended 31 March 2002				
Cash at bank	3,880	(3,784)	–	96
Bank overdraft	–	(99)	–	(99)
	3,880	(3,883)	–	(3)
Debt due within one year	–	(2,227)	(1,836)	(4,063)
Debt due after more than one year	(2,833)	(19,565)	1,699	(20,699)
	1,047	(25,675)	(137)	(24,765)
Year ended 31 March 2003				
Cash at bank	96	602	–	698
Bank overdraft	(99)	99	–	–
	(3)	701	–	698
Debt due within one year	(4,063)	1,242	2,821	–
Debt due after more than one year	(20,699)	(5,174)	(2,489)	(28,362)
	(24,765)	(3,231)	332	(27,664)
3 months ended 30 June 2003				
Cash at bank	698	(481)	–	217
Bank overdraft	–	–	–	–
	698	(481)	–	217
Debt due within one year	–	–	–	–
Debt due after more than one year	(28,362)	(500)	22,362	(6,500)
	(27,664)	(981)	22,362	(6,283)
Year ended 30 June 2004				
Cash at bank	217	404	–	621
Bank overdraft	–	–	–	–
	217	404	–	621
Debt due within one year	–	–	–	–
Debt due after more than one year	(6,500)	(450)	500	(6,450)
Finance leases	–	5	(35)	(30)
	(6,283)	(41)	465	(5,859)

Non-cash changes

Non-cash changes comprise:

- in the 18 months ended 31 March 2002, £126,000 amortisation of debt issue costs and £11,000 loss on retranslation of the US$ denominated commercial mortgage;
- in the year ended 31 March 2003, an exchange gain of £645,000 on conversion of PWIL's commercial mortgage from US$ to £, less £96,000 amortisation of debt issue costs, and £217,000 accrued debenture redemption premium;
- in the three months ended 30 June 2003 the cancellation of debt with a carrying value of £22,971,000 (including £383,000 accrued redemption premium), less £443,000 debt issue costs written off and £166,000 accrued debenture redemption premium;

- in the year ended 30 June 2004, £500,000 on issue of ordinary shares in consideration for amount advanced by Apax in the three months ended 30 June 2003 (note 16(c)(v)), less £35,000 finance lease drawdowns; and
- transfers between amounts falling due within one year and amounts falling due after more than one year as debt matured or was renegotiated.

23 FINANCIAL COMMITMENTS

Operating leases

The group had annual commitments under non-cancellable operating leases as follows:

	31 March 2002		*31 March 2003*		*30 June 2003*		*30 June 2004*	
	Land and buildings £000	*Other £000*	*Land and buildings £000*	*Other £000*	*Land and buildings £000*	*Other £000*	*Land and buildings £000*	*Other £000*
Expiring in:								
Less than one year	–	–	–	2	–	75	–	13
One to two years						22	–	85
Two to five years	–	38	–	95	–	79	–	–
More than five years	–	149	–	79	–	–	37	–
	–	187	–	176	–	176	37	98

24 CONTINGENT LIABILITIES

PWIL has claimed the benefit of a Research and Development tax credit resulting in a repayment of £522,000 in earlier periods. The Inland Revenue has raised a technical enquiry into the basis of the claim. The company is confident as to the basis and quantum of its tax credit claim and accordingly no provision has been made in respect of this matter.

25 ULTIMATE CONTROLLING PARTY

The directors regard funds advised by Apax Partners Limited as the ultimate controlling party.

26 RELATED PARTY TRANSACTIONS

(a) Factory construction contract

During the 18 months ended 31 March 2002, PWIL paid £10,200,000 to M&W Pearce Limited, of which P G Greenhalgh, who was then a director of PWIL, was a director. The payment was in respect of the construction contract for PWIL's new factory premises constructed by M&W Pearce Limited.

(b) Fees for directors' services

During the periods covered by this report, PWIL paid the following amounts to Apax Partners Limited in respect of the services of a director: 18 months ended 31 March 2002: £45,000; year ended 31 March 2003; £30,000; three months ended 30 June 2003; £7,500; year ended 30 June 2004: £30,000.

(c) Financing transactions with Apax

During the periods covered by this report, PWIL incurred the following interest and similar charges on debenture loans from Apax:

	18 months ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	3 months ended 30 June 2003 £'000	Year ended 30 June 2004 £'000
Interest payable for the period	(1,310)	(1,194)	(209)	–
Accrued redemption premium	–	(152)	(110)	–
Accrued interest arising on spreading of interest free period over loan term (see note 16(c)(viii))	–	–	–	(85)
	(1,310)	(1,346)	(319)	(85)

During the year ended 31 March 2003, Apax provided PWIL with an additional £3,450,000 of debenture loans.

During the three months ended 30 June 2003, Apax agreed to the cancellation of debt with a carrying value of £8,579,000, and £2,743,000 accrued interest thereon, in exchange for the issue of 11,058,587 deferred shares.

During the year ended 30 June 2004:

- PWIL issued 3,000,000 "A" ordinary shares to Apax for cash at £1.00 per share. £500,000 of the cash had been advanced to PWIL during the three months ended 30 June 2003;
- PWIL issued 11,058,587 deferred shares to Apax, in consideration for the cancellation of debt with a carrying value of £8,579,000, and £2,743,000 accrued interest thereon, agreed to during the period ended 30 June 2003; and
- PWIL issued a further £450,000 original debenture notes to Apax.

As at the end of each period covered by this report, PWIL had outstanding the following loans from Apax:

	31 March 2002 £'000	31 March 2003 £'000	30 June 2003 £'000	30 June 2004 £'000
Debenture loans				
Original	(6,867)	(6,867)	(2,000)	(2,450)
"A" and "B"	–	(1,450)	–	–
"C" and "F"	–	(1,000)	–	–
"D" and "E"		(1,000)	–	–
Accrued redemption premium	–	(152)	–	–
Total debenture loans	(6,867)	(10,469)	(2,000)	(2,450)
Share subscription prepaid	–	–	(500)	–
Total loans	(6,867)	(10,469)	(2,500)	(2,450)
Accrued interest on above loans	(1,340)	(2,534)	–	(85)

Details of the terms of the debenture loans are given in note 16(c)(iii).

27 POST BALANCE SHEET EVENTS

On 9 December 2004:

- PWIL's authorised share capital was increased by the creation of 3 new A ordinary shares of 10p each;
- PWIL issued 3 A ordinary shares of 10p each for cash at a premium of 90p per share; and
- PWIL acquired the 26,432,413 deferred shares in issue for a consideration of £3, paid for out of the proceeds of the issue of 3 new A ordinary shares referred to above.

On 9 December 2004 the entire issued share capital of PWIL was acquired by the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 5

PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets set out below has been prepared to illustrate how the acquisition of PWIL by the Company and the Placing might have affected the consolidated net assets of the Group had it taken place on 17 November 2004. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Group following the acquisition of PWIL by the Company and the Placing. It has been prepared on the basis that the acquisition of PWIL by the Company will be merger accounted as a group reconstruction.

The unaudited pro forma statement of net assets is based on the balance sheets of the Company and PWIL as at 17 November 2004 and 30 June 2004 respectively, extracted from the Reporting Accountant's reports set out in Parts 3 and 4 of this document, adjusted as described in notes 2 to 5 below.

		Adjustments			
	The Company	*PWIL*	*Placing*	*Debt capitalisation*	
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*Pro forma*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Fixed assets					
Tangible fixed assets	–	16,366	–	–	16,366
	–	16,366	–	–	16,366
Current assets					
Stock	–	326	–	–	326
Debtors	–	1,710	–	–	1,710
Cash at bank	–	621	5,651	–	6,272
	–	2,657	5,651	–	8,308
Creditors: amounts falling due within one year					
Short term borrowings	–	(9)	–	–	(9)
Other	–	(1,520)	–	–	(1,520)
Net current assets	–	1,128	5,651	–	6,779
Total assets less current liabilities	–	17,494	5,651	–	23,145
Creditors: amounts falling due after more than one year					
Long term borrowings	–	(6,643)	–	6,662	(21)
Deferred income	–	(3,581)	–	–	(3,581)
Net assets	–	7,270	5,651	6,662	19,543

Notes

1. Extracted from the balance sheet of the Company as at 17 November 2004 included in the Reporting Accountant's report on the Company set out in Part 3 of this document.

2. Extracted, without material adjustment, from the balance sheet of PWIL as at 30 June 2004 included in the Reporting Accountant's report on PWIL set out in Part 4 of this document.

3. The Placing adjustment to cash represents the net proceeds of the Placing, and has been calculated as follows:

	£'000
Gross proceeds of the Placing, based on the issue of 4,827,586 Ordinary Shares at 145p per share	7,000
Less: expenses of the Placing	(1,349)
Net proceeds of the Placing	5,651

4. The debt capitalisation adjustment reflects the conversion of the £2,450,000 debenture loans, £2,000,000 bank commercial loans and £2,000,000 other loans into ordinary shares of the Company, and the capitalisation of the interest accrued of £172,000 included in PWIL's balance sheet as at 30 June 2004. The accrual arose from spreading the benefit of the interest-free period on PWIL's loans over their expected term. In the event, the loans have been capitalised before the end of the interest-free period.

5. No account has been taken of any trading of or changes in the financial position of the Company since 17 November 2004 or of PWIL since 30 June 2004.

PART 6

ADDITIONAL INFORMATION

1. Responsibility

The Directors, each of whose business address is or will be the registered office of the Company and whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors the information contained in this document is in accordance with the facts and this document makes no omission which is likely to affect the import of such information.

2. Incorporation and activities

2.1 The Company was incorporated and registered in England and Wales on 17 November 2004 as Pure Wafer International plc under the Act as a public limited company with registered number 5289130. On 10 December 2004, the Company changed its name to Pure Wafer plc.

2.2 The principal legislation under which the Company operates is the Act. The liability of the Company's members is limited.

2.3 The registered and head office of the Company is at Central Business Park, Swansea Vale, Swansea SA7 0AB.

2.4 The principal activity of the Company is that of a holding company.

3. Share capital

The following changes have taken place in relation to the share structure and constitution of the Company between its incorporation and the date of this document:

3.1 the authorised share capital of the Company as at the date of its incorporation was £100,000, made up of 100,000 ordinary shares of £1 each of which one share was held by each of the two subscribers to the Company's memorandum of association (York Place Company Nominees Limited and York Place Company Secretaries Limited);

3.2 on 19 November 2004, one subscriber share was transferred from York Place Company Nominees Limited to Apax WW Nominees Limited and the second subscriber share was transferred from York Place Company Secretaries Limited to Keith Baker;

3.3 pursuant to ordinary and special resolutions passed at an extraordinary general meeting of the Company held on 9 December 2004:

3.3.1 the 99,998 existing authorised but unissued ordinary shares of £1 each were subdivided into 999,980 "A" ordinary shares of 10p each;

3.3.2 the one issued ordinary share of £1 held by Apax WW Nominees Limited was subdivided into 10 "A" ordinary shares of 10p each;

3.3.3 the one issued ordinary share of £1 held by Keith Baker was subdivided into 10 "B" ordinary shares of 10p each;

3.3.4 the authorised share capital of the Company was increased from £100,000 to £433,333.60 by the creation of 3,133,346 "A" ordinary shares of 10p each, 134,984 "B" ordinary shares of 10p each and 65,006 "C" ordinary shares of 10p each in the capital of the Company;

3.3.5 new articles of association of the Company were adopted.

3.4 On 9 December 2004, the Company entered into the Exchange Agreement (referred to in paragraph 14.22 of Part 6 of this document) with each of the existing shareholders in PWIL, pursuant to which shares in the Company were allotted to each of the shareholders in PWIL in the following proportions (being the same numbers and classes of shares as those in PWIL):

3.4.1 Apax WW Nominees Limited was allotted 4,133,326 "A" ordinary shares of 10p each and 65,006 "C" ordinary shares of 10p each;

3.4.2 Keith Baker was allotted 38,863 "B" ordinary shares of 10p each;

3.4.3 Peter Harrington was allotted 38,873 "B" ordinary shares of 10p each;

3.4.4 David Lewis was allotted 38,873 "B" ordinary shares of 10p each; and

3.4.5 David Maternaghan was allotted 18,375 "B" ordinary shares of 10p each.

3.5 At an extraordinary general meeting of the Company held on 9 December 2004 a special resolution was passed changing the name of the Company from "Pure Wafer International plc" to "Pure Wafer plc".

3.6 As at 9 December 2004, the authorised share capital of the Company was £4,333,336 divided into 4,133,336 "A" ordinary shares of 10p each, 134,994 "B" ordinary shares of 10p each and 65,006 "C" ordinary shares of 10p each, all of which were issued and credited as fully paid.

3.7 Pursuant to ordinary and special resolutions passed at an extraordinary general meeting of the Company held on 9 December 2004:

3.7.1 the 4,133,336 "A" ordinary shares of 10p each, 134,944 "B" ordinary shares of 10p each and 65,006 "C" ordinary shares of 10p each were redesignated as 4,333,336 ordinary shares of 10p each;

3.7.2 the 4,333,336 ordinary shares of 10p each were subdivided into 21,666,680 ordinary shares of 2p each;

3.7.3 the authorised share capital of the Company was increased from £433,333.60 to £1,000,000 by the creation of 28,333,320 new ordinary shares of 2p each;

3.7.4 the directors were authorised pursuant to section 80 of the Act to allot relevant securities:

3.7.4.1 up to an aggregate nominal value of £96,551.72 in connection with the Placing; and

3.7.4.2 otherwise up to an aggregate nominal value of £174,862;

such authority to expire on the date falling 15 months following the date of the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2005;

3.7.5 pursuant to section 95 of the Act, the Directors were empowered to allot equity securities (as defined in section 94 of the Act) for cash pursuant to authorities referred to in paragraph 3.6.4 above as if section 89(1) of the Act did not apply to the allotment provided that the aggregate nominal amount of equity securities allotted for cash under the power conferred by paragraph 3.6.4.2 above, otherwise than in connection with a rights issue or other pre-emptive offer, should not exceed £26,494 such authority to expire on the date of the next annual general meeting of the Company or the date falling 15 months after the date on which the resolution was passed, whichever is the earlier;

3.7.6 new articles of association of the Company were adopted; and

3.7.7 the Unapproved Plan was adopted by the Company.

3.8 At the date of Admission, the authorised share capital of the Company was £1,000,000 divided into 50,000,000 ordinary shares of 2p each, of which 26,494,269 were issued and credited as fully paid.

3.9 The Ordinary Shares in issue upon Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. No temporary documents of title will be issued and it is anticipated that definitive share certificates will be posted by first class post to shareholders on or before 7 January 2005.

3.10 The articles of association permit the holding and transfer of Ordinary Shares under CREST. The Directors have applied for the Ordinary Shares to be admitted to CREST upon Admission.

4. Memorandum and articles of association

4.1 Memorandum of association

The principal objects of the Company are set out in paragraph 4 of its memorandum of association and include acting as a holding company.

4.2 Articles of association

The articles of association of the Company adopted, conditionally upon Admission, pursuant to a special resolution of the Company passed on 9 December 2004 ("Articles") include provisions to the following effect:

4.2.1 *Voting rights*

Subject to any terms as to voting upon which any shares may have been issued or may for the time being be held and to any disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure of interests in shares in the Company, at a general meeting of the Company:

4.2.1.1 every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member, shall, on a show of hands, have one vote; and

4.2.1.2 every member present in person or by representative (in the case of a corporate member) or by proxy shall, on a poll, have one vote for every share of which he is the holder.

Unless the board otherwise determines, a member shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

4.2.2 *Dividends*

Subject to the provisions of the Acts (as defined in the Articles) and of the Articles, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests in the profits of the Company, but no dividend shall exceed the amount recommended by the board. Subject to the provisions of the Acts, the board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the board to be justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

Without prejudice to the provisions of the Articles, the board may, with the authority of an ordinary resolution of the Company:

4.2.2.1 offer holders of ordinary shares the right to elect to receive further ordinary shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution;

4.2.2.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

4.2.3 *Distribution of assets on a winding-up*

On a winding-up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of members as he may determine. The liquidator shall not, however (except with the consent of the member concerned) distribute to a member any asset to which there is attached a liability or potential liability for the owner.

4.2.4 *Transfer of shares*

Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

Every transfer of shares which are in uncertificated form must be made by means of a relevant system (as defined in the Uncertificated Securities Regulations 2001).

The board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (a) it is in respect of a share which is not fully paid up; (b) it is in respect of more than one class of share; (c) it is not duly stamped (if so required); or (d) it is not delivered for registration to the registered office of the Company or such other place as the board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) 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.

The board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (a) a child, bankrupt or person of unsound mind; or (b) more than four joint transferees.

In the case of shares in certificated form, the registration of transfers of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the board may from time to time determine.

In the case of shares in uncertificated form, the register shall not be closed without the consent of the Operator of the relevant system (as defined in the Articles).

4.2.5 *Variation of class rights*

Subject to the provisions of the Acts, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question or, at an adjourned meeting, one person holding shares of the class in question or his proxy. Any holder of shares of the class in question present in person or by proxy may demand a poll. Holders of shares of the class in question shall, on a poll, have one vote for every share of that class held by them.

The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

4.2.6 *Share capital, changes in capital and purchase of own shares*

Subject to the provisions of the Acts and the Articles, the power of the Company to allot and issue shares shall be exercised by the board at such times and on such terms and conditions as the board may determine.

Subject to the provisions of the Acts and to any rights attached to any existing shares: (a) any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution; and (b) the Company may issue redeemable shares.

Subject to the provisions of the Acts, the Company may, by ordinary resolution, (a) increase its share capital; (b) consolidate, or consolidate and then divide, all or any of its shares into shares of a larger amount; (c) sub-divide its shares or any of them into shares of a smaller amount and as a part of such sub-division determine that any of such shares may have any preference or other advantage or deferred or qualified rights or be subject to any restriction as compared with the others; (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and (e) convert all or any of its paid up shares into stock, and re-convert that stock into paid up shares of any denomination.

Subject to the provisions of the Acts, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

Subject to the provisions of the Acts, the Company may purchase all or any of its shares of any class (including any redeemable shares in issue at the relevant time).

4.2.7 *Directors*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum but shall not be less than two.

Subject to the provisions of the Acts and provided that he has disclosed to the directors the nature and extent of any interest, a director may:

4.2.7.1 enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;

4.2.7.2 hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company, and be remunerated accordingly;

4.2.7.3 be a director or other officer, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

4.2.7.4 shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal.

Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is to his knowledge materially interested, directly or indirectly (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company); provided that a director shall be entitled to vote and be counted in the quorum in circumstances where the resolution relates:

(a) to the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(b) to an offer of securities of the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(c) to another company in which he and any persons connected with him has a direct or indirect interest of any kind, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent or more of either any class of equity share capital, or the voting rights, in such company;

(d) to any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(e) to any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.

A director shall not vote or be counted in the quorum on any resolution of the board or any committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

Unless otherwise determined by the Company by ordinary resolution, a director (other than an alternate director) who does not hold executive office shall be paid for his services as a director at such rate (not exceeding £80,000 per annum) as the board may decide. Such maximum level of fees shall be increased in line with the increase in the General Index of Retail Prices. Any fee payable shall accrue from day to day and shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to other provisions of the Articles.

Each director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director, including any expenses incurred in attending meetings of the board or of any committees of the board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company. Any director who does not hold executive office and who performs special services for the Company may be paid such extra remuneration by way of additional fees, salary, percentage of profits or otherwise as the board may determine.

At each annual general meeting of the Company, there shall be required to retire by rotation: (a) one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third; and (b) in addition, any director who at an annual general meeting shall have been a director at each of the preceding two annual general meetings of the Company (provided that he was not appointed or reappointed at either such annual general meeting and he has not otherwise ceased to be a director and been reappointed by general meeting of the Company at or since either such annual general meeting), and each such retiring director may, if eligible, offer himself for re-election. The directors to retire by rotation shall first be those who wish to retire and not offer themselves for re-election and secondly those who have been longest in office since their last appointment or reappointment and, in the case of those who have been in office an equal length of time, shall, unless they agree otherwise, be determined by lot. Any director appointed by the board shall hold office only until the next annual general meeting, when he shall be eligible for appointment, but shall not be taken into account in determining the directors to retire by rotation at that meeting.

No person shall be or become incapable of being appointed a director by reason of his having attained the age of 70 or any other age and no special notice shall be required in connection with the appointment or the approval of the appointment of any such person, nor shall a director be required to retire by reason of his having attained that or any other age.

Directors shall not be required to hold any shares in the Company.

4.2.8 *Borrowing powers*

Subject to the provisions of the Acts, the board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the group shall not, without an ordinary resolution of the Company, exceed a sum equal to two times the aggregate of the amount paid up or credited as paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserves of the group as shown in the latest audited balance sheet of the group, after such adjustments and deductions as are specified in the Articles.

4.2.9 *Pensions and benefits*

The board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

4.2.10 *Untraced shareholders*

The Company may sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by virtue of transmission on the death or bankruptcy of a member or otherwise by operation of law if all dividends, warrants and cheques sent, or funds transferred, to such member or person have remained uncashed or been returned to the Company, respectively, for a period of 12 years; the Company has paid at least three cash dividends in respect of those shares during such period; and the Company has, on the expiration of such period given notice of its intention to sell such shares in a national newspaper and an appropriate local newspaper, and no indication is received as to the whereabouts or existence of such member or persons.

The Company shall account to the member or other person entitled to such shares for the net proceeds of such sale.

5. Share Incentive Plans

5.1 The Company has established the Pure Wafer PLC Unapproved Company Share Option Plan ("Unapproved Plan") effective from Admission:

Under the Unapproved Plan, directors (other than the directors at the time of Admission) and employees of the Group may be offered options ("**Options**") to acquire Ordinary Shares.

It is intended that Options over approximately 138,000 Ordinary Shares will be granted pursuant to the Unapproved Plan within 28 days following Admission.

The principal features of the Unapproved Plan are as follows:

5.1.1 *Participation*

5.1.1.1 *Eligibility*

Any director (other than a person who is a director at the date of Admission) or employee of a Member of the Group is eligible to participate. Actual participation is at the discretion of the Board. Options are personal to the participant and not capable of assignment except that, on death, the Option holder's personal representatives may exercise the Option within 12 months following the Option holder's death. Options shall he granted by deed with no consideration payable by the participant.

5.1.1.2 *Individual participation limit*

The aggregate market value (at the date of grant) of Ordinary Shares over which Options may be granted to any one participant in any one financial year of the Company under the Unapproved Plan and any other share scheme adopted or operated by the Company (but excluding options granted under a savings related share option scheme) will not normally exceed two times the amount of that participant's basic salary for that financial year.

5.1.2 *Exercise*

5.1.2.1 *Exercise price*

The exercise price for each Ordinary Share under Option will be the higher of the nominal value of an Ordinary Share at the date of grant and the market value of an Ordinary Share at the date of grant. In the case of Options granted within 28 days following Admission, it is intended that the exercise price shall be the Issue Price.

5.1.2.2 *Exercise of Options*

An Option will normally be exercisable between the second and the tenth anniversaries of the date of grant.

Options may also be exercised (even if this is within the period of two years from the date of grant) where employment ceases due to the participant's ill health, death, injury, disability, redundancy, retirement at normal retirement age, on the participant's employing company or business ceasing to be within the Group or, at the discretion of the Board and to the extent specified by the Board, on the participant in question leaving employment for any other reason. In each of these situations (other than on death), the Option must be exercised, if at all, by the expiry of the period of six months following the cessation of employment. In the case of death, the participant's personal representatives may exercise the Option within 12 months following the death. If the employment ceases for any other reason, the Option will lapse. Where, in these circumstances, exercise is permitted within two years of the date of grant of an Option, there shall be no requirement for any performance target to be met.

5.1.3 *Performance target*

The Board may impose objective conditions as to the performance of the Group which must normally be satisfied before Options can be exercised. Having granted Options and set a performance target, the Board may vary the performance target provided that the Board reasonably considers that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy.

It is not intended that there will be any performance targets in respect of any Options to be granted on or within 28 days following Admission.

5.1.4 *Plan limits*

The Unapproved Plan imposes limits on the numbers of Ordinary Shares over which Options may be granted. The total number of Ordinary Shares over which options to subscribe may be granted under all share option schemes of the Company, whether on a discretionary basis or on any other basis, and issued or issuable under all other share schemes of the Company shall not, in any consecutive 10 year period, exceed 10 per cent of the Ordinary Shares in issue from time to time. Lapsed and surrendered Options shall be disregarded for this purpose.

5.1.5 *Grant of Options*

Options may initially be granted under the Unapproved Plan within 42 days after its adoption and, after that, normally within 42 days after the announcement by the Company of its interim or final results or of its results for any other period. Without further shareholder approval, Options may only be granted within 10 years of shareholder approval of the Unapproved Plan.

5.1.6 *Income tax and national insurance contributions*

The Unapproved Plan contains provisions that will ensure that any income tax and employee's national insurance contributions that arise as a result of the exercise of any Options will be payable by the participant. The Board may determine that the participant shall also be liable for any employer's national insurance contributions which arise.

5.1.7 *Shares issued on exercise of Options*

Ordinary Shares allotted under the Unapproved Plan will rank equally with the Company's existing issued Ordinary Shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the Option).

5.1.8 *Takeovers*

In the event of a takeover. amalgamation or reconstruction of the Company, Options may be exercised under the Unapproved Plan within six months of such event. Alternatively, with the agreement of the acquiring company, Options may be exchanged for options over shares in the acquiring company or in a company associated with the acquiring company. Where Options are exercised following a change of control, performance targets shall not apply.

5.1.9 *Variation of share capital*

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital then the number of Ordinary Shares subject to a subsisting Option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the auditors of the Company that the adjustment is in their opinion fair and reasonable.

5.1.10 *Alterations to the Unapproved Plan*

The Board may alter the Unapproved Plan but certain amendments cannot take effect without shareholder approval, unless they are amendments to comply with or to take account of applicable legislation or statutory regulations or any change in them or to maintain favourable taxation treatment for the Company or participants or potential participants. The amendments which will generally require shareholder approval are amendments to the limits on the number of Ordinary Shares which can be offered under the Unapproved Plan, the category of persons who may participate, the exercise price of Options, the number of Ordinary Shares over which a participant may hold an Option, the period during which Options may be granted and exercised, the rights attaching to Ordinary Shares subject to an Option, the provisions for altering share capital and for altering the terms of the Unapproved Plan and the provisions which apply on a winding up of the Company.

5.1.11 *Pension rights*

None of the benefits which may be received under the Unapproved Plan shall be pensionable.

5.2 It is intended that a management incentive share scheme will be established by Apax on or shortly after Admission. Under this scheme, Apax intends to grant for no consideration unapproved options to the executive Directors, David Lewis and David Maternaghan over 1,083,334 Ordinary Shares in aggregate held by or on behalf of the Apax Funds representing approximately 4.1 per cent of the issued Ordinary Shares immediately following Admission. It is intended that these options will be granted upon the following terms:

5.2.1 the exercise price will be 145 pence per Ordinary Share;

5.2.2 the options may be exercised at any time in the 5 year period from the date of grant of the options, subject to certain performance criteria being achieved;

5.2.3 if a holder of such options ceases to be employed within the Group prior to exercise of his option, and the reason is his death, injury, disability, redundancy, retirement at normal retirement age or, at the discretion of Apax, any other reason, his option may be exercised within the period of 6 months following such cessation of employment but only to the extent that the option was exercisable at the date of cessation of employment. If the option was not exercisable at the date of cessation of employment, the option may be retained and exercised within a period of 30 days following the option holder's receipt of notice from Apax that the option has become exercisable.

If a holder of such options ceases to be employed within the Group for any other reason other than as mentioned above, his option will lapse upon the date of cessation of employment and in such a situation it is Apax's intention to grant further options to the remaining holders of such options (or any replacement director) equal to the number of lapsed options;

5.2.4 in the event of a takeover, amalgamation of reconstruction of the Company, options may be exercised within 30 days of such event provided that any performance targets have been satisfied at the date of such event (or become satisfied as a result of the event itself);

5.2.5 each holder of such options will be liable for any income tax and national insurance contributions (employee's and employer's) that arise as a result of the exercise of his option;

5.2.6 until the options are exercised, the Apax Funds will remain the beneficial owner of the underlying Ordinary Shares and will remain entitled to all dividends and to exercise all voting rights.

6. Directors' and other interests

6.1 The interests (all of which are beneficial unless otherwise stated) of the Directors and persons connected with them (within the meaning of section 346 of the Act) in the issued share capital of the Company which (i) have been notified by each director to the Company pursuant to section 324 or section 328 of the Act, or (ii) which are required to be entered in the register maintained under section 325 of the Act, or (iii) so far as the Directors are aware having made due and proper enquiry of such persons as are connected (within the meaning of section 346 of the Act) with each Director, are interests of a connected person of a Director which would, if the connected person were a director of the Company, be required to be disclosed under paragraphs (i) or (ii) above and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director, as (a) at the date of this document and (b) as they will be immediately following Admission, are as follows:

	(a) As at the date of this document		*(b) Following Admission*	
Director	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Ordinary Shares*	*Percentage of issued share capital*
Giles Clarke	nil	nil	34,482	0.13
Keith Baker	163,921	0.76	163,921	0.62
Peter Harrington	163,921	0.76	163,921	0.62
John Samuel	nil	nil	3,448	0.01
Eurfyl ap Gwilym	nil	nil	nil	nil

6.2 Save as disclosed in paragraphs 6.1 above and 6.5 below, no Director has any interest in the share capital of the Company or of any of its subsidiaries nor does any person connected with the Directors (within the meaning of section 346 of the Act) have any such interest, whether beneficial or non-beneficial.

6.3 As at the date of this document and so far as the Directors are aware, the only persons (other than any Director) who is or will be interested, directly or indirectly, in three per cent or more of the issued share capital of the Company are as follows:

	As at the date of this document		*Following Admission*	
Shareholder	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Ordinary Shares*	*Percentage of issued share capital*
Apax WW Nominees Limited	13,742,540	63.43	13,742,540	51.87
BOS	3,101,151	14.31	3,101,151	11.70
IBM	4,208,911	19.43	4,208,911	15.89

6.4 Save as disclosed in paragraph 6.3 above, the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

6.5 It is proposed that shortly after Admission the following Directors will be granted options over Ordinary Shares held by or on behalf of the Apax Funds as set out below. Further details about the terms of these proposed options are set out in paragraph 5.2 of this Part 6.

Director	*Number of Ordinary Shares over which option is proposed*	*Exercise price*
Keith Baker	346,667	145p
Peter Harrington	314,166	145p

6.6 Save as disclosed in paragraphs 5 and 6.5 above, no share or loan capital of the Company or its subsidiary, PWIL, is under option or agreed conditionally or unconditionally to be put under option.

6.7 No Director has or has had any interests in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Group in the current or immediately preceding financial year of the Group or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

6.8 No Director has, or has had any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired of by, or leased to, any member of the Group.

6.9 There are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.

6.10 Save as described in paragraph 14 of this part 6 and for trade suppliers, no person has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

6.11 The details of those companies and partnerships of which the Directors have been directors or partners at any time during the five years prior to the date of this document are as follows:

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Charles Giles Clarke	ATL Telecom Limited Bristol Old Vic (Trading) Limited Bristol Old Vic Trust Limited Fosters Rooms Limited TECC-IS PLC England & Wales Cricket Board RAM (102) Limited	Safestore PLC StepStone ASA
John Samuel	Jadegate Consultancy Limited Medlock Medical Holdings Limited Pure Wafer International Limited	Damovo Corporate Services Limited Damovo UK Finance II Limited Ellis & Everard plc ESM Limited
Keith Baker	Pure Wafer International Limited	None
Eurfyl ap Gwilym	Isoft Group PLC NCC Group PLC Nemo Personal Finance Limited	ADP Wilco Retail Systems Limited BIS Banking Systems Limited Dorquish Limited Eqos Limited ESM Limited International Network Services Limited Misys International Banking Systems Limited Principality Mortgage Corporation Limited TCA Consulting Limited TCA Syntec Limited Terence Chapman Associates (Overseas) Limited Terence Chapman Group PLC
Peter George Harrington	Pure Wafer International Limited	None

6.12 From August 1987 to May 1988, Giles Clarke was chairman of Majestic Wine Corporation, a US company which owned a chain of 104 stores trading as Liquor Barn throughout California and Arizona. Mr Clarke resigned from all Majestic companies in May 1988 following a disagreement over business strategy. In November 1988, Majestic Wine Corporation (which was not then a subsidiary of Majestic Wine plc) filed for protection under Chapter XI of the US Bankruptcy Code.

6.13 John Samuel and Eurfyl ap Gwilym were directors of ESM Limited, a company owned by funds managed by Apax, when that company was placed in administrative receivership in January 2002.

6.14 Save as disclosed in paragraphs 6.12 and 6.13 above, at the date of this document no Director:

6.14.1 has any unspent convictions in relation to any indictable offences; or

6.14.2 has been bankrupt or entered into an individual voluntary arrangement; or

6.14.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

6.14.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

6.14.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

6.14.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

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

7.1 Each of the executive Directors has a service agreement with the Company. Details of the service agreements (including salary) are set out below:

Director	*Date of Agreement*	*Salary per annum*
Keith Baker	8 December 2004	£110,000
Peter Harrington	8 December 2004	£85,000

Mr Baker's agreement is terminable on either party giving to the other 12 months' notice. Mr Harrington's agreement is terminable on either party giving to the other six months' notice. The salaries are subject to annual review (next review date January 2006) by the Remuneration Committee but there is no contractual entitlement to any increase in basic salary. Neither Director is entitled to receive a Company bonus.

In addition to the above terms, the following benefits and emoluments are also granted to each of Mr Baker and Mr Harrington (unless specified otherwise) under the terms of their service agreements:

- the provision of a company car until the expiry of the current lease arrangements on which dates the Director can choose to receive a car allowance of £700 per month or continue with a replacement vehicle;
- pension contributions of £5,000 annually into the Director's personal pension plan;
- private medical expenses insurance for the Director, his wife or partner and children under the age of 18;
- death in service cover at a rate four times basic salary and policy to provide an annual allowance for the director's dependents;
- permanent health insurance;
- 25 days holiday; and
- sick pay of up to 26 weeks full pay in respect of absences in aggregate in any period of 12 months and thereafter such remuneration (if any) as the Board shall determine in its discretion.

Each of the executive Directors is subject to:

- express confidentiality obligations preventing the Director from using or disclosing defined confidential information either during the Director's employment or after termination whilst such information remains confidential;

- express intellectual property provisions which provide for any intellectual property created by the Director which arises out of their employment to be the property of the Company;
- restrictive covenants in favour of the Company for the period of their employment and for 12 months following cessation of their employment which prevent the Director from competing generally within the United Kingdom, (or any other country in which the Group carries on its business) soliciting and dealing with customers and potential customers and soliciting or employing employees.

7.2 Giles Clarke was appointed a non-executive Director of the Company and Chairman of the Board by a letter of appointment dated 8 December 2004. The appointment will take effect from the date of Admission. The appointment is for a fixed period of 12 months but is terminable at any time on three months' notice by either party and otherwise in accordance with the Articles. The fee payable for Mr Clarke's services is £50,000 per annum.

John Samuel was appointed a non-executive Director pursuant to a consultancy agreement with Jadegate Consultancy Limited dated 8 December 2004. The appointment will take effect from the date of Admission of the Company. The appointment is for a fixed period of 12 months but is terminable at any time on three months' notice by either party and otherwise in accordance with the Articles. The fee payable for Mr Samuel's services is £30,000 per annum.

Eurfyl Ap Gwilym was appointed a non-executive Director of the Company by a letter of appointment dated 8 December 2004. The appointment will take effect from the date of Admission of the Company. The appointment is for a fixed period of 12 months but is terminable at any time on 3 months' notice by either party and otherwise in accordance with the Articles. The fee payable for Mr Gwilym's services is £30,000 per annum.

7.3 Save as disclosed in paragraphs 7.1 to 7.2 of this Part 6 there are no existing or proposed service agreements or consultancy agreements between any of the Directors and the Company.

7.4 The aggregate of the remuneration paid, pension contributions and benefits in kind granted to the Directors by any member of the Group in respect of the year ended 30 June 2004 was approximately £180,000.

7.5 It is estimated that under arrangements in force as at the date of this document, the aggregate remuneration and pension contributions to be paid and benefits in kind to be granted to the Directors or any member of the Group for the year ending 30 June 2005 will be approximately £285,000.

7.6 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor has there been any such waiver of emoluments during the financial year ended 30 June 2004.

7.7 Keith Baker and Peter Harrington are entitled to a bonus of £10,000 each on Admission payable by the Company.

8. Taxation

The following comments are intended as a general guide to current UK tax law and Inland Revenue practice. They are intended only for shareholders who are resident or ordinarily resident in the UK for tax purposes and who are beneficial owners of Ordinary Shares held as investments (rather than trading stock).

It is strongly recommended that any shareholder who is in any doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, should seek specialist tax advice.

(a) *Dividends*

The Company will not be required to withhold tax at source from dividend payments made.

Individual shareholders resident in the UK for tax purposes should generally be entitled to a tax credit in respect of any dividend paid by the Company which they can offset against their total income tax liability. The amount of the tax credit is one ninth of the amount of the net cash dividend. The amount of the dividend received by such an individual shareholder and the associated tax credit are both included in calculating the individual shareholder's income for UK tax purposes.

The rate of income tax on dividends is 10 per cent for starting and basic rate taxpayers. The tax credit will discharge the income tax liability of an individual shareholder who is not liable to income tax at a rate greater than the basic rate. Higher rate taxpayers will be liable to tax on such dividends at the rate of 32.5 per cent, so that an individual shareholder who is a higher rate taxpayer will have further tax to pay, after taking account of the tax credit, equal to 25 per cent of the net cash dividend.

Shareholders who are not liable to UK tax on dividends are no longer entitled to reclaim the tax credit attaching to dividends paid by the Company.

Subject to certain exceptions for some insurance companies, a UK resident corporate shareholder will not normally be liable to corporation tax in respect of any UK dividend received.

(b) *Capital gains*

A disposal of Ordinary Shares by a shareholder who is either resident or, in the case of an individual, ordinarily resident for tax purposes in the UK, or is not UK resident but carries on a trade, profession, or vocation in the UK through a branch or agency to which the ordinary shares are attributable, may, depending upon the shareholder's circumstances and subject to available exemptions or reliefs, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years and who disposes of the Ordinary Shares during that period may also be liable on his return to UK taxation of chargeable gains (subject to any available exemptions or reliefs).

For UK resident individual shareholders, taper relief may be available to reduce the amount of the gain chargeable to tax. The availability and rate of taper relief will depend upon the period of ownership of the Ordinary Shares and on whether the Ordinary Shares qualify as business assets or not for the individual in question.

For UK resident shareholders within the charge to corporation tax, taper relief is not available but an indexation allowance should be available to reduce the amount of the chargeable gain realised on a disposal of the Ordinary Shares.

(c) *Stamp Duty and Stamp Duty Reserve Tax*

No liability to stamp duty or SDRT will arise in relation to the allotment and issue of Ordinary Shares by the Company pursuant to the Placing.

The transfer of Ordinary Shares will generally be liable to stamp duty at the rate of 50p per £100 of the amount or value of the consideration given rounded up (if necessary) to the nearest multiple of £5. An agreement to transfer Ordinary Shares will generally be subject to SDRT at the rate of 0.5 per cent of the agreed consideration. However, if within the period of six years of the date of the agreement or, in the case of a conditional agreement, the date on which it becomes unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be repaid or cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

No stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST, unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set out above.

A transfer of Ordinary Shares effected on a paperless basis within CREST will generally be subject to SDRT at the rate of 0.5 per cent of the value of the consideration.

Special rules apply to certain categories of person including intermediaries and persons connected with depository arrangements and clearance services.

9. The Company and its subsidiaries

The Company acts as the holding company of the Group, the principal activity of which is the provision of test wafer reclaim services to semiconducter manufacturers. The Company will, on Admission, have the following subsidiary, which also has its registered office at Central Business Park, Swansea Vale, Swansea, SA7 0AB, is a private limited company incorporated in England and Wales and is wholly owned (directly or indirectly) by the Company:

Name	*Registered number*	*Principal activity*
Pure Wafer International Limited	3948002	Wafer reclaim

10. Working capital

The Directors are of the opinion, having made due and careful enquiry, taking into account the net proceeds of the Placing receivable by the Company that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

11. Significant change

There has been no significant change in the financial or trading position of the Company since 17 November 2004, being the date to which the Reporting Accountant's report in Part 3 of this document is made up.

Save as disclosed in Part 1 of this document, there has been no significant change in the financial or trading position of PWIL since 30 June 2004, the date to which the Reporting Accountant's report in Part 4 of this document is made up.

12. Litigation

There are no legal or arbitration proceedings active, pending or threatened against or being brought by, the Company or any member of the Group which are having or may have a significant effect on the Company's financial position.

13. Placing Agreement and Orderly Market Deeds

(i) A Placing Agreement dated 10 December 2004 entered into by the Company, the Directors, David Lewis and David Maternaghan (the "Senior Managers") and Numis under which Numis agreed conditionally to procure subscribers for the Placing Shares at the Placing Price and, in the event of it being unable to procure subscribers for the same, to subscribe for those Placing Shares itself. Under the terms of the Placing Agreement, the Company, the Directors and the Senior Managers have given certain warranties and the Company has given an indemnity to Numis. The Placing Agreement is conditional, *inter alia*, on Admission occurring on 20 December 2004 or such later date (not being later than 30 December 2004) as the Company and Numis may agree.

Under the Placing Agreement, the Company has agreed to pay an advisory fee to Numis of £350,000 and a placing commission of 4 per cent of the proceeds of the Placing (save in respect of any Placing Shares subscribed for by or on behalf of the Apax Funds) receivable by the Company. The Company has also agreed to pay reasonable expenses. All these amounts are exclusive of VAT (if any).

There is no limit on the liability of the Company under the warranties and indemnities in the Placing Agreement. Numis is entitled at its absolute discretion to terminate the agreement prior to Admission in the event that it comes to Numis' notice that, *inter alia*, there has been a material breach of warranty or other obligation of the Company, the Directors or the Senior Managers, any statement contained in this document has become or been discovered to be untrue, incorrect or misleading in any material respect, or an event of *force majeure* has occurred.

(ii) Orderly Market Deeds dated 10 December 2004 entered into by each of Apax, BOS, IBM, the executive Directors and each of David Lewis and David Maternaghan (the "Senior Managers") with Numis pursuant to which Apax, BOS, IBM, the executive Directors and the Senior Managers have each agreed (conditional on Admission and subject to certain exceptions):

(a) not to sell (and in the case of the Directors and Senior Managers to use their reasonable endeavours to procure that their Associates (within the meaning of the AIM Rules) will not sell) or otherwise dispose of Ordinary Shares held by them following Admission for a period of 6 months after Admission (in the case of Apax, BOS and IBM) and for a period of 12 months (in the case of the executive Directors and the Senior Managers); and

(b) only to dispose (and to use their reasonable endeavours to procure that their Associates (within the meaning of the AIM Rules) will only dispose) of Ordinary Shares through Numis either for the period of 12 months following the period referred to in paragraph (a) above or for such period in which Numis remains the Company's broker, whichever is the shorter.

The restrictions referred to in (a) and (b) above do not apply:

- in the event of the death of the relevant covenantor;
- in the event of an intervening court order;
- in the event of a takeover of the Company becoming unconditional in all respects;
- to the acceptance of an offer, or the giving of an undertaking to accept an offer, made for all of the issued, and to be issued, capital of the Company which has been recommended by the directors of the Company or which has become unconditional in all respects;
- to transfers of Ordinary Shares to family members and trusts for the benefit of family members;
- to transfers of Ordinary Shares pursuant to a compromise or scheme of arrangement under sections 425-427A of the Act;
- to a re-nunciation of rights to subscribe the shares or failure to take up such rights;
- to disposals of shares in connection with an offer by the Company to purchase its own shares which is made on identical terms to all holders of shares and otherwise complies with the Act; or
- to disposals of shares by Apax to another member of its group or to a participator (or its nominee or trustee) in the fund in which such shares are held.

14. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document by any member of the Group and are, or may be, material to the Group or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

14.1 the Placing Agreement and the Orderly Market Deeds referred to at paragraph 13 above;

14.2 an agreement between the Company, Numis and the Directors dated 10 December 2004, under which Numis has agreed to act as the Company's nominated adviser and nominated broker as required by the AIM Rules. The agreement is terminable by the Company or by Numis on 90 days' notice expiring on or after the second anniversary of Admission. The agreement provides for the Company to pay Numis a fee of £30,000 (plus VAT) in respect of the first 12 months of the agreement and £50,000 (plus VAT) per annum thereafter. Under the agreement, the Company has provided certain indemnities to Numis;

14.3 a relationship agreement dated 10 December 2004 between the Company and Apax under which Apax for itself and on behalf of any Related Party (as defined in the AIM Rules) has covenanted to the Group as follows: (i) that all of its transactions and relationships with the Group shall be carried on in good faith, at arm's length and on a normal commercial basis; (ii) that the Group will at all times be capable of carrying on its business independently of Apax; and (iii) that Apax will not act in such a way as to bring its interests into conflict with those of the Group (provided that this last restriction shall not inhibit the exercise by Apax of its voting rights as a shareholder). The relationship agreement shall lapse at such time as Apax (and any Related Party) ceases to hold, directly or indirectly, more than 15 per cent of the Company's voting rights at general meeting. The agreement contains the right for Apax to appoint a director and an observer to attend board meetings;

14.4 an investment agreement dated 23 August 2000 between (1) PWIL (2) Peter Greenhalgh, Keith Baker, Peter Harrington, David Lewis, Lutz Rebstock and Richard Brade and (3) the Apax Funds, which sets out the terms of the investment in PWIL by both the managers listed above (by way of subscription for shares) and Apax Funds (by way of subscription for shares and loan notes). This agreement will be terminated on Admission;

14.5 a finance restructuring and standstill agreement dated 7 January 2003 between (1) BOS, (2) IBM (3) the Apax Funds (4) the WDA and (5) PWIL pursuant to which BOS, IBM, Apax and the WDA, in consideration of them each (except for the WDA) providing further funding to the Company agreed to restructure their arrangements for the financing of the Company by way of:

(i) the provision of further funding by way of £1 million secured E loan notes and £1 million secured F loan notes;

(ii) the agreement of a standstill period; and

(iii) the agreement of specific distribution of market capitalisation arising on a sale or listing;

14.6 an intercreditor deed dated 7 January 2003 between (1) BOS (2) PWIL and (3) the Apax Funds, IBM and the WDA which replaced the intercreditor agreement dated 23 August 2000 and the intercreditor deed dated 14 April 2002 between those same parties, pursuant to which the relevant parties agreed various priorities of security proceeds over different classes of security assets of PWIL. This agreement will be terminated on Admission;

14.7 a facility letter dated 7 January 2003 between BOS and PWIL (being an amendment and restatement of the facility letter entered into by those parties dated 23 August 2000) pursuant to which the term loan facility outstanding was made "on demand", an interest standstill period was documented and surplus cash sweep provisions were incorporated. This agreement will be terminated on Admission;

14.8 a loan agreement dated 7 January 2003 between IBM and PWIL (being an amendment and restatement of the loan agreement entered into by those parties dated 23 August 2000) pursuant to which the term loan facility outstanding was made "on demand", an interest standstill period was documented and surplus cash sweep provisions were incorporated. This agreement will be terminated on Admission;

14.9 an amended and restated original, A, B, C and D deed polls effected by a deed poll amendment letter entered into by PWIL dated 7 January 2003 (and acknowledged by a written resolution of the noteholders) pursuant to which the terms of the various existing deed polls were amended to effect a later maturity date and interest standstill provisions. These deed polls have been terminated;

14.10 an E deed poll dated 7 January 2003 entered into by PWIL pursuant to which the Apax Funds, BOS and IBM subscribed for, in aggregate, £1 million secured E loan notes. This deed poll has been terminated;

14.11 an F deed poll dated 7 January 2003 entered into by PWIL pursuant to which the Apax Funds, BOS and IBM subscribed for, in aggregate, £1 million secured F loan notes. This deed poll has been terminated;

14.12 a finance restructuring and standstill agreement dated 24 June 2003 (being a replacement of the finance restructuring and standstill agreement dated 7 January 2003) between (1) BOS (2) IBM (3) the Apax Funds (4) PWIL and (5) Keith Baker, Peter Harrington and David Lewis pursuant to which the Apax Funds provided further funding to PWIL and each of the parties agreed to an extension of the standstill period and an amendment to the previously agreed distribution of market capitalisation arising on a sale, listing or asset sale. This agreement will be terminated on Admission;

14.13 a deed of variation dated 24 June 2003 between (1) BOS (2) IBM (3) the Apax Funds and (4) the Company (being a variation to the intercreditor deed dated 7 January 2003) pursuant to which such parties agreed to vary their various priorities over the different classes of security assets of the Company and acknowledge the written down level of debt of each of BOS, IBM and the Apax Funds of £2 million. This agreement will be terminated on Admission;

14.14 a facility letter dated 24 June 2003 between BOS and PWIL (being a further amendment and restatement of the facility letter entered into by the parties dated 7 January 2003) pursuant to which the reduced level of term loan outstanding (£2 million) was acknowledged and the interest standstill period was extended. This agreement will be terminated on Admission;

14.15 a loan agreement dated 24 June 2003 between IBM and PWIL (being a further amendment and restatement of the loan agreement entered into by those parties dated 7 January 2003) pursuant to which the reduced level of term loan outstanding (£2 million) was acknowledged and the interest standstill period was extended. This agreement will be terminated on Admission;

14.16 a further amended and restated original deed poll effected by a deed poll amendment letter entered into by PWIL dated 24 June 2003 (and acknowledged by a written resolution of the noteholders) pursuant to which the terms of the only existing deed poll were amended to reflect a reduced level outstanding to the Apax Funds of £2 million, a further amendment to the maturity date and an extension to the interest standstill provisions. This deed poll will be terminated on Admission;

14.17 an amended and restated finance restructuring and standstill agreement dated 30 June 2004 (being an amendment and restatement of the finance restructuring and standstill agreement dated 24 June 2003) between (1) BOS (2) IBM (3) the Apax Funds (4) PWIL and (5) Keith Baker, Peter Harrington, David Lewis and David Maternaghan pursuant to which the Apax Funds provided further funding to the Company and each of the parties agreed to a further extension of the standstill period and a further amendment to the previously agreed distribution of market capitalisation on a sale, listing or asset sale. This agreement will be terminated on Admission;

14.18 a deed of variation dated 30 June 2004 between (1) BOS (2) IBM (3) the Apax Funds and (4) PWIL (being a variation to the intercreditor deed dated 7 January 2003 by way of an amendment and restatement of the deed of variation dated 24 June 2003) pursuant to which such parties agreed to the changed level of debt of the Apax Funds to £2.45 million. This agreement will be terminated on Admission;

14.19 a facility letter dated 30 June 2004 between BOS and PWIL (being a further amendment and restatement of the facility letter entered into by the parties dated 24 June 2003) pursuant to which the interest standstill period was further extended. This agreement will be terminated on Admission;

14.20 a loan agreement dated 30 June 2004 between IBM and the Company (being a further amendment and restatement of the loan agreement entered into by the parties dated 30 June 2003) pursuant to which the interest standstill period was further extended. This agreement will be terminated on Admission;

14.21 a further amended and restated deed poll effected by a deed poll amendment letter entered into by PWIL dated 30 June 2004 (and acknowledged by a written resolution of the noteholders) pursuant to which the terms of the only existing deed poll were amended to reflect an increased level outstanding to the Apax Funds of £2.45 million, a further amendment to the maturity date and a further extension of the interest standstill provisions. This agreement will be terminated on Admission;

14.22 a share exchange agreement ("Exchange Agreement") dated 9 December 2004 between (1) the Company and (2) the shareholders of PWIL;

The agreement effected the insertion of the Company as the holding company of PWIL by the Company issuing shares to the shareholders as PWIL (in proportion to their shareholdings in PWIL) as consideration for the transfer of shares in PWIL to the Company;

14.23 simultaneously with the Exchange Agreement, the Company entered into an investment agreement dated 9 December 2004 between (1) the Company and (2) its shareholders. This agreement governs the relationship between the shareholders with respect to the management and operation of the Company. Pursuant to the agreement, the consent of certain shareholders is required before various actions can be taken by the Company including, but not limited to varying the share capital of the Company, a material change in the nature of the business of the group and entering into contracts other than on arms length terms. Such consents (when required) have been obtained for the matters referred to in this document. This agreement will terminate on Admission;

14.24 a deed of amendment dated 9 December 2004 (being an amendment to the finance and restructuring and standstill agreement dated 30 June 2004) between (1) the Company (2) PWIL (3) BOS (4) IBM (5) Apax Funds and (6) Keith Baker, Peter Harrington, David Lewis and David Maternaghan whereby the agreed distribution of market capitalisation on a sale, listing or asset sale was amended to reflect the insertion of the Company as the holding company of PWIL. This agreement will terminate on Admission;

14.25 an agreement dated 9 December 2004 between (1) IBM, BOS, Apax WW Nominees Limited and (2) the Company pursuant to which IBM, BOS and Apax transfer their right, title, interest and benefit in the loan notes dated 30 June 2003 (as amended) to the Company for an aggregate consieration of £6,450,000, such consideration being satisfied by the issue of three ordinary shares of 2p each in the capital of the Company.

15. General

15.1 The total amount being raised by the Company through the Placing is £7,000,000. The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company, are estimated to be approximately £1,350,000 (inclusive of value added tax). The expected net proceeds of the Placing, after deduction of such costs and expenses, is £5,650,000. No expenses of the Placing are being specifically charged to subscribers or purchasers under the Placing.

15.2 The Placing has been fully underwritten by Numis, which is regulated in the United Kingdom by the Financial Services Authority and which is registered in England and Wales under number 2285918 and whose registered office is at Cheapside House, 138 Cheapside, London, EC2V 6LH.

15.3 The Placing Price of 145 pence represents a premium of 143 pence above the nominal value of 2 pence per Ordinary Share. The Placing Price is payable in full on application.

15.4 The minimum amount which, in the opinion of the Directors, must be raised by the issue of new Ordinary Shares pursuant to the Placing in order to provide the sums required to be provided pursuant to paragraph 21 of Schedule 1 to the POS Regulations is £7,000,000 which will be applied as described in Part 1 of this document.

15.5 There are no specified dates on which entitlements to dividends or interest payable by the Company arise.

15.6 Numis has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

15.7 Copies of this document will be available to the public free of charge at the offices of Numis from the date of this document until one month after Admission.

Dated 10 December 2004

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