

# Letter from the Chairman of Telspec Ltd

## Telspec Ltd

(formerly Telspec plc)

(Registered in England and Wales with registered number 2870908)

*Directors:*

David Steeds (Chairman)

Shivdev Rakkar (Non-Executive Director)

*Registered Office*

St Paul's House

Warwick Lane

London

EC4P 4BN

23 October 2009

*To the holders of Ordinary Shares*

**Dear Shareholder,**

### **Notice of Extraordinary General Meeting**

I am writing to explain the background to special resolutions that will be proposed at an Extraordinary General Meeting ("EGM" or the "Second EGM") of Telspec Ltd ("Telspec" or the "Company"), which will be held at 12.00 noon on 23 November 2009 at the offices of Rooks Rider, Challoner House, 19 Clerkenwell Close, London EC1R 0RR. A notice convening the EGM ("EGM Notice") is attached.

Copies of the Notice of EGM are also available on the company's website

<http://www.telspec.co.uk/>.

Fred White resigned as a director of the Company on 1 October 2009. He remains a director of Telspec Europe Ltd.

### **1. Background to the Second EGM**

At an EGM on 14 August 2009 resolutions were passed by shareholders approving the cancellation of the trading of the Company's shares on AIM and its conversion into a private limited company. Trading in the Company's shares on AIM ceased on 24 August 2009 and the Company has been converted into a private limited company under the name Telspec Limited.

At the Second EGM, Shareholders' approval is sought to cancel part of the Company's share capital and to pay the proceeds to Shareholders. The effect of this will be to provide Shareholders with a capital distribution in cash of 5 pence per Ordinary Share.

It is currently the Directors' intention to make the necessary arrangements for a members' voluntary liquidation in due course once the Company's affairs have been

settled. Once the liquidation is completed, any balance owing to Shareholders will be returned by the liquidator. Due to outstanding commitments, including in respect of various warranty and other contracts, this is unlikely to be initiated before the end of 2010 and possibly much later. The amount of any balance to be returned by the liquidator is expected to be very small.

## **2. Reasons for the Capital Reduction and Return of Capital**

The Board has reviewed the working capital available to the Company to enable it to wind down its business and proposes the return of excess funds to Shareholders by cancelling paid up share capital to the extent of 5 pence of the nominal value of each issued share and paying the proceeds to Shareholders. The Board is satisfied that, following this redemption, all of the Company's debts can be settled as they fall due.

The Board was advised that the cancellation of the paid up share capital using the simplified procedure under the Companies Act 2006 could not be authorised by Shareholders before the Company had been re-registered as a private company. Therefore, this Second EGM has been called after re-registration as a private company has been completed. This EGM will take place at 12.00 noon on 23 November 2009.

It is intended that Shareholders on the register at the close of business on 19 November 2009 (or such other time and/or date as the directors of the Company may determine)" ('the Record Date') will receive the proceeds from the reduction of share capital on around 30 November 2009.

## **3. Taxation**

The Board and Company are not able to give any advice about the tax implications of the return of capital. Shareholders should consult their own professional advisers if they have any concerns about the tax treatment of the monies they receive.

## **4. The Second EGM**

The first special resolution to be proposed at the Second EGM seeks the approval of Shareholders to the reduction of capital. This Resolution proposes the cancellation of paid up capital to the extent of 5 pence of the nominal value of each Ordinary Share and the payment to Shareholders of the sums arising as a result of this capital reduction.

Under the Companies Act 2006, this Resolution is required to be supported by a solvency statement, which must be made by the Directors not more than 15 days before the passing of the Resolution, to the effect that each of them is of the opinion that the Company will be able to pay or otherwise discharge its debts as they fall due during the period of 12 months following the date of the statement. The Directors intend to make this statement within the 15 days prior to the meeting (if it may then properly be made). If the statement may not then be made the Resolution will be

ineffective. A copy of the solvency statement made by the Directors will be available for inspection at the Second EGM.

Following the Return of Capital, the value of the Company will be substantially reduced such that the net asset value of each ordinary share will be very small. So it is proposed to reorganise the share capital to reflect the Company's new reduced value. The Company currently has 40,500,615 ordinary shares of 25p in issue. After the Return of Capital the nominal value of each share will be reduced to 20p. If the resolution is passed, it will have 4,050 new ordinary shares of 20p in issue. The details of the proposed capital consolidation are as follows:

- The Articles of the Company will be altered to create a new class of deferred shares of 19.998p each. The Deferred Shares of 19.998p will have no rights to vote or to participate in dividends and carry limited rights on any return of capital (whether on liquidation or otherwise). They will be of negligible value.
- Subject to the Return of Capital taking place, each 20p ordinary share will be divided into one ordinary share of 0.002p each and one deferred share of 19.998p each.
- Following this division, every 10,000 new ordinary shares of 0.002p will then be consolidated into one ordinary share of 20p each.

The Company acknowledges that, following the creation of ordinary shares of 0.002p each, not all Shareholders will hold exact multiples of 10,000 shares. The Company will not issue any Shareholder with any fractions of shares and, in accordance with the Company's Articles of Association, will deal with any shares which do not consolidate into new ordinary shares of 20p each as it sees fit for the benefit of the Company by cancelling such shares.

The Company's Articles of Association were drafted at a time when the Company was a public listed company. Now that it is a smaller private company it is appropriate to reduce the minimum number of directors from two to one, in line with the provisions of the Companies Act 2006. A resolution to amend the Articles to effect this change will be proposed at the EGM.

## **5. Investor Relations**

In order to keep Shareholders informed, the Company will continue to post information about the group's business on its website ([www.telspec.co.uk](http://www.telspec.co.uk)) and will continue to hold general meetings in accordance with the applicable statutory requirements and the Articles.

## **6. Voting Indications**

Certain Shareholders holding 28,420,000 Ordinary Shares, representing approximately 70.2 per cent. of the Company's issued share capital, have indicated that they will vote in favour of the resolutions.

## **7. Action to be taken**

You will find enclosed with this document a reply paid form of proxy for use at the EGM or at any adjournment thereof. Whether or not you propose to attend the meeting in person, you are requested to complete and sign the Forms of Proxy in accordance with the instructions printed thereon and to return it as soon as possible, but in any event so as to be received by Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4TU, no later than 12.00 noon on Thursday 19 November 2009. The completion and return of a form of proxy will not preclude you from attending and voting at either Extraordinary General Meeting in person if you so wish.

## **8. Documents available**

Copies of this document may be inspected at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for one month from the date of this document. The document will also be available on the Company's website, [www.telspec.co.uk](http://www.telspec.co.uk).

## **9. Recommendation**

The resolution to be proposed at the EGM implements the Board's plans to return capital to shareholders. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the resolutions to be proposed as special and ordinary resolutions at the EGM.

Yours faithfully,

**David Steeds**  
Chairman