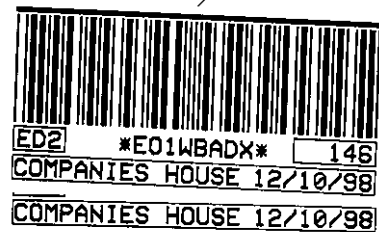


Registered number 616818

# Tandem Group plc



Annual report and accounts 1998

# Tandem Group plc

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## Financial calendar

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<b>Annual General Meeting</b>	<b>14 September 1998</b>
<b>Interim results for 1998/9</b>	<b>October 1998</b>
<b>Annual results for 1998/9</b>	<b>May 1999</b>

# Tandem Group plc

## Directors and advisers

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<i><b>Directors</b></i>	G Waldron M C Cowen J F Sanderson M P J Keene H Turpin	Non-executive Chairman Deputy Chairman Chief Executive Finance Director Non-executive
<i><b>Audit Committee</b></i>	G Waldron H Turpin	
<i><b>Remuneration Committee</b></i>	G Waldron H Turpin	
<i><b>Secretary and registered office</b></i>	P Ashworth LLB Leigh Commerce Park Greenfold Way Leigh Lancashire WN7 3XH	
<i><b>Registration</b></i>	Registered in England No. 616818	
<i><b>Auditors</b></i>	Deloitte & Touche Columbia Centre Market Street Bracknell Berkshire RG12 1PA	
<i><b>Brokers</b></i>	Peel, Hunt & Company 62 Threadneedle Street London EC2R 8HP	
<i><b>Registrars</b></i>	Connaught St. Michaels Limited PO Box 30 Victoria Street Luton Bedfordshire LU1 2PZ	

# Tandem Group plc

## Chairman's statement

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The Company announced on 25 February 1998 that it intended to close the manufacturing facilities in Leigh in Lancashire and move production of its Townsend, British Eagle and Holdsworth brands to Lincolnshire, where the Falcon and Claud Butler brands are manufactured. This restructuring was known as Project Fusion. During the early part of 1998, a group of shareholders formed a concert party and increased their shareholding in the Company to 19.8% at 30 June 1998. The concert party disagreed with the Project Fusion strategy and requisitioned an extraordinary general meeting to remove the Chief Executive and two non-executive Directors. The alternative strategy of the concert party was to dispose of the cycle businesses and develop the Company as a substantial public company operating in the leisure sector, particularly in horseracing related activities. Following the issue of circulars to shareholders outlining both cases, the shareholders voted overwhelmingly in favour of the concert party at an extraordinary general meeting held on 30 June 1998. As a consequence Robin Bromley-Martin, Keith Hamer and Govert Brassier left the Board and Maurice Cowen, John Sanderson and Harry Turpin joined the Board.

Unaudited results for the 52 weeks ended 1 February 1998 were published on 29 June 1998 which showed an operating profit before exceptional items of £374,000 (1997 - operating loss of £1,383,000). After interest of £951,000 and exceptional provisions of £1,677,000 for Project Fusion, there was a loss before taxation of £2,254,000 (1997 - £3,368,000). The loss per share was 2.48 pence (1997 - 3.65 pence). The Board announced the abandonment of Project Fusion on 29 June 1998.

The Board has now evaluated the financial effects of the new strategy. Whilst Project Fusion has been abandoned, the major part of the costs of the project, including product rationalisation, redundancies and professional fees have been incurred. As a result, the abandoning of Project Fusion has resulted in a reduction of the exceptional charge in the financial statements of only £34,000. The adjusted results have now been audited and show an operating profit before exceptional items of £374,000 (1997 - operating loss of £1,383,000). After interest of £951,000 and exceptional costs of £1,643,000 for the aborted Project Fusion, there is a loss before taxation of £2,220,000 (1997 - £3,368,000). The loss per share is 2.44 pence (1997 - 3.65 pence).

### ***Trading in the 52 weeks to 1 February 1998***

On a reduced turnover, operating profit before exceptional items of £1,643,000 (1997 - £nil) in the cycle businesses increased to £898,000 from £222,000 last year. The loss at Townsend reduced and the profit at Falcon increased.

I reported in the interim statement that business with little or no margin at Townsend was being phased out and consequently turnover was significantly down. Gross margin as a percentage of sales improved and with lower overheads the losses reduced.

Falcon maintained its market share in a static UK market and increased margins with efficiencies and a better product mix. Export business to Continental Europe has increased substantially and despite the strength of sterling, made a significant contribution to the business.

### ***Current trading***

The European bicycle industry remains very competitive and total market volumes in the UK are down on last year.

At Townsend the announcement of the closure of the Leigh factory has had an adverse effect on sales, as customers wait to see the outcome. Margins are also down as efforts have been made to reduce stocks. Although overheads have been significantly reduced the loss has increased from last year.

Despite the poor market conditions in the UK, Falcon has increased turnover. Trading conditions have, however, reduced margins and profitability.

# Tandem Group plc

## Chairman's statement continued

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### *Employees*

In a year of substantial change, we would like to take this opportunity to thank our staff who have tried to improve the Group's performance.

### *The future*

We believe that the future prospects for the cycle businesses mean that it is not appropriate that these should remain as the core business for a publicly quoted company. The Board has started to actively pursue the disposal of the cycle businesses and is encouraged by the interest shown. All serious proposals will be evaluated before putting a recommendation to shareholders. Considerable efforts are being concentrated on the disposal strategy and maintaining the value of those businesses during that period.

Once preferred buyers have been selected for the cycle businesses, the Board will vigorously pursue the stated strategy of becoming a horseracing related leisure company. The Company has appointed Singer & Friedlander Limited as its financial adviser in order to advise upon the implementation of this strategy.

**Graham Waldron**

Chairman

31 July 1998

# Tandem Group plc

## Directors' report

The Directors submit their thirty-fourth annual report with the audited financial statements for the 52 weeks ended 1 February 1998.

### Principal activities

The principal activity of the Group throughout the period was the manufacture and distribution of bicycles.

The Chairman's Statement on pages 2 and 3 should be read in conjunction with this report.

### Results and dividend

The results for the 52 weeks ended 1 February 1998 are set out on page 8. The Directors do not recommend the payment of a dividend (1997 - £nil). Movements on reserves are set out on page 10.

### Significant shareholders

As at 31 July 1998 the Directors have been notified of the following interests, other than those of Directors, representing 3% or more of the issued ordinary share capital.

	Ordinary Shares of 5p	%
G J W Brasser	4,798,206	5.1
J Hanson	4,228,000	4.5*
Venaglass Limited	2,989,946	3.2
R Ogden CBE	1,500,000	1.6*

\* Messrs. Cowen, Hanson, Ogden, Sanderson and Turpin act together as a concert party.

### Directors

The present Directors are listed on page 1. R H Bromley-Martin, G J W Brasser and K W Hamer were removed from the Board on 30 June 1998 and M C Cowen, J F Sanderson and H Turpin were appointed in their place.

As at 1 February 1998, the interests of the Directors and their immediate families (as defined by the Companies Act 1985) in the shares of the Company were as follows:

	Ordinary Shares of 5p each			
	Held beneficially - Fully paid		Share options	
	1 February 1998	2 February 1997	1 February 1998	2 February 1997
G Waldron	655,034	655,034	—	—
R H Bromley-Martin	—	—	3,747,750	—
M P J Keene	50,000	50,000	219,000	320,000
G J W Brasser	4,798,206	4,798,206	—	—
K W Hamer	491,653	491,653	—	—

As at the date of this report, the interests of the Directors and their immediate families (as defined by the Companies Act 1985) in the shares of the Company were as follows:

	Ordinary Shares of 5p each			
	Held beneficially - Fully paid		Share options	
	31 July 1998	2 February 1997 or date of appointment	31 July 1998	2 February 1997 or date of appointment
G Waldron	655,034	655,034	—	—
M C Cowen	1,880,051	1,880,051	—	—
J F Sanderson	1,842,331	1,842,331	—	—
M P J Keene	50,000	50,000	219,000	320,000
H Turpin	2,198,281	2,198,281	—	—

Details of the movements in Directors' share options are set out on pages 25 and 26

# Tandem Group plc

## Directors' report continued

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### *Directors (continued)*

The Director retiring by rotation at the Annual General Meeting is M P J Keene who, being eligible, offers himself for re-election. His service contract does not extend for more than one year, except that it contains provision for a notice period of two years in exceptional circumstances, such as the change of control of the business.

In accordance with the Articles of Association, M C Cowen, J F Sanderson and H Turpin, who is 73, none of whom have service contracts lasting more than one year, retire at the Annual General Meeting and offer themselves for re-election.

There are currently two non-executive Directors on the Board. G Waldron joined the Board in November 1995 following the acquisition of Casket plc, of which he was chairman. He is chairman of Headlam Group plc and a non-executive director of Ryland Group plc. H Turpin joined the Board in June 1998. He was chairman of David Dixon Group plc from 1973 to 1987 and is currently chairman of Rixonway Kitchens Limited.

Share options are granted to executive Directors by the Remuneration Committee to provide an adequate and just incentive bearing in mind their overall remuneration packages and responsibilities.

### *Transactions and arrangements with Directors*

Transactions with Directors during the period were not significant and were approved by the remaining members of the Board as being in the normal course of business and at fair market value.

### *Employment policies*

It is the policy of the Company that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. All employees are given equal opportunities for career development and promotion.

Health and safety committee meetings are held within the divisions.

The necessity and importance of good communications and relations with all employees is well recognised and accepted throughout the Company. Employees are kept fully aware of management policies applicable to their respective duties. The Directors are committed to the principle of employee and executive share participation as evidenced by the existence of the Executive Share Option Scheme and the Savings Share Option Scheme. Options are granted under these schemes in order that employees can participate in the Company's performance.

### *Corporate governance*

The Board is generally supportive of the principles contained in the Code of Best Practice, and has complied with the recommendations except that the Audit Committee comprises only two non-executive Directors.

Details of the Board, consisting of five Directors, of whom two, including the Chairman, are non-executive, are given on page 1 and above. The Board meets regularly to review strategic, operational and financial matters.

The Board has established two committees. The Audit Committee currently composed of G Waldron and H Turpin meets twice a year to review the Company's accounting policies, reporting procedures and financial matters, with the Chief Executive, the Finance Director and the external auditors in attendance when appropriate. The Remuneration Committee currently composed of G Waldron and H Turpin reviews the terms and conditions of employment of the Directors and senior managers.

The Directors are responsible for the Group's system of internal financial control, which can provide only reasonable, and not absolute, assurance against material misstatement or loss. To assist in implementing their responsibilities, the Directors have established a framework of controls to ensure that ongoing financial performance is monitored on a timely basis and that risk is identified at the earliest possible opportunity. Clear limits of authority, responsibility and financial accounting exist between the Group's head office and its subsidiaries and operating units.

Annual budgeting and monthly reporting provisions including the monitoring of key performance ratios and their comparison with budget and previous years are in place and reviewed by the Board. The Directors have reviewed the effectiveness of the Group's system of internal financial control.

# Tandem Group plc

## Directors' report continued

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### ***Corporate governance (continued)***

After making enquiries, the Directors have formed the judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

### ***Donations***

No donations were made during the period (1997 - £805).

### ***Policy on payment of suppliers***

Payment terms with suppliers are agreed before contracts are placed. Many of these are covered by confirmed letters of credit with fixed payment dates. It is the Group's policy to abide by agreed payment terms with suppliers. The trade creditors of the Company at 1 February 1998 represent 43 days as a proportion of the total amount invoiced by suppliers during the year.

### ***Millennium compliance***

The Directors are conscious of the Year 2000 issue and its effect on the computer systems of customers, suppliers and companies in the Group. New computer hardware is being installed with the latest software and it is expected that the systems within the Group will be Year 2000 compliant by 31 January 1999.

An audit of the compliance of customers and suppliers should be completed by the first quarter of 1999.

### ***Auditors***

Deloitte & Touche have indicated their willingness to accept re-appointment as auditors of the Company for a further term in accordance with the provisions of the Companies Act 1985 and a resolution to reappoint them will be proposed at the Annual General Meeting.

### **By Order of the Board**

M P J Keene  
31 July 1998



## Remuneration Committee report

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The remuneration and other emoluments of executive Directors and senior managers are determined by the Remuneration Committee which is composed of G Waldron and H Turpin.

The Company has complied with Section A, and given full consideration to Section B of the Best Practice Provisions, relating to directors' remuneration, issued by the London Stock Exchange.

Executive remuneration packages are subject to an annual review and are designed to attract, motivate and retain Directors and senior managers of a high calibre. An increasing element is performance related. Detailed information relating to Directors' remuneration, which constitutes part of this report, is given in note 5 on pages 18 and 19 and note 16 on pages 25 and 26.

### **Approved on behalf of the Remuneration Committee**

Graham Waldron  
31 July 1998

# Tandem Group plc

## Statement of Directors' responsibilities

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Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for the prevention and detection of fraud and other irregularities.

## Auditors' report to the members of Tandem Group plc

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We have audited the financial statements on pages 8 to 28 which have been prepared under the accounting policies set out on pages 14 and 15.

### *Respective responsibilities of Directors and auditors*

As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

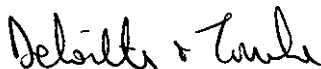
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Going concern*

In forming our opinion, we have considered the adequacy of the disclosure made in the Statement of Accounting Policies in the financial statements concerning the uncertainty as to the renewal of the Company's bank facilities. These financial statements were prepared on a going concern basis and do not include any adjustments that might result from the adverse outcome of this uncertainty. Our opinion is not qualified in this respect.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 1 February 1998 and of the loss of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**  
Chartered Accountants and Registered Auditors

Columbia Centre  
Market Street  
Bracknell  
Berkshire RG12 1PA

31 July 1998

# Tandem Group plc

## Consolidated profit and loss account

52 weeks ended 1 February 1998

Notes	1998			1997			
	Before exceptional items £'000	Exceptional items £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000	
	<b>Turnover</b>						
	38,798	—	38,798	46,280	—	46,280	
	373	—	373	14,595	—	14,595	
1,2	<b>39,171</b>	<b>—</b>	<b>39,171</b>	<b>60,875</b>	<b>—</b>	<b>60,875</b>	
2	Cost of sales	(30,333)	(719)	(31,052)	(50,987)	—	(50,987)
	<b>Gross profit</b>	<b>8,838</b>	<b>(719)</b>	<b>8,119</b>	<b>9,888</b>	<b>—</b>	<b>9,888</b>
	Net operating expenses	(8,464)	(924)	(9,388)	(11,271)	779	(10,492)
	<b>Operating profit/(loss)</b>						
	Continuing operations	4	(1,643)	(1,639)	(657)	779	122
	Discontinued operations	(91)	—	(91)	(768)	—	(768)
	less release/utilisation of prior year provision	461	—	461	42	—	42
1,2,3	<b>Total operating profit/(loss)</b>	<b>374</b>	<b>(1,643)</b>	<b>(1,269)</b>	<b>(1,383)</b>	<b>779</b>	<b>(604)</b>
	Provision for loss on discontinued operations			—			(1,318)
	Loss on disposal of discontinued operations			(136)			(854)
	less utilisation of prior year provision			136			952
	<b>Loss on ordinary activities before interest</b>			<b>(1,269)</b>			<b>(1,824)</b>
4	Net interest payable and similar charges			(951)			(1,544)
	<b>Loss on ordinary activities before taxation</b>			<b>(2,220)</b>			<b>(3,368)</b>
6	Tax on loss on ordinary activities			(14)			—
	<b>Loss on ordinary activities after taxation</b>			<b>(2,234)</b>			<b>(3,368)</b>
17	Additional finance costs of non-equity shares			(65)			(65)
	<b>Retained loss for the financial period, transferred from reserves</b>			<b>(2,299)</b>			<b>(3,433)</b>
				<b>Pence</b>			<b>Pence</b>
8	<b>Loss per ordinary share</b>			<b>(2.44)</b>			<b>(3.65)</b>

There are no recognised gains or losses for the current and preceding financial periods other than as stated in the profit and loss account.

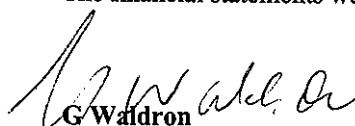
# Tandem Group plc

## Balance sheets

At 1 February 1998

Notes		Group		Company	
		1998 £'000	1997 £'000	1998 £'000	1997 £'000
	<b>Fixed assets</b>				
9	Tangible assets	8,454	9,409	126	123
10	Investments	—	—	—	3,077
		<u>8,454</u>	<u>9,409</u>	<u>126</u>	<u>3,200</u>
	<b>Current assets</b>				
11	Stocks	11,460	9,701	351	439
12	Debtors	6,560	7,075	6,874	14,029
19	Pension fund prepayment	426	436	426	436
	Cash at bank and in hand	—	—	368	—
		<u>18,446</u>	<u>17,212</u>	<u>8,019</u>	<u>14,904</u>
	<b>Creditors</b>				
	<b>Amounts falling due within one year</b>				
13	Bank overdraft	12,509	13,440	—	6,361
	Trade creditors	3,493	3,743	7	4
	Bills of exchange	5,034	801	—	—
14	Other creditors	2,149	3,688	478	599
		<u>23,185</u>	<u>21,672</u>	<u>485</u>	<u>6,964</u>
	<b>Net current (liabilities)/assets</b>	<u>(4,739)</u>	<u>(4,460)</u>	<u>7,534</u>	<u>7,940</u>
	<b>Total assets less current liabilities</b>	<u>3,715</u>	<u>4,949</u>	<u>7,660</u>	<u>11,140</u>
	<b>Creditors</b>				
14	<b>Amounts falling due after more than one year</b>	81	347	—	—
15	<b>Provisions for liabilities and charges</b>	2,718	1,452	971	900
	<b>Net assets</b>	<u>916</u>	<u>3,150</u>	<u>6,689</u>	<u>10,240</u>
	<b>Capital and reserves</b>				
16	Called up share capital	4,703	4,703	4,703	4,703
	Share premium account	4,280	4,280	4,280	4,280
	Merger reserve	(3,514)	(3,514)	—	—
	Capital reserve	406	406	406	406
	Profit and loss account	(6,004)	(3,705)	(2,700)	851
	<b>Equity shareholders' funds</b>	<u>(129)</u>	<u>2,170</u>	<u>6,689</u>	<u>10,240</u>
17	<b>Non-equity minority interests</b>	1,045	980	—	—
		<u>916</u>	<u>3,150</u>	<u>6,689</u>	<u>10,240</u>

The financial statements were approved by the Board on 31 July 1998 and signed on its behalf by:

  
G Waldron

  
M P J Keene

# Tandem Group plc

## Statement of movements on reserves

52 weeks ended 1 February 1998

	Share premium account £'000	Merger reserve £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
<b>The Group</b>					
Balance at 3 February 1997	4,280	(3,514)	406	(3,705)	(2,533)
Loss retained for the period	—	—	—	(2,299)	(2,299)
<b>Balance at 1 February 1998</b>	<b>4,280</b>	<b>(3,514)</b>	<b>406</b>	<b>(6,004)</b>	<b>(4,832)</b>
<b>The Company</b>					
Balance at 3 February 1997	4,280	—	406	851	5,537
Loss retained for the period	—	—	—	(3,551)	(3,551)
<b>Balance at 1 February 1998</b>	<b>4,280</b>	<b>—</b>	<b>406</b>	<b>(2,700)</b>	<b>1,986</b>

## Reconciliation of movements in equity shareholders' funds

52 weeks ended 1 February 1998

	1998 £'000	1997 £'000
<b>The Group</b>		
Loss for the period	(2,234)	(3,368)
Appropriations from equity to non-equity interests	(65)	(65)
	<b>(2,299)</b>	<b>(3,433)</b>
Issue of shares (net of expenses)	—	14
Transfer to merger reserve	—	(999)
<b>Net reduction in equity shareholders' funds</b>	<b>(2,299)</b>	<b>(4,418)</b>
Opening equity shareholders' funds	2,170	6,588
<b>Closing equity shareholders' funds</b>	<b>(129)</b>	<b>2,170</b>

# Tandem Group plc

## Consolidated cash flow statement

52 weeks ended 1 February 1998

Notes	1998 £'000	1997 £'000
<b>(i) Net cash inflow/(outflow) from operating activities</b>	<b>2,113</b>	<b>(1,217)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	257	579
Interest paid	(1,319)	(2,051)
Interest element of hire purchase rentals	(37)	(72)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(1,099)</b>	<b>(1,544)</b>
<b>Taxation</b>		
Taxation paid	(6)	(19)
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(327)	(308)
Sale of tangible fixed assets	476	522
<b>Net cash inflow from capital expenditure</b>	<b>149</b>	<b>214</b>
<b>Acquisitions and disposals</b>		
Deferred consideration from prior year disposal of business	37	—
Disposal of activities	—	1,321
Proceeds on sale of shares received in part consideration for disposal of business	—	199
Retention received in respect of prior year disposal of business	—	149
<b>Net cash inflow from acquisitions and disposals</b>	<b>37</b>	<b>1,669</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>1,194</b>	<b>(897)</b>
<b>Financing</b>		
Issue of ordinary share capital (net of expenses)	—	14
Capital element of hire purchase rentals	(411)	(457)
<b>Net cash outflow from financing</b>	<b>(411)</b>	<b>(443)</b>
<b>(iii), (iv) Increase/(decrease) in cash</b>	<b>783</b>	<b>(1,340)</b>

# Tandem Group plc

## Notes to consolidated cash flow statement

<b>(i) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities</b>		
	<b>1998</b>	1997
	<b>£'000</b>	£'000
<b>Operating loss</b>	<b>(1,269)</b>	(604)
Depreciation charges	730	951
Provision for permanent diminution in value	—	358
Loss on sale of tangible fixed assets	76	144
Loss on disposal of discontinued operations	—	1,003
Provision for loss on discontinued operations	—	(1,318)
(Increase)/decrease in stocks	<b>(1,759)</b>	4,636
Decrease in assets and properties for resale	—	21
Decrease in debtors	478	5,615
Decrease in pension fund prepayment	10	77
Increase/(decrease) in creditors	<b>2,581</b>	(9,770)
Increase/(decrease) in provisions	<b>1,266</b>	(2,330)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,113</b>	(1,217)
	<hr/>	<hr/>
<b>(ii) Summary of cash flows from disposal of activities</b>		
Tangible fixed assets	—	517
Stocks	—	2,355
	<hr/>	<hr/>
	—	2,872
Loss on disposal	—	(1,003)
	<hr/>	<hr/>
<b>Disposal of activities</b>	<b>—</b>	1,869
	<hr/>	<hr/>
<b>Satisfied by</b>		
Cash - net of expenses	—	1,321
Shares	—	250
Deferred consideration	—	298
	<hr/>	<hr/>
	<b>—</b>	1,869
	<hr/>	<hr/>
<b>(iii) Reconciliation of net cash inflow to movement in net debt</b>		
	<b>£'000</b>	
Increase in cash	783	
Cash outflow from financing	411	
	<hr/>	
Changes in net debt resulting from cash flows	1,194	
Other non-cash changes	148	
	<hr/>	
Movement in net debt in the period	1,342	
Net debt at 3 February 1997	(14,235)	
	<hr/>	
<b>Net debt at 1 February 1998</b>	<b>(12,893)</b>	
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# Tandem Group plc

## Notes to consolidated cash flow statement continued

(iv) Analysis of net debt

	At 3 February 1997 £'000	Cash Flow £'000	Other non-cash changes £'000	At 1 February 1998 £'000
Debt due within one year	(13,440)	783	148	(12,509)
Finance leases	(795)	411	—	(384)
	<u>(14,235)</u>	<u>1,194</u>	<u>148</u>	<u>(12,893)</u>

# Tandem Group plc

## Statement of accounting policies

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### *Accounting convention and basis of preparation of the financial statements*

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

The Company meets its day to day working capital requirements through certain overdraft facilities, which are repayable on demand. The Company expects to operate within the facilities currently agreed and within those expected to be agreed in January 1999 when the Company's bankers are due to consider their renewal for a further period. These views are based on the Company's plans and on the successful outcome of discussions with the Company's bankers. In these circumstances, the Directors believe that it continues to be appropriate for the financial statements to be prepared on a going concern basis. However, inherently, there can be no certainty in relation to these views.

The financial statements have been prepared on a going concern basis, the validity of which depends on the bank facilities remaining in place. If the facilities were to be withdrawn and not replaced, adjustments would have to be made to reduce balance sheet asset values to their recoverable amounts, to provide for any further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and current liabilities.

### *Comparatives*

The comparative figures shown for 1997 are for the 53 weeks to 2 February 1997.

### *Turnover*

This consists of sales (exclusive of value added tax) invoiced to external customers and in the case of long-term contracts represents sales value of work done.

### *Consolidation*

The consolidated financial statements incorporate the accounts of Tandem Group plc and its subsidiaries for the 52 weeks ended 1 February 1998. The results of subsidiary undertakings acquired in the year are consolidated from the date of acquisition. All internal sales and unrealised intra-Group profits have been eliminated on consolidation. Goodwill arising on consolidation is written off against reserves.

### *Investments*

Shares in Group companies are stated at cost less provisions for permanent diminution in value. In respect of acquisitions made by exchange of shares, cost is determined by reference to the nominal value of the shares issued. The excess of market value over the nominal value of the shares issued has been transferred to a merger reserve on consolidation.

### *Tangible fixed assets*

Tangible fixed assets are held at cost. Depreciation is not provided on freehold land. On all other assets, depreciation is provided on a straight line basis to write off the assets over their economic lives as follows:

Freehold buildings	50 years
Freehold buildings - Richmoor Horticulture	8 years
Leasehold land and buildings	length of leases
Vehicles	3 - 4 years
Plant and machinery	4 - 10 years
Fixtures and office equipment	3 - 8 years.

# Tandem Group plc

## Statement of accounting policies continued

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### ***Deferred taxation***

Deferred taxation is provided on timing differences, arising from the different treatments of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise. Advance corporation tax on dividends, which is recoverable against future years' corporation tax payments, is deducted from any deferred taxation liability in the balance sheet. No deferred taxation is provided on any surplus arising on revaluations of freehold land and buildings unless realisation is anticipated in the foreseeable future.

### ***Leases***

Assets held under finance leases and hire purchase contracts and the related lease obligation are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a consistent rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

### ***Stocks and work in progress***

All stocks and work in progress are stated at the lower of cost and net realisable value and, where appropriate, include a proportion of related overhead expenditure.

### ***Peat producing properties***

The costs of acquiring freehold peat producing properties are amortised on a unit of extraction basis over the total estimated recoverable reserves. The cost of acquiring leasehold peat reserves is amortised over the period of the lease.

### ***Foreign exchange***

Transactions in foreign currencies are translated at the rate ruling on the date of the transaction. Where current assets and liabilities exist in foreign currencies, they are translated into sterling at the exchange rates ruling at the balance sheet date. Differences on exchange are taken directly to the profit and loss account.

### ***Pension costs***

Retirement benefits to employees are funded by contributions from the Group and employees. Payments to the Group's pension plans, which are financially separate and independent from the Group, are made in accordance with periodic calculations by independent consulting actuaries. The costs of funding the plans are accounted for over the period covering the employees' service.

For further information see note 19 on pages 27 and 28.

### ***Government grants***

Government grants are matched with the expenditure to which they relate and credited to the profit and loss account in the period to which that expenditure is charged. The unamortised amount of grants is carried forward within accruals and deferred income in the balance sheet.

# Tandem Group plc

## Notes to the financial statements

### 1. Analyses of turnover, operating profit/(loss) and net assets

Class of business	1998			1997		
	Net assets £'000	Turnover £'000	Profit/ (loss) £'000	Net assets £'000	Turnover £'000	Profit/ (loss) £'000
<b>Continuing operations</b>						
Cycles and Accessories	15,459	38,798	898	17,584	46,280	222
Exceptional restructuring costs	—	—	(1,643)	—	—	—
<b>Total Cycles and Accessories</b>	<b>15,459</b>	<b>38,798</b>	<b>(745)</b>	<b>17,584</b>	<b>46,280</b>	<b>222</b>
Central operations	(1,866)	—	(894)	(1,706)	—	(879)
Exceptional foreign exchange gain	—	—	—	—	—	779
	<b>13,593</b>	<b>38,798</b>	<b>(1,639)</b>	<b>15,878</b>	<b>46,280</b>	<b>122</b>
<b>Discontinued operations</b>						
Clothing	(619)	299	(35)	168	14,028	(712)
Landscapes	(23)	7	(10)	(32)	38	(42)
Horticulture	474	67	(46)	576	529	—
Other activities	—	—	—	—	—	(14)
	<b>(168)</b>	<b>373</b>	<b>(91)</b>	<b>712</b>	<b>14,595</b>	<b>(768)</b>
Utilisation/release of prior year provision			461			42
	<b>13,425</b>	<b>39,171</b>	<b>(1,269)</b>	<b>16,590</b>	<b>60,875</b>	<b>(604)</b>
Bank overdraft	(12,509)			(13,440)		
	<b>916</b>	<b>39,171</b>	<b>(1,269)</b>	<b>3,150</b>	<b>60,875</b>	<b>(604)</b>
<b>Geographical analysis of turnover by destination</b>						
United Kingdom		29,868			51,096	
Europe		9,303			9,775	
Rest of World		—			4	
		<b>39,171</b>			<b>60,875</b>	

All net assets and profits/(losses) are attributable to operations in the United Kingdom.

# Tandem Group plc

## Notes to the financial statements continued

### 2. Analyses of continuing and discontinued operations

	1998			1997		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	38,798	373	39,171	46,280	14,595	60,875
Cost of sales	(30,016)	(317)	(30,333)	(37,818)	(13,169)	(50,987)
Exceptional item	(719)	—	(719)	—	—	—
Gross profit	8,063	56	8,119	8,462	1,426	9,888
Net operating expenses						
Distribution costs	(4,846)	67	(4,779)	(5,191)	(665)	(5,856)
Administration expenses	(3,936)	(297)	(4,233)	(3,930)	(1,529)	(5,459)
Exceptional item	(924)	—	(924)	779	—	779
Other operating income	4	83	87	2	—	2
	(9,702)	(147)	(9,849)	(8,340)	(2,194)	(10,534)
Operating loss before provision utilisation/release	(1,639)	(91)	(1,730)	122	(768)	(646)
Utilisation/release of prior year provision	—	461	461	—	42	42
Operating loss after utilisation/ release of provision	(1,639)	370	(1,269)	122	(726)	(604)

### 3. Operating loss is after charging/(crediting)

	1998 £'000	1997 £'000
Depreciation and other amounts written off tangible fixed assets		
Owned assets	434	655
Leased assets	296	296
Provision for permanent diminution in value of property	—	358
Rentals under operating leases		
Hire of plant and machinery	84	79
Other operating leases	255	291
Auditors' remuneration		
Audit fees (Company - £19,000; 1997 - £18,000)	70	65
Other services	40	20
Release of government grant	(75)	(64)
Exceptional foreign exchange gain on bank loan	—	(779)
Exceptional restructuring costs	1,643	—

### 4. Net interest payable and similar charges

	1998 £'000	1997 £'000
Interest receivable	257	579
Interest payable on bank loans, overdrafts and other loans	(1,319)	(2,051)
Interest payable on finance leases	(37)	(72)
Foreign exchange gain on bank loan	148	—
	(951)	(1,544)

# Tandem Group plc

## Notes to the financial statements continued

### 5. Information regarding Directors and employees

	1998 £'000	1997 £'000
Staff costs incurred during the period		
Wages and salaries	6,552	8,274
Social security costs	560	762
Other pension costs	67	116
	7,179	9,152

	1998 Number	1997 Number
The average number of persons employed by the Group in the period		
Production	328	413
Sales and distribution	60	61
Administration	53	90
	441	564

	1998 Number	1997 Number
The number of persons employed by the Group at the period end		
Production	285	347
Sales and distribution	58	44
Administration	46	72
	389	463

	1998 £'000	1997 £'000
Directors' remuneration		
Fees	70	55
Remuneration - salaries and taxable benefits	159	186
Pension scheme contributions	9	19
Compensation for loss of office	—	85
	238	345

#### Summary remuneration table

	Salary and fees £'000	Benefits £'000	Pensions £'000	Total 1998 £'000	Total 1997 £'000
<i>Executive</i>					
R H Bromley-Martin	63	10	—	73	—
M P J Keene		11	9	95	84
R E Garland	—	—	—	—	121
<i>Non-executive</i>					
G Waldron	25	—	—	25	16
G J W Brassier	15	—	—	15	4
K W Hamer	19	—	—	19	15
The Earl of Home	—	—	—	—	5
N R Balfour	11	—	—	11	15
	208	21	9	238	260

# Tandem Group plc

## Notes to the financial statements continued

### 5. Information regarding Directors and employees (continued)

No bonus payments were made during the period.

R E Garland resigned on 7 January 1997 and under the terms of his service agreement received a cash payment of £85,000. He also received £6,000 for consultancy services in respect of the winding down of the clothing businesses.

The above figures include fees in respect of the services of G J W Brassier, K W Hamer, The Earl of Home and N R Balfour amounting to £34,000 (1997 - £39,000) which were paid to third parties.

M P J Keene participates in the Company's defined benefit pension scheme which provides benefits based on pensionable service and pay. The maximum payable under the scheme is two-thirds of final salary subject to Inland Revenue limits. There are also death in service benefits and pension provisions for members' dependants.

Details of pension benefits earned by the executive Directors are shown below:

	Increase in accrued pension during the year £'000 p.a. (note a)	Transfer value of increase £'000 (note b)	Accumulated total accrued pension at the year end £'000 p.a.
M P J Keene	1	77	10

Notes to pension benefits:

- (a) The increase in accrued pension during the year excludes any increase for inflation.  
 (b) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

	1998 £'000	1997 £'000
The highest paid Director received		
Salary, fees and benefits	86	110
Pension contributions	9	11
	<u>95</u>	<u>121</u>
Past Director's pension	<u>—</u>	<u>1</u>

# Tandem Group plc

## Notes to the financial statements continued

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### 6. Tax on loss on ordinary activities

	1998 £'000	1997 £'000
ACT written off	16	—
Prior period adjustments		
Corporation tax	(2)	32
ACT written off	—	(32)
	<hr/>	<hr/>
	14	—
	<hr/>	<hr/>

The current period tax charge is disproportionate because the Group has incurred non-qualifying expenditure and has made trading losses in the period which can only be carried forward and offset against future profits of the same trade. There is no tax arising on the exceptional items.

At 1 February 1998 there are trading losses of approximately £8,130,000 (1997 - £13,400,000) available for carry forward against future profits of the same trade.

### 7. Profit attributable to Tandem Group plc

As permitted by Section 230 of the Companies Act 1985, no statement of profit and loss of the parent company is presented. Of the loss attributable to the Group a loss of £3,551,000 (1997 - £843,000) is dealt with in the accounts of Tandem Group plc.

### 8. Loss per ordinary share

The calculation of loss per share is based on losses of £2,299,000 (1997 - £3,433,000) and on an average of 94,069,754 (1997 - 94,042,667) ordinary shares in issue during the period.

# Tandem Group plc

## Notes to the financial statements continued

### 9. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Vehicles £'000	Plant and machinery £'000	Fixtures and office equipment £'000	Total £'000
<b>The Group</b>						
Cost						
At 3 February 1997	6,410	1,137	110	4,493	2,983	15,133
Additions	—	10	40	223	54	327
Disposals	(33)	(900)	(66)	(354)	(1,940)	(3,293)
<b>At 1 February 1998</b>	<b>6,377</b>	<b>247</b>	<b>84</b>	<b>4,362</b>	<b>1,097</b>	<b>12,167</b>
Depreciation						
At 3 February 1997	433	463	84	2,267	2,477	5,724
Provided in the period	113	14	15	450	138	730
Disposals	(12)	(400)	(61)	(354)	(1,914)	(2,741)
<b>At 1 February 1998</b>	<b>534</b>	<b>77</b>	<b>38</b>	<b>2,363</b>	<b>701</b>	<b>3,713</b>
<b>Written down value</b>						
<b>At 1 February 1998</b>	<b>5,843</b>	<b>170</b>	<b>46</b>	<b>1,999</b>	<b>396</b>	<b>8,454</b>
At 2 February 1997	5,977	674	26	2,226	506	9,409
<b>The Company</b>						
Cost						
At 3 February 1997	202	—	25	—	53	280
Additions	—	—	40	—	2	42
Disposals	(33)	—	—	—	(39)	(72)
<b>At 1 February 1998</b>	<b>169</b>	<b>—</b>	<b>65</b>	<b>—</b>	<b>16</b>	<b>250</b>
Depreciation						
At 3 February 1997	102	—	6	—	49	157
Provided in the period	—	—	13	—	2	15
Disposals	(12)	—	—	—	(36)	(48)
<b>At 1 February 1998</b>	<b>90</b>	<b>—</b>	<b>19</b>	<b>—</b>	<b>15</b>	<b>124</b>
<b>Written down value</b>						
<b>At 1 February 1998</b>	<b>79</b>	<b>—</b>	<b>46</b>	<b>—</b>	<b>1</b>	<b>126</b>
At 2 February 1997	100	—	19	—	4	123

# Tandem Group plc

## Notes to the financial statements continued

### 9. Tangible fixed assets (continued)

The net book value of the Group's leasehold land and buildings comprises:

	1998 £'000	1997 £'000
Long leasehold	—	500
Short leasehold	170	174
	<u>170</u>	<u>674</u>

The net book value of the Group's fixed assets held under hire purchase comprises:

	1998 £'000	1997 £'000
Plant and machinery	1,065	1,406
Office equipment	42	82
	<u>1,107</u>	<u>1,488</u>

### 10. Investments

	Unlisted investments in subsidiary undertakings £'000
<b>Cost</b>	
At 3 February 1997 and 1 February 1998	3,077
<b>Provision for permanent diminution in value</b>	
At 3 February 1997	—
Provided in the year	3,077
<b>At 1 February 1998</b>	<u>3,077</u>
<b>Net book value</b>	
At 1 February 1998	—
At 2 February 1997	<u>3,077</u>

The principal operating subsidiary undertaking of the Group at the period end was as follows:

Name	Shareholding %	Principal activity
Casket Leisure Products Limited	100	Manufacture, import and distribution of bicycles and bicycle accessories

The principal subsidiary undertaking is incorporated in Great Britain and operates within the United Kingdom. Particulars of the remaining companies, none of which are material in relation to these financial statements, will be submitted with the annual return.

# Tandem Group plc

## Notes to the financial statements continued

### 11. Stocks

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Work in progress	—	22	—	22
Less payments received on account	—	20	—	20
	—	2	—	2
Raw materials	8,811	6,209	14	90
Peat reserves	337	347	337	347
Finished goods for resale	2,312	3,143	—	—
	<b>11,460</b>	<b>9,701</b>	<b>351</b>	<b>439</b>

In the opinion of the Directors there is no material difference between the historical costs of stocks and work in progress and replacement costs.

### 12. Debtors

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Amounts due within one year				
Trade debtors	5,469	6,070	31	13
Amounts owed by subsidiary undertakings	—	—	6,566	13,637
Other debtors	660	294	73	—
Prepayments and accrued income	227	461	—	129
	<b>6,356</b>	<b>6,825</b>	<b>6,670</b>	<b>13,779</b>
Amounts due after more than one year				
Other debtors	204	250	204	250
	<b>6,560</b>	<b>7,075</b>	<b>6,874</b>	<b>14,029</b>

### 13. Bank overdraft

The bank overdraft of £12,509,000 (1997 - £13,440,000) is secured by a fixed and floating charge.

# Tandem Group plc

## Notes to the financial statements continued

### 14. Other creditors

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Amounts falling due within one year				
Hire purchase creditors	317	470	—	—
Other taxes	95	478	5	35
Social security costs	110	160	3	2
Corporation tax (including ACT)	29	6	—	6
Other creditors	229	555	44	178
Accruals and deferred income	1,369	2,019	426	378
	<b>2,149</b>	<b>3,688</b>	<b>478</b>	<b>599</b>
Amounts falling due after more than one year				
Hire purchase creditors	67	325	—	—
Accruals and deferred income	14	22	—	—
	<b>81</b>	<b>347</b>	<b>—</b>	<b>—</b>
Hire purchase creditors are repayable as follows:				
Between one and two years	54	281	—	—
Between two and five years	13	44	—	—
	<b>67</b>	<b>325</b>	<b>—</b>	<b>—</b>

The obligations under hire purchase contracts are secured by the related leased assets.

### 15. Provisions for liabilities and charges

	At 3 February 1997 £'000	Profit and loss account charge £'000	Released/ utilised/ transferred £'000	At 1 February 1998 £'000
<b>The Group</b>				
Disposal costs of businesses	1,452	—	(597)	855
Exceptional restructuring provision	—	1,643	220	1,863
	<b>1,452</b>	<b>1,643</b>	<b>(377)</b>	<b>2,718</b>
<b>The Company</b>				
Disposal costs of businesses	900	—	(480)	420
Exceptional restructuring provision	—	551	—	551
	<b>900</b>	<b>551</b>	<b>(480)</b>	<b>971</b>

# Tandem Group plc

## Notes to the financial statements continued

### 15. Provisions for liabilities and charges (continued)

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
<b>Deferred taxation</b>				
Capital allowances in excess of depreciation	314	410	(129)	(227)
Short term timing differences	(146)	(261)	—	—
Pension prepayment	129	227	129	227
Trading losses	(297)	(376)	—	—
	—	—	—	—

There is no unprovided deferred tax liability.

Capital losses available for future offset against capital gains in the Group amount to £6,100,000 (1997 - £5,500,000).

### 16. Called up share capital

	1998 £'000	1997 £'000
At 1 February 1998 the share capital was		
<b>Authorised</b>		
125,000,000 (1997 - 125,000,000) ordinary shares of 5p each	6,250	6,250
<b>Allotted, called up and fully paid</b>		
94,069,754 (1997 - 94,069,754) ordinary shares of 5p each	4,703	4,703

#### Share options

The following options were held at 1 February 1998 under the Company's Share Option Schemes:

	Number of shares			1 February 1998	Current exercise price	Exercisable from	Expiry date
	3 February 1997	Granted during year	Lapsed or cancelled during year				
<i>Senior executive share option scheme 1986</i>							
M P J Keene	30,000	—	30,000	—	25.00p	13/05/95	13/05/02
	140,000	—	—	140,000	14.50p	25/05/97	25/05/04
	150,000	—	150,000	—	14.50p	25/05/98	25/05/05
<i>1996 Inland Revenue approved executive share option scheme</i>							
M P J Keene	—	246,000	246,000	—	7.60p	09/06/00	09/06/07
<i>1996 Unapproved share option scheme</i>							
M P J Keene	—	79,000	—	79,000	7.60p	09/06/00	09/06/07
<i>Savings Related Share Option Scheme</i>							
Other employees	13,218	—	—	13,218	13.05p	25/05/98	25/05/05
<i>1996 Save as you earn share option scheme</i>							
Other employees	759,914	—	—	759,914	13.00p	10/06/99	10/06/00

The ordinary share mid-market price on 1 February 1998 was 5.5p. During the period, the highest mid-market price was 9.75p and the lowest was 4.25p.

# Tandem Group plc

## Notes to the financial statements continued

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### 16. Called up share capital (continued)

On 2 September 1997 an agreement was entered into between the Company and R H Bromley-Martin pursuant to which he was granted an option to subscribe for 3,747,750 ordinary shares at a price of 7.6p. The exercise of the option is linked to certain performance criteria based on earnings per share and share price over certain periods of time. Under the agreement, the option to subscribe terminates on 1 September 2004 or earlier in certain circumstances whereby Mr Bromley-Martin ceases to be employed by the Company.

### 17. Non-equity minority interests

Non-equity minority interests comprise 407,378 3.85% cumulative preference shares of £1 each in Kingsley & Forester Group plc ("K&F"), and 483,000 10.25% cumulative preference shares of £1 each in Casket plc ("Casket") together with an accrued dividend of £155,000.

#### **K&F**

The rights as regards voting and participation in the profits and assets of K&F attaching to the 3.85% cumulative preference shares of £1 each are set out below.

#### *Rights to dividends*

The holders of the preference shares are entitled to a fixed cumulative preferential dividend at the rate of 3.85% per annum on the amounts paid up thereon, to be paid, if and so far as in the opinion of the Directors the profits of K&F justify such payments, half yearly on 1 April and 1 October.

#### *Capital*

On a return of assets on a winding up or otherwise, the assets of K&F available for distribution to the members shall be applied first in repaying *pari passu* to the holders of the preference shares the amounts paid up on such shares together with such premium (if any) as may be applicable and a sum equal to any arrears of the fixed dividend. The holders of the preference shares shall not be entitled to any further or other right of participation in the assets of K&F. The preference shares shall rank on a return of capital or liquidation or otherwise in priority to any other shares.

#### *Voting rights*

The preference shares shall not entitle the holders to vote on any resolution (other than a resolution for winding up K&F or reducing its share capital or for the sale of the undertaking of K&F or a resolution varying or abrogating any of the special rights attached to such shares), unless at the date of the notice convening the meeting the dividend is six months in arrears. On a poll taken in respect of a resolution on which holders of the preference shares are entitled to vote, each such holder shall have one vote for each preference share of £1 each.

#### **Casket**

The rights as regards voting and participation in the profits and assets of Casket attaching to the 10.25% cumulative preference shares of £1 each are set out below.

#### *Rights to dividends*

The holders of the preference shares are entitled to a fixed cumulative preferential dividend at the rate of 10.25% per annum on the amounts paid up thereon, to be paid, if and so far as in the opinion of the Directors the profits of Casket justify such payments, half yearly on 30 June and 31 December.

#### *Capital*

On a return of assets on a winding up or otherwise, the assets of Casket available for distribution to the holders of the preference shares shall be applied in repaying the holders of the preference shares the amounts paid up on such shares together with first a premium which will be a sum per share equal to the excess (if any) over *par* of the average of the middle market quotation after deducting a sum equal to any arrears of the fixed dividend and second a sum equal to any arrears of the fixed dividend. The holders of the preference shares shall not be entitled to any further or other right of participation in the assets of Casket. The preference shares shall rank on a return of capital on liquidation or otherwise in priority to any other shares.

# Tandem Group plc

## Notes to the financial statements continued

### 17. Non-equity minority interests (continued)

#### *Voting rights*

The preference shares shall not entitle the holders to vote upon any resolution (other than a resolution for winding up Casket or reducing its share capital or for altering the limit on borrowings set out in Article 120 of the Articles of Association of Casket or a resolution varying or abrogating any of the special rights attached to such shares), unless at the date of the notice convening the meeting the dividend is six months in arrears. On a poll taken in respect of a resolution on which holders of the preference shares are entitled to vote, each such holder shall have four votes for each preference share of £1 held.

### 18. Commitments

	1998 £'000	1997 £'000
Capital expenditure contracted but not provided for in the financial statements of the Group	—	—
<b>Lease commitments</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Annual commitments under operating leases		
Expiring within:		
1 year	3	85
2 to 5 years	—	106
More than 5 years	293	—
	<b>296</b>	<b>191</b>

Lease commitments include £100,000 in respect of premises at Pinchbeck, Spalding, previously occupied by the Company's former Garden Leisure Division, which have been sublet at an equivalent annual rental.

### 19. Pension arrangements

The Group operates two pension plans, The Tandem Group Pension Plan and The Casket Group Retirement and Death Benefits Scheme.

#### *The Tandem Group Pension Plan*

A contributory pension scheme, the Tandem Group Pension Plan, provides benefits based on final pensionable salary. The assets of the Plan are held separately from those of the Group, being invested with insurance company managed funds.

Contributions are determined by an independent qualified actuary on the basis of the triennial valuation using the Attained Age Normal Method. A valuation was carried out in October 1995 ("the 1995 valuation"). The assumptions which have the most significant effect on the results of the 1995 valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed in assessing the pension cost that the return on the Plan's investments would be 8.5% per annum and that salaries would increase at the rate of 8% per annum (including an allowance for merit and promotional increases). Future pension increases were assumed to be at the rate guaranteed.

The 1995 valuation showed that the market value of the Plan's assets at that date was £6,695,000 and that the actuarial valuation of those assets represented 120% of the benefits that had accrued to members, after allowing for future increases in earnings and pensions.

# Tandem Group plc

## Notes to the financial statements continued

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### 19. Pension arrangements (continued)

#### *The Tandem Group Pension Plan (continued)*

Of the surplus in the Plan, £950,000 was attributable to the significant fall in active membership of the Plan during the period ended 27 January 1992. This part of the surplus was treated as an extraordinary item in that period and established a pension fund prepayment in the financial statements which, in the normal course of events, would have been amortised over the service lives of the remaining employees.

Further reductions in the active membership of the Plan continued in 1992 and, after consultation with the Company's actuaries, the Directors considered that the amortisation basis originally envisaged for the prepayment was no longer appropriate, resulting in an exceptional charge to the profit and loss account in the financial statements for the period ended 31 January 1993 of £283,000 to write the prepayment down to £627,000. Since 1 February 1993, the prepayment has been further reduced by charging the profit and loss account with amounts representing the normal charge for the active members. During the period to 1 February 1998, the prepayment has been reduced to £426,000 by charging the profit and loss account with £10,000 representing the normal charge for the active members.

The Company has agreed with the Trustees that the prepaid pension cost may be utilised to offset contributions in respect of a money purchase scheme to be set up within the Plan.

#### *The Casket Group Retirement and Death Benefits Scheme*

Up until 31 May 1995, Casket plc operated a defined benefits pension scheme. The assets of the scheme were held separately from those of the Company in independently administered funds. Contributions to the scheme were determined by a qualified actuary on the basis of triennial valuations using the projected accrued benefits and aggregate methods. The most recent valuation was at 31 December 1992 and the assumptions which have the most significant effect on the results of the valuation are the rate of return on investments and the rates of increase in salaries. It was assumed that investment return would be 9% per annum and salary increases would average 8% per annum.

The valuation showed that the market value of the scheme's assets was £3,115,000, representing 238% of the benefits that had accrued to members after allowing for expected future increases in earnings.

On 31 May 1995 proceedings commenced to wind up this scheme. On 1 June 1995 a new defined contribution scheme commenced and the accrued benefits of the members of the defined benefit scheme were either transferred to the new scheme or secured through an insurance company. A surplus of assets over accrued benefit liabilities to the members in the defined benefit scheme was available to Casket plc after allowing for benefit enhancements given to the members. In March 1995 £750,000, before tax deductions of £300,000, was paid to Casket plc leaving a further surplus of £298,000 which was treated as an extraordinary item and established a pension fund prepayment to cover future employer's pension contributions. This has now been fully utilised and with effect from 1 February 1997 employer's contributions have started to be made to the scheme.

# Tandem Group plc

## Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the THIRTY-FOURTH ANNUAL GENERAL MEETING of TANDEM GROUP plc will be held at Doncaster Racecourse, The Grandstand, Leger Way, Doncaster DN2 6BB on 14 September 1998, at 11.00 a.m. for the following purposes:

### Ordinary business

1. To receive and consider the report of the Directors and the financial statements for the 52 weeks ended 1 February 1998.
2. To re-elect M P J Keene as a Director of the Company.
3. To re-elect M C Cowen as a Director of the Company.
4. To re-elect J F Sanderson as a Director of the Company.
5. To re-elect H Turpin, who is 73, as a Director of the Company.
6. To re-appoint Deloitte & Touche as auditors of the Company until the conclusion of the next Annual General Meeting of the Company at which the requirement of Section 241(1) of the Companies Act 1985 are complied with and to authorise the Directors to fix their remuneration.

### Special business

To consider and, if thought fit, pass the following resolutions which, in the case of resolution numbers 7 and 9, will be proposed as ordinary resolutions and in the case of number 8 will be proposed as a special resolution.

7. That the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,546,512 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 4 December 1999 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
8. That, subject to the passing of the previous resolution, the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 7 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited:
  - (i) to the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever) and
  - (ii) to the allotment otherwise than pursuant to sub-paragraph (i) above of equity securities up to an aggregate nominal value of £235,174.

and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 4 December 1999 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer of agreement as if the power conferred hereby had not expired.

- 9.\* To increase the borrowing powers of the Company by substituting in Article 101 of the Articles of Association the words "seven times" for the words "five times" and to ratify any breach of that Article by the Company prior to the date hereof.

By Order of the Board

M P J Keene

Leigh Commerce Park, Greenfold Way, Leigh, Lancashire WN7 3XH

31 July 1998

\* Resolution 9 – The losses incurred have reduced net assets, which has the consequence of the Company exceeding its borrowing powers under Article 101 of the Articles of Association. Accordingly an increase in the borrowing powers is being proposed as a resolution at the Annual General Meeting.

# Tandem Group plc

## Notice of Annual General Meeting continued

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1. Members entitled to attend and vote at this meeting may appoint one or more proxies (who need not be members) to attend and vote on their behalf.
2. To be valid the form of proxy (and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of such power or authority) must be received at the Company's registered office not less than 48 hours before the time fixed for the meeting.
3. In the case of an individual the form of proxy must be signed by the appointor or by his attorney duly authorised in writing.
4. In the case of a corporation the form of proxy must either be executed under its seal or under the hand of an officer, attorney or other person authorised to sign it.
5. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

A form of proxy is enclosed. Completion and return of the form of proxy will not preclude members from attending and voting at the meeting should they so wish.

Copies of the Directors' contracts of service and the Register of Directors' Interests will be available for inspection during the usual business hours at the Company's registered office until the date of the Annual General Meeting, 15 minutes prior to the meeting and during the meeting itself.