Tandem Group plc

Annual Report and Accounts 2004

Contents

Directors and advisers

Directors

G Waldron Chairman

M P J Keene Finance Director and Secretary

A P Vicary Commercial Director

Registered office
9a South Street, Crowland, Peterborough, PE6 0AH

Registration
Registered in England No. 616818

Nominated Adviser and Broker
KBC Peel Hunt Ltd
4th Floor, 111 Old Broad Street, London, EC2N 1PH

Auditors
Deloitte & Touche LLP
1 Woodborough Road, Nottingham, NG1 3FG

Solicitors
Eversheds LLP
1 Royal Standard Place, Nottingham, NG1 6FZ

Registrars
Capita Registrars
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, HD8 0LA

Financial calendar

Annual General Meeting	10 June 2004
Interim results for 6 months to 31 July 2004	September 2004
Results for year ending 31 January 2005	April 2005

Chairman's statement

Group profit before taxation was £609,000 compared to £234,000 last year.

Competition from imports and a relatively high manufacturing cost in the UK has necessitated the transfer of much of the Group's production to Asia. This has resulted in exceptional costs being incurred in the year.

Operating profit, before goodwill amortisation and exceptional costs, was £1,682,000 compared to £988,000 last year. Exceptional costs totalled £738,000 (2003 — £nil), goodwill amortisation was £206,000 (2003 — £201,000) and negative goodwill released was £443,000 (2003 — £nil).

I am pleased to report that our balance sheet continues to strengthen with net assets increasing to £7,300,000 as at 31 January 2004 compared with £5,431,000 as at 31 January 2003.

The acquisition of MV Sports Group Plc, a company that distributes sports and leisure products and toys, was completed on 8 April 2003. A non-core subsidiary of MV, Water Waiter Limited, was sold on 31 October 2003.

MV has a subsidiary company in Hong Kong dealing with product sourcing and direct sales to major retailers. Since acquisition, this operation has been strengthened, particularly in product sourcing and development areas. The company now works closely with all the Group's businesses to ensure that our imported product is produced to the highest standards with improved delivery and competitive prices to meet our customers' requirements.

Falcon and Dawes

We have two cycle businesses, Falcon and Dawes. The Falcon business has the well recognised brand names of Falcon, Claud Butler, Townsend and British Eagle and continues to maintain an excellent reputation for product quality and service. Dawes is a long established brand, with its most successful models sold in the upper end of the market. It has strong awareness with retailers and the general public and continues to be a brand of choice for those consumers wishing to purchase more specialised trekking and touring bicycles.

Dawes maintained market share during the year and with reduced fixed costs, increased profitability before exceptional costs.

Sales since 31 January 2004, both at Falcon and Dawes, have been encouraging with improved margins and reduced fixed costs.

Pot Black

Pot Black experienced considerable change during the year, the most significant of which was its move from the facilities that it had occupied for more than 25 years to modern and more efficient premises. Simultaneously, much of the snooker and pool table production was transferred to Asia. An exciting new range of cues and higher value snooker tables has been introduced and we are already seeing the benefit from sales of these new products in the first months of this new financial year.

Ben Sayers

The relocation of Ben Sayers alongside Pot Black, reported in the interim statement, has now been completed allowing better utilisation of resources and reduced fixed costs.

The 2004 range of products has been well received by customers and national retailer listings have been secured.

MV Sports

MV distributes products featuring high profile brand and character licences including Barbie, Bratz, Groovy Chick and Bang on the Door and a range of football training equipment under the Kickmaster brand.

Since acquisition on 8 April 2003, the MV business has been able to reduce fixed costs and focus on product development and increasing sales and margins.

Sales for the current year are ahead of last year and we expect that MV will have a successful year.

Current Trading

Trading to date is in line with expectations although the turnover and profitability of the Group is heavily biased to the second half of the year.

The benefits from the actions that incurred the exceptional costs in the year to 31 January 2004 should be received during the current financial year with savings of fixed costs and improvements in margins.

We welcome to the Group the employees of MV Sports who have shown a real commitment and enthusiasm since joining us. The opportunity should also be taken to thank the employees of the other businesses in the Group for their endeavours throughout the year.

Graham Waldron
Chairman
5 April 2004

The Directors submit their fortieth annual report with the audited financial statements for the year ended 31 January 2004.

Principal activities

The principal activity of the Group is the manufacture and distribution of sports and leisure equipment.

The Chairman's statement on page 1 should be read in conjunction with this report.

Results and dividend

The results for the year ended 31 January 2004 are set out on page 6. The Directors do not recommend the payment of a dividend (2003 — £nil). Movements on reserves are set out on page 9.

Acquisition and disposal

On 8 April 2003, the Group acquired MV Sports Group Plc. The results of the acquisition have been included in the Group financial statements from that date. On 31 October 2003, the Group disposed of Water Waiter Limited. The results of the disposal have been included in the Group financial statements to that date.

Further information is given in notes 23 and 24 on pages 24 and 25.

Share capital

Changes in the authorised and issued share capital of the Group are set out in note 18 on pages 20 and 21.

Significant shareholders

As at 2 April 2004 the Directors have been notified of the following interests, other than those of the Directors, representing 3% or more of the issued ordinary share capital.

	4p ordinary shares	%
Jupiter Asset Management Ltd	3,800,000	10.1
Venaglass Limited	3,170,267	8.4
Close Investments Ltd	2,620,000	7.0

Directors

The present Directors are listed on the inside front cover.

In accordance with the Articles of Association, A P Vicary, who has a service contract lasting for less than one year, retires at the Annual General Meeting and offers himself for re-election.

The interests of the Directors and their immediate families (as defined by the Companies Act 1985) in the shares of the Company are shown below:

Held beneficially and fully paid

	31 January 2004 4p ordinary shares	1 February 2003 4p ordinary shares
G Waldron	365,270	365,270
M P J Keene	436,511	389,666
A P Vicary	423,816	386,972

The figures for 1 February 2003 have been adjusted for the share consolidation on 19 March 2003.

Share options

	31 January 2004 4p ordinary shares	1 February 2003 4p ordinary shares
G Waldron	—	—
M P J Keene	260,000	121,900
A P Vicary	260,000	100,000

The figures for 1 February 2003 have been adjusted for the share consolidation on 19 March 2003.

Detail of changes to the Directors' share options during the year are shown in note 18 on pages 20 and 21.

Donations

No donations were made during the year (2003 — £nil).

Environmental policies

The Board welcomes the Government's policies towards cycling and increasing the National Cycle Network throughout the country. As a leading manufacturer and supplier of bicycles we believe that we are making a contribution to improving the environment by providing an alternative to using the motor car.

Corporate social responsibility

The Group has a Corporate Social Responsibility Committee (CSRC) with members from each of the Group's operations including the Hong Kong office.

The committee is responsible for ensuring that each business in the Group operates to the same broad guidelines defined in the Group policy statement issued by the CSRC. This statement deals with health and safety, employees, the environment and social responsibility.

A key element of the policy is the supplier code of conduct and the supplier audit programme. Every new or prospective supplier must now satisfactorily complete an audit before being validated as a Group supplier. With the benefit of local language, the Group's Hong Kong office is able to control the audits of the suppliers in Asia. Far from being negative, the audit programme is used as the basis of discussion during the original contact with suppliers. Auditors have found most companies proud to be able to show compliance with the elements of the ETI base code (see www.ethicaltrade.org) used within the supplier code of conduct that is issued with the audit.

With the supplier audit programme now implemented, the CSRC has turned its attentions towards the Group's waste output, water usage and energy monitoring. Each business in the Group submits quarterly data, which is used to measure their efficiency in dealing with waste. This data is an excellent way of recording the environmental impact of the Group's facilities in the UK and identifying where savings can be made.

Policy on payment of suppliers
Payment terms with suppliers are agreed before contracts are placed. It is the Group's policy to abide by agreed payment terms with suppliers. The trade creditors of the Company at 31 January 2004 represent 87 days (2003 — 43 days) as a proportion of the total amount invoiced by suppliers during the year.

Euro compliance
Where appropriate the Group is able to conduct trade in the euro.

Employment policies
It is the policy of the Group 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 operating businesses.

The necessity and importance of good communications and relations with all employees is well recognised and accepted throughout the Group. 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 share option schemes. Options are granted under these schemes in order that employees can participate in the Group's performance.

Interest rate risk
The Group finances its operations by a mixture of bank borrowings and loans at contracted rates of interest.

Liquidity risk
The Group successfully renegotiated its banking facilities on 25 March 2004 and considers there is adequate headroom going forward. Short-term flexibility is achieved by overdraft facilities.

Foreign currency risk
The Group hedges a proportion of its transactional exposures by taking out forward exchange contracts of up to 6 months forward against anticipated and known sales and purchases. The decision to hedge is influenced by the size of the exposure, the certainty of it arising and the exchange rate prevailing at the time.

Corporate governance
As a company listed on AIM, the Company is not required to comply with the Hampel Code issued in June 1998 which sets out the Principles of Good Corporate Governance. However, your board is mindful of its recommendations. The principal steps taken by the Group are set out below.

The Company is controlled through the Board of Directors which presently comprises two executive Directors and one independent non-executive Director. The two executive Directors have service contracts of less than one year. The remuneration and other emoluments of executive Directors and senior managers are determined by the Remuneration Committee, of which G Waldron is currently the only member. 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.

The Board has a formal schedule of matters reserved to it and meets monthly. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of its trading businesses, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The Board also considers environmental and employee issues and key appointments. All Directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

The Board has established two committees. The Audit Committee meets as appropriate to review the Group's accounting policies, reporting procedures and financial matters, with the Finance Director and the external auditors in attendance. The Remuneration Committee reviews the terms and conditions of employment of the Directors and senior managers. Following the resignation of previous Directors who were members of both committees, G Waldron is currently the only member and takes external advice when appropriate. Your board continues to seek an additional non-executive Director with appropriate skills.

The Group encourages two way communication with both its institutional and private investors and responds quickly to all queries received verbally or in writing. The executive Directors attended regular meetings with institutional shareholders in the year ended 31 January 2004.

The Group has a comprehensive system for reporting financial results to the Board. Each operating unit prepares monthly results with a comparison against budget. Towards the end of each financial year the operating units prepare detailed budgets for the following year. Budgets and plans are reviewed by the Board before being formally adopted.

Quality and integrity of personnel is regarded as vital to the maintenance of the Group's system of internal control. Due to the relatively small number of key employees within the business, the Board has first hand knowledge of their performance.

The executive management has defined the financial controls and procedures with which each operating unit is required to comply. Key controls over major business risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of the extent of their compliance with these controls and procedures.

Much of the Group's financial and management information is processed by and stored on computer systems. Accordingly, the Group has established controls and procedures over the security of data held on computer systems. Also, the Group has put in place arrangements for computer processing to continue and data to be retained in the event of the complete failure of the Group's own data processing facility.

With a substantial part of purchases in United States dollars, hedging against foreign exchange fluctuations in this currency is recognised by the Directors as a key responsibility. The prudent use of various financial instruments minimises vulnerability to the volatility of the US dollar that may affect this net exposure.

A number of the Group's key functions, including treasury, taxation, and insurance, are dealt with centrally by the Finance Director who reports to the Board on a monthly basis.

The Group meets its day to day working capital requirements through certain overdraft facilities. The Group expects to operate within the facilities currently agreed. In these circumstances, based on plans for 2004, and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities

United Kingdom 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 and of the profit or loss of the Group for that year. 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; and
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the limited liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice of the Annual General Meeting includes Resolution No. 4 proposed as special business. This resolution seeks the authority from shareholders for the Company to purchase its own shares. The Company would only exercise the authority if the effect of doing so would be to increase earnings per share of the remaining shareholders and be in the best interests of shareholders generally. In addition, in exercising such authority, the Company would comply with the current guidelines of the ABI and the UK Listing Authority.

By Order of the Board
M P J Keene
5 April 2004

Independent Auditors' report

We have audited the financial statements of Tandem Group plc for the year ended 31 January 2004 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of movements on reserves, the reconciliation of movement in shareholders' funds, the statement of total recognised gains and losses, notes to the cash flow statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report and other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 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.

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 31 January 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants
Nottingham
5 April 2004

Consolidated profit and loss account

Year ended 31 January 2004

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Turnover					
Continuing operations			**37,421**		37,317
Acquisitions			**18,835**		—
			56,256		37,317
Discontinued operations			**643**		—
	2, 3		**56,899**		37,317
Cost of sales			**(40,965)**		(26,382)
Gross profit			**15,934**		10,935
Normal operating expenses		**(14,252)**		(9,947)	
Exceptional operating expenses		**(738)**		—	
Net goodwill release/(amortisation)	3	**237**		(201)	
Total operating expenses	4		**(14,753)**		(10,148)
Operating profit					
Continuing operations		**(269)**		917	
Acquisitions		**1,248**		(134)	
Discontinued operations		**202**		4	
Profit on ordinary activities before interest			**1,181**		787
Net interest payable	5		**(572)**		(553)
Profit on ordinary activities before taxation			**609**		234
Tax (charge)/credit on profit on ordinary activities	7		**(3)**		9
Profit on ordinary activities after taxation			**606**		243
Non-equity minority interests	19		**(27)**		151
Profit for the financial year transferred to reserves			**579**		394

Earnings per share		**Pence**	Pence
Basic	9	**1.64**	1.57
Diluted	9	**1.62**	1.57
Adjusted	9	**3.06**	2.38

Consolidated balance sheet

At 31 January 2004

	Notes	**2004 £'000**	2003 £'000
Fixed assets			
Intangible assets	10	**3,523**	3,692
Negative goodwill	10	**(197)**	(197)
		3,326	3,495
Tangible assets	11	**1,396**	1,153
		4,722	4,648
Current assets			
Stocks	12	**7,593**	7,133
Debtors	13	**9,275**	6,433
Cash at bank and in hand	14	**1,965**	—
		18,833	13,566
Creditors — amounts falling due within one year			
Bank overdraft	14	—	1,374
Other creditors	15	**15,249**	9,539
		15,249	10,913
Net current assets		**3,584**	2,653
Total assets less current liabilities		**8,306**	7,301
Creditors — amounts falling due after more than one year	15	**1,006**	1,801
Provisions for liabilities and charges	16	—	69
Net assets		**7,300**	5,431
Capital and reserves			
Called up share capital	18	**1,503**	11,174
Share premium account		**5,258**	5,442
Merger reserve		**1,036**	63
Other reserves		**5,363**	406
Profit and loss account		**(6,609)**	(12,376)
Equity shareholders' funds		**6,551**	4,709
Non-equity minority interests	19	**749**	722
		7,300	5,431

The financial statements were approved by the Board on 5 April 2004 and signed on its behalf by:

G Waldron
Director

M P J Keene
Director

Company balance sheet

At 31 January 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	10	**2,249**	2,277
Negative goodwill	10	**(197)**	(197)
		2,052	2,080
Investments	10	**2,340**	2,533
Tangible assets	11	**355**	451
		4,747	5,064
Current assets			
Stocks	12	**1,068**	1,764
Debtors	13	**1,832**	14,738
Cash at bank and in hand	14	**10,447**	—
		13,347	16,502
Creditors — amounts falling due within one year			
Bank overdraft	14	**—**	3,563
Other creditors	15	**3,345**	4,093
		3,345	7,656
Net current assets		**10,002**	8,846
Total assets less current liabilities		**14,749**	13,910
Creditors — amounts falling due after more than one year	15	**900**	1,763
Provisions for liabilities and charges	16	**—**	65
Net assets		**13,849**	12,082
Capital and reserves			
Called up share capital	18	**1,503**	11,174
Share premium account		**5,258**	5,442
Merger reserve		**1,036**	63
Other reserves		**5,363**	406
Profit and loss account		**689**	(5,003)
Equity shareholders' funds		**13,849**	12,082

The financial statements were approved by the Board on 5 April 2004 and signed on its behalf by:

G Waldron
Director

M P J Keene
Director

Statement of movements on reserves

Year ended 31 January 2004

	Share premium account £'000	Other reserves £'000	Merger reserve £'000	Profit and loss account £'000	**Total £'000**
The Group					
Balance at 1 February 2003	5,442	406	63	(12,376)	(6,465)
Profit for the financial year transferred to reserves	—	—	—	579	579
Share consolidation	—	3,937	—	5,201	9,138
Re-translation of overseas subsidiaries	—	—	—	(13)	(13)
Arising on repurchase of "A" ordinary shares	—	1,020	—	—	1,020
Arising on issue of shares	9	—	973	—	982
Expenses of share issue	(193)	—	—	—	(193)
Balance at 31 January 2004	**5,258**	**5,363**	**1,036**	**(6,609)**	**5,048**
The Company					
Balance at 1 February 2003	5,442	406	63	(5,003)	908
Profit for the financial year transferred to reserves	—	—	—	491	491
Share consolidation	—	3,937	—	5,201	9,138
Arising on repurchase of "A" ordinary shares	—	1,020	—	—	1,020
Arising on issue of shares	9	—	973	—	982
Expenses of share issue	(193)	—	—	—	(193)
Balance at 31 January 2004	**5,258**	**5,363**	**1,036**	**689**	**12,346**

Reconciliation of movements in shareholders' funds

Year ended 31 January 2004

	2004 £'000	2003 £'000
The Group		
Profit for the financial year transferred to reserves	**579**	394
Issue of share capital	**1,276**	2,362
Re-translation of overseas subsidiaries	**(13)**	—
Net addition to shareholders' funds	**1,842**	2,756
Opening shareholders' funds	**4,709**	1,953
Closing shareholders' funds	**6,551**	4,709

Statement of total recognised gains and losses

Year ended 31 January 2004

	2004 £'000	2003 £'000
Profit for the financial year transferred to reserves	**579**	394
Re-translation of overseas subsidiaries	**(13)**	—
Total recognised gains and losses since the last annual report	**566**	394

Consolidated cash flow statement

Year ended 31 January 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities	A	**4,436**	9
Returns on investments and servicing of finance			
Interest paid		**(556)**	(544)
Interest element of hire purchase rentals		**(16)**	(9)
Net cash outflow from returns on investments and servicing of finance		**(572)**	(553)
Taxation		**(3)**	—
Capital expenditure			
Purchase of tangible fixed assets		**(351)**	(214)
Sale of tangible fixed assets		**35**	48
Net cash outflow from capital expenditure		**(316)**	(166)
Acquisitions and disposals			
Purchase of subsidiary undertakings	23	**(449)**	(1,170)
Net cash at bank and in hand acquired with subsidiary	23	**185**	—
Disposal of subsidiary undertakings	24	**1,245**	—
Purchase of subsidiary company preference shares		**—**	(140)
Net cash inflow/(outflow) from acquisitions and disposals		**981**	(1,310)
Net cash inflow/(outflow) before financing		**4,526**	(2,020)
Financing			
Ordinary shares issued		**—**	2,450
Expenses incurred in issue of ordinary shares		**(193)**	(88)
Repayments of amounts borrowed		**(880)**	—
New loans		**—**	2,500
Capital element of hire purchase rentals		**(114)**	(79)
Net cash (outflow)/inflow from financing		**(1,187)**	4,783
Increase in cash	B & C	**3,339**	2,763

Notes to the consolidated cash flow statement

A. Reconciliation of operating profit to net cash inflow from operating activities

	2004 £'000	2003 £'000
Operating profit	**1,181**	787
Depreciation charges	**637**	384
Amortisation of goodwill	**206**	201
Negative goodwill released	**(443)**	—
Profit on sale of tangible fixed assets	**(4)**	(13)
Decrease/(increase) in stocks	**906**	(457)
Increase in debtors	**(1,209)**	(800)
Increase/(decrease) in creditors	**3,231**	(65)
Utilisation of provisions on discontinued activities	**(69)**	(28)
Net cash inflow from operating activities	**4,436**	9

B. Reconciliation of net cash inflow to movement in net funds/(debt)

	2004 £'000	2003 £'000
Increase in cash	**3,339**	2,763
Cash to repay finance leases and hire purchase contracts	**114**	79
Bank loan	**800**	(2,500)
Changes in net debt resulting from cash flows	**4,253**	342
New finance leases	**—**	(231)
Lease and hire purchase obligations acquired with subsidiary	**(65)**	—
Loan acquired with subsidiary	**(80)**	—
Movement in net debt in the year	**4,108**	111
Net debt at 1 February 2003	**(4,044)**	(4,155)
Net funds at 31 January 2004	**64**	(4,044)

C. Analysis of net funds/(debt)	**At 1 February 2003 £'000**	**Cash flow £'000**	**Acquisitions £'000**	**Non-cash flow £'000**	**At 31 January 2004 £'000**
Cash at bank and in hand	—	1,965	—	—	**1,965**
Bank overdraft	(1,374)	1,374	—	—	**—**
	(1,374)	3,339	—	—	**1,965**
Bank loan due within 1 year	(800)	800	—	(800)	**(800)**
Bank loan due after 1 year	(1,700)	—	—	800	**(900)**
Loans acquired with subsidiary	—	—	(80)	—	**(80)**
Hire purchase creditors	(170)	114	(65)	—	**(121)**
	(4,044)	4,253	(145)	—	**64**

Notes to the financial statements

1. Statement of accounting policies

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.

Turnover
This consists of sales (exclusive of value added tax) invoiced to external customers.

Consolidation
The consolidated financial statements incorporate the accounts of Tandem Group plc and its subsidiaries for the year ended 31 January 2004. All internal sales and unrealised intra-Group profits have been eliminated on consolidation. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date at which control passed. Acquisitions are accounted for under the acquisition method of accounting.

Goodwill
Prior to 31 January 1998, goodwill arising on consolidation was written off against reserves as a matter of accounting policy and would be charged or credited in the profit and loss account on subsequent disposal of the business to which it related. The amount of goodwill previously written off against reserves is £3,514,000 (2003 — £3,514,000). Since 1 February 1998, goodwill arising on acquisitions, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets acquired, is capitalised within fixed assets and amortised on a straight line basis over its useful economic life over a period of up to 20 years. Negative goodwill is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale.

Investments
Shares in Group companies are stated at cost less provisions for impairment.

Tangible fixed assets
Tangible fixed assets are held at cost unless the value is impaired at which point they are carried at the higher of net realisable value or the present value of future cash flows arising from that asset. On all other assets, depreciation is provided on a straight line basis to write off the assets over their economic lives as follows:

Short leasehold land and buildings	Length of lease
Vehicles	3 — 4 years
Plant and machinery	3 — 10 years

Deferred taxation
Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell an asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases
Assets held under finance leases and hire purchase contracts and the related lease obligations 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 term 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.

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.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investments in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Financial instruments
The Group's financial instruments comprise bank overdraft facilities, bank loan, cash, bills of exchange, forward exchange contracts, hire purchase contracts and finance lease agreements. Forward exchange contracts are used to fix the value of the related asset or liability in the contract currency and at the contract rate, and any gains or losses on these instruments are taken to the profit and loss account. The Group does not trade in financial instruments. Short term debtors and creditors are not treated as financial assets or liabilities for disclosure purposes, other than currency disclosure.

For further information see note 17 on pages 19 and 20.

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.

The transitional disclosure requirements of FRS 17 — Retirement Benefits, have been applied to these financial statements. For further pension information see note 21 on pages 22 to 24.

2. Turnover, profits and net asset analyses

All operations for the current and prior year relate to the manufacture and distribution of sports and leisure equipment.

Geographical analysis of turnover by destination is as follows:

	2004 £'000	2003 £'000
United Kingdom	**52,715**	35,593
Europe	**3,992**	1,724
Rest of the world	**192**	—
	56,899	37,317

Group turnover, profits and net assets were attributable to operations in the United Kingdom and Hong Kong. Analysis by geographical origin have not been given as, in the opinion of the Directors, its disclosure would be prejudicial to the interests of the Group.

3. Analyses of continuing and discontinued operations

	2004			
	Continuing £'000	**Acquisitions** £'000	**Discontinued** £'000	**Total** £'000
Turnover	**37,421**	**18,835**	**643**	**56,899**
Cost of sales	**(28,238)**	**(12,572)**	**(155)**	**(40,965)**
Gross profit	**9,183**	**6,263**	**488**	**15,934**
Operating expenses				
Administration expenses				
Normal administration expenses	**(4,679)**	**(2,141)**	**(223)**	**(7,043)**
Exceptional operating expenses	**(601)**	**(137)**	**—**	**(738)**
Goodwill amortisation	**(206)**	**—**	**—**	**(206)**
Negative goodwill released	**443**	**—**	**—**	**443**
	(5,043)	**(2,278)**	**(223)**	**(7,544)**
Distribution costs	**(4,522)**	**(2,737)**	**(63)**	**(7,322)**
Other operating income	**113**	**—**	**—**	**113**
Net operating expenses	**(9,452)**	**(5,015)**	**(286)**	**(14,753)**
Operating (loss)/profit	**(269)**	**1,248**	**202**	**1,181**

	2003			
	Continuing £'000	Acquisitions £'000	Discontinued £'000	Total £'000
Turnover	37,317	—	—	37,317
Cost of sales	(26,382)	—	—	(26,382)
Gross profit	10,935	—	—	10,935
Operating expenses				
Administration expenses				
Normal administration expenses	(5,302)	—	(28)	(5,330)
Goodwill amortisation	(201)	—	—	(201)
	(5,503)	—	(28)	(5,531)
Distribution costs	(4,691)	—	—	(4,691)
Other operating income	42	—	4	46
Net operating expenses before provision movements	(10,152)	—	(24)	(10,176)
Utilisation/release of provisions	—	—	28	28
Operating profit	783	—	4	787

4. Analysis of net operating expenses and net operating profit

	2004 £'000	2003 £'000
Net operating profit is after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets		
Owned assets	**553**	329
Leased assets	**84**	55
Profit on disposal of tangible fixed assets	**(4)**	(13)
Rentals under operating leases		
Hire of plant and machinery	**178**	155
Other operating leases	**1,031**	551
Auditors' remuneration		
Audit fees	**90**	49
Other services	**50**	12
Exceptional operating expenses		
Redundancy costs	**510**	—
Relocation costs	**52**	—
Pension scheme payments (see note 21)	**176**	—
Goodwill		
Goodwill amortisation	**206**	201
Negative goodwill released	**(443)**	—

In addition to the auditors' remuneration for other services shown above, £21,000 (2003 — £8,000) was capitalised. The audit fee for the Company was £34,000 (2003 — £32,000).

5. Net interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable on loans and overdrafts	**556**	544
Interest payable on hire purchase creditors	**16**	9
	572	553

6. Information regarding Directors and employees

	2004 £'000	2003 £'000
Staff costs incurred during the year		
Wages and salaries	**5,981**	5,686
Social security	**559**	483
Pensions — defined contributions schemes	**239**	238
Pensions — defined benefit scheme	**11**	12
	6,790	6,419

	Number	Number
The average number of persons employed by the Group in the year		
Production	**187**	250
Sales and distribution	**102**	73
Administration	**66**	50
	355	373

	£'000	£'000
Directors' remuneration		
Salaries and fees	**334**	334
Benefits	**22**	36
Pension scheme contributions	**51**	32
	407	402

The Group contributes to a personal pension plan for G Waldron, a defined benefits pension scheme for M P J Keene and a defined contributions pension scheme for A P Vicary. The same profile existed in the previous year. The highest paid Director received emoluments of £154,000 (2003 — £160,000). The accrued annual pension entitlement for the highest paid Director at the end of the year was £23,650 (2003 — £21,600).

7. Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Current taxation	**3**	—
Deferred taxation	**—**	(9)
Tax on profit on ordinary activities	**3**	(9)

The tax charge is disproportionate to the profits before tax due to the utilisation of losses brought forward. The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current year and the previous year are lower than the standard rate for the reasons set out in the following reconciliation:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	**609**	234
Tax on ordinary activities at the standard rate	**183**	70
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	**(44)**	95
Movement in general provisions	**(7)**	(3)
Capital allowances in excess of depreciation	**(82)**	47
Utilisation of losses brought forward	**(304)**	(250)
Carried forward losses	**331**	41
Other	**(74)**	—
Current tax on profit on ordinary activities	**3**	—

At 31 January 2004 there are trading losses of approximately £12,647,000 (2003 — £7,813,000) available for carry forward against future profits of the same trade.

8. 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 profit attributable to the Group, a profit of £491,000 (2003 — loss £157,000) is dealt with in the accounts of Tandem Group plc.

9. Earnings per share

	2004 £'000	2003 £'000
Profit for the year used for basic and diluted earnings per share calculation	**579**	394
Net goodwill (release)/amortisation	**(237)**	201
Exceptional operating expenses	**738**	—
Profit for the year before goodwill amortisation and exceptional operating expenses used for adjusted earnings per share calculation	**1,080**	595

	Number	Number
Weighted average number of ordinary shares in issue during the year used for basic and adjusted earnings per share calculation	**35,333,215**	25,046,519
Weighted average number of shares under option	**1,310,959**	—
Number of ordinary shares that would have to be issued at fair value	**(942,252)**	—
Weighted average number of ordinary shares in issue during the year used for diluted earnings per share calculation	**35,701,922**	25,046,519

	pence	pence
Earnings per share		
Basic	**1.64**	1.57
Diluted	**1.62**	1.57
Adjusted	**3.06**	2.38

The adjusted earnings per share, which excludes net goodwill release of £237,000 (2003 — £201,000 amortisation) and exceptional items of £738,000 (2003 — £nil), is calculated to allow shareholders to gain a clear understanding of the trading performance of the Group. Earnings per share for 2004 and 2003 have been restated to take account of the share consolidation, which was approved by shareholders on 18 March 2003.

10. Intangible fixed assets and investments

	Goodwill £'000	Negative goodwill £'000
The Group		
Cost		
At 1 February 2003	7,156	(197)
Acquisitions	—	(443)
Revision to prior year fair value provisions	37	—
At 31 January 2004	**7,193**	**(640)**
Accumulated amortisation		
At 1 February 2003	3,464	—
Provided in the year	206	—
Negative goodwill released in the year	—	(443)
At 31 January 2004	**3,670**	**(443)**
Net book value		
At 31 January 2004	**3,523**	**(197)**
Net book value		
At 31 January 2003	3,692	(197)

	Unlisted investments in subsidiary undertakings £'000	Goodwill £'000	Negative goodwill £'000
The Company			
Cost			
At 1 February 2003	5,610	2,664	(197)
Acquisitions	1,909	—	—
Hivedown of investments to subsidiary	(2,102)	—	—
At 31 January 2004	**5,417**	**2,664**	**(197)**
Accumulated amortisation			
At 1 February 2003	3,077	387	—
Provided in the year	—	28	—
At 31 January 2004	**3,077**	**415**	**—**
Net book value			
At 31 January 2004	**2,340**	**2,249**	**(197)**
Net book value			
At 31 January 2003	2,533	2,277	(197)

During the year the Company acquired MV Sports Group Plc, further details are given in note 23 on pages 24 and 25. The Company also revised the fair values attributed to the acquisition of the business and certain assets of Ben Sayers, reducing stock levels by £37,000.

The principal wholly owned subsidiary undertakings of the Group at the year end are listed below. The companies were incorporated in Great Britain and operate 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.

	Manufacturers and distributors of:
Falcon Cycles Limited	Bicycles and bicycle accessories
Pot Black Limited	Snooker, pool and outdoor play products
Dawes Cycles Limited	Bicycles and bicycle accessories
Ben Sayers Limited	Golf equipment
MV Sports Group Plc	Sports, toy and leisure products

11. Tangible fixed assets

	Short leasehold land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Total £'000
The Group				
Cost				
At 1 February 2003	312	4,015	49	4,376
Additions	2	329	20	351
Acquisition of subsidiary undertaking	158	3,916	219	4,293
Disposals	—	(963)	(50)	(1,013)
Disposal of subsidiary undertaking	—	(493)	(86)	(579)
At 31 January 2004	**472**	**6,804**	**152**	**7,428**
Depreciation				
At 1 February 2003	151	3,040	32	3,223
Provided in the year	25	570	42	637
Acquisition of subsidiary undertaking	69	3,263	96	3,428
Disposals	—	(950)	(33)	(983)
Disposal of subsidiary undertaking	—	(243)	(30)	(273)
At 31 January 2004	**245**	**5,680**	**107**	**6,032**
Written down value				
At 31 January 2004	**227**	**1,124**	**45**	**1,396**
At 31 January 2003	161	975	17	1,153
The Company				
Cost				
At 1 February 2003		1,583	27	1,610
Additions		225	11	236
Transfer to subsidiary company		(542)	(11)	(553)
At 31 January 2004		**1,266**	**27**	**1,293**
Depreciation				
At 1 February 2003		1,144	15	1,159
Provided in the year		92	7	99
Transfer to subsidiary company		(320)	—	(320)
At 31 January 2004		**916**	**22**	**938**
Written down value				
At 31 January 2004		**350**	**5**	**355**
At 31 January 2003		439	12	451

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

	2004 £'000	2003 £'000
Plant and machinery	**191**	107
Vehicles	**62**	5
	253	112

12. Stocks

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Raw materials	**2,255**	2,447	**363**	440
Work in progress	**299**	354	—	—
Finished goods for resale	**5,039**	4,332	**705**	1,324
	7,593	7,133	**1,068**	1,764

In the opinion of the Directors there is no material difference between the historical and replacement cost of stocks.

13. Debtors

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Amounts due within one year				
Trade debtors	**7,960**	5,355	**418**	1,557
Amounts due from subsidiary undertakings	—	—	**1,155**	12,905
Other debtors	**228**	178	**4**	68
Deferred tax	**463**	463	**62**	21
Prepayments and accrued income	**624**	437	**193**	187
	9,275	6,433	**1,832**	14,738

14. Bank accounts

Bank overdrafts are secured by a fixed and floating charge over the Group's assets.

15. Other creditors

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Bank loan	**800**	800	**800**	800
Hire purchase and finance lease obligations	**95**	78	—	48
Trade creditors	**6,413**	4,156	**2,024**	1,239
Taxation and social security costs	**633**	840	—	316
Other creditors	**6,445**	3,239	**333**	1,494
Accruals	**863**	426	**188**	196
	15,249	9,539	**3,345**	4,093
Amounts falling due after more than one year				
Bank loan	**900**	1,700	**900**	1,700
Hire purchase and finance lease obligations	**26**	92	—	54
Other creditors	**80**	—	—	—
Accruals and deferred income	—	9	—	9
	1,006	1,801	**900**	1,763

Included in other creditors is an amount of £4,101,000 (2003 — £2,741,000), which is secured by a charge on the trade debtors of Falcon Cycles Limited, MV Sports & Leisure Limited, Pot Black Limited, Dawes Cycles Limited, Two Wheel Trading Company Limited and Ben Sayers Limited.

The aggregate amount of hire purchase agreements, bank loans and overdrafts was as follows:

Amounts falling due on demand or less than one year

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Bank overdraft	—	1,374	—	3,563
Bank loan	**800**	800	**800**	800
Hire purchase and finance lease obligations	**95**	78	—	48
	895	2,252	**800**	4,411

Amounts falling due after more than one year

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Bank loans				
In more than one year but not more than two years	**900**	800	**900**	800
In more than two years but not more than five years	—	900	—	900
	900	1,700	**900**	1,700

The bank loan bears interest at 2% above bank base rate and is secured by a fixed and floating charge over the Group's assets.

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
Obligations under hire purchase and finance lease agreements				
In more than one year but not more than two years	**12**	72	—	48
In more than two years but not more than five years	**14**	20	—	6
	26	92	—	54

The obligations under hire purchase and finance lease contracts are secured by the related assets.

16. Provisions for liabilities and charges

	At 1 February 2003 £'000	Released/ utilised/ transferred £'000	**At 31 January 2004 £'000**
The Group			
Disposal costs of businesses	(69)	(69)	—
The Company			
Disposal costs of businesses	65	(65)	—

The provision for the disposal costs of the business was established in the period ended 28 January 1996 to cover potential claims and legal fees in respect of the Group's former horticultural business.

16. Provisions for liabilities and charges continued

The movements in deferred taxation as calculated on the liability method at 30% (2003 — 30%) are set out below:

	Group		Company	
	2004	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000
At 1 February	**(463)**	(454)	**(21)**	—
Current year credit	**—**	(9)	**(41)**	(21)
At 31 January	**(463)**	(463)	**(62)**	(21)

Deferred taxation

	Provided	**Not Provided**	Provided	Not Provided
	2004	**2004**	2003	2003
	£'000	**£'000**	£'000	£'000
The Group				
Accelerated capital allowances	**(314)**	**(297)**	—	(370)
Short term timing differences	**(30)**	**(2)**	11	(2)
Losses	**(119)**	**(3,676)**	(474)	(1,963)
Excess management expenses	**—**	**(739)**	—	(741)
Capital losses	**—**	**(2,075)**	—	(2,245)
ACT	**—**	**(835)**	—	(841)
	(463)	**(7,624)**	(463)	(6,162)

	Provided	**Not Provided**	Provided	Not Provided
	2004	**2004**	2003	2003
	£'000	**£'000**	£'000	£'000
The Company				
Accelerated capital allowances	**1**	**—**	(6)	—
Short term timing differences	**(5)**	**—**	18	—
Losses	**(58)**	**(85)**	(33)	(47)
Excess management expenses	**—**	**(739)**	—	(741)
Capital losses	**—**	**(883)**	—	(883)
ACT	**—**	**(51)**	—	(66)
	(62)	**(1,758)**	(21)	(1,737)

A deferred tax asset has not been recognised in respect of the unprovided trading losses, capital losses, excess management expenses and advance corporation tax as the Company does not anticipate sufficient taxable trading profits, capital gains, utilisation of management expenses or recovery of ACT respectively, to arise within the immediate future.

In time it is anticipated that the losses will be recovered as the Group continues to make profits and ACT will be recoverable when the Group makes sufficient profits in the correct Group companies. However, capital losses and management expenses will only be utilised if a capital gain arises against which the capital losses may be set off or Tandem Group plc reverts to an investment company, and makes a profit against which the excess management expenses can be utilised.

A deferred tax asset has not been recognised in respect of the accelerated capital allowances, as this is not expected to reverse within the immediate future. The accelerated capital allowances will be released when the tax written down value of the Group's assets matches the book values.

17. Financial instruments

The Group's policies as regards financial instruments are set out in the Directors' report on pages 2 to 4 and the accounting policies in note 1 on page 12. Short-term debtors and creditors have been omitted from all disclosures other than those relating to currency exposure.

Interest rate and currency of net (funds)/borrowings

The currency exposure of the Group's net (funds)/borrowings is shown below:

	2004	2003
	£'000	£'000
Sterling	**1,363**	3,652
US dollars	**(1,439)**	219
Japanese yen	**5**	119
Others	**7**	54
	(64)	4,044

Included within borrowings are obligations under hire purchase and finance lease agreements of £121,000 (2003 — £170,000) and bank loans of £1,700,000 (2003 — £2,500,000). The obligations under hire purchase and finance leases carry a weighted average interest rate of 8% (2003 — 8%), which is fixed for a weighted average time of 2 years (2003 — 2 years). Bank overdrafts and the bank loan bear interest at 2% above bank base rate. The Group has a right of set-off for cash balances against borrowings. The functional currency of the Group is sterling.

17. Financial instruments continued

The remaining floating rate (funds)/borrowings comprise net bank (deposits)/overdraft and bank loan, which bears interest as follows:

- Sterling based on UK bank base rates
- US dollar based on US prime rate
- Japanese yen based on Japanese bank base rates
- others based on bank base rates in the applicable country

Maturity profile

The total undrawn committed bank facilities which comprise bank overdraft and bank loan at the financial year end amounted to £3,965,000 (2003 — £1,858,000). All borrowings are repayable on demand with the exception of obligations under a bank loan, hire purchase contracts and finance lease agreements, which are analysed in note 15 on page 18. The bank overdraft is due for review in March 2005. The bank loan has a maturity date of January 2006.

Currency exposure
Foreign currency exposure on borrowings is not hedged.

The Group hedges a proportion of its transactional exposures by taking out forward exchange contracts of up to 6 months forward against anticipated and known sales and purchases, as described in the treasury section included in the Directors' report on pages 2 to 4. The decision to hedge is influenced by the size of the exposure, the certainty of it arising and the exchange rate prevailing at the time.

The Group had short term foreign currency trade creditors (principally US dollars) totalling £3,386,000. The Group has hedged forward net purchases totalling £8,567,000 (2003 — £1,797,000). There were no material unrealised gains or losses on forward foreign currency contracts covering US dollars and Euros. None of these were recognised at the balance sheet date.

Fair values
The fair values of the Group's financial instruments, valued at market value for foreign currency contracts and by discounting expected cash flows at prevailing year end interest rates for other items, are not materially different from their book values.

18. Called up share capital

		Number of shares	£'000
Authorised			
Ordinary shares of 4p each			
At 1 February 2003		343,750,000	13,750
Increase in authorised share capital		175,000,000	7,000
Consolidation		(466,875,000)	(18,675)
At 31 January 2004		51,875,000	2,075
Non-voting "A"ordinary shares of 1p each			
At 1 February 2003 and 31 January 2004		125,000,000	1,250
Total authorised share capital at 31 January 2004		**176,875,000**	**3,325**
Allotted, called up and fully paid			
Ordinary shares of 4p each			
1 February 2003	In issue at start of the year	253,822,080	10,153
19 March 2003	Consolidation	(228,440,857)	(9,138)
8 April 2003	Issue of new shares	12,168,406	487
5 August 2003	Issue of new shares	34,783	1
At 31 January 2004		37,584,412	1,503
Non-voting "A" ordinary shares of 1p each			
1 February 2003	In issue at start of the year	102,125,309	1,020
19 March 2003	Buyback of shares	(102,125,309)	(1,020)
Total issued share capital at 31 January 2004		**37,584,412**	**1,503**

At an Extraordinary General Meeting held on 18 March 2003 shareholders approved an increase in the authorised share capital, the buyback of the non-voting "A" shares and the consolidation of the ordinary shares of 4p each on a basis of one new share for every ten shares existing before the consolidation. The authorised share capital of the Company was increased from £13,750,000 to £20,750,000 by the creation of an additional 175,000,000 new ordinary shares at 4p each before the consolidation. Following the consolidation, the allotted, called up and fully paid share capital of the Company increased from £1,015,000 to £1,502,000 with the issue of 12,168,406 new ordinary shares at a value of 12p each to facilitate the acquisition of MV Sports Group Plc. Details of the acquisition are shown in note 23 on pages 24 and 25.

18. Called up share capital continued

Share options

The following options were held at 31 January 2004 under the Company's share option schemes:

	Number of shares					Option price per 4p ordinary share	Exercise period
	1 February 2003	Granted during year	Exercised during year	Lapsed or cancelled during year	31 January 2004		
Senior executive share option scheme 1986							
M P J Keene	140,000	—	—	(140,000)	—	145.0p	25/05/97–25/05/04
1996 Approved share option scheme							
M P J Keene	460,000	—	—	(460,000)	—	52.5p	08/12/03–08/12/10
M P J Keene	—	95,000	—	—	95,000	11.5p	01/05/06–01/05/13
A P Vicary	600,000	—	—	(600,000)	—	52.5p	08/12/03–08/12/10
A P Vicary	—	95,000	—	—	95,000	11.5p	01/05/06–01/05/13
Other employees	3,250,000	—	—	(3,250,000)	—	52.5p	08/12/03–25/05/11
Other employees	—	890,000	—	—	890,000	11.5p	01/05/06–01/05/13
1996 Unapproved share option scheme							
M P J Keene	79,000	—	—	(79,000)	—	76.0p	09/06/00–09/06/07
M P J Keene	540,000	—	—	(540,000)	—	52.5p	08/12/03–08/12/07
M P J Keene	—	165,000	—	—	165,000	11.5p	01/05/06–01/05/10
A P Vicary	400,000	—	—	(400,000)	—	52.5p	08/12/03–08/12/07
A P Vicary	—	165,000	—	—	165,000	11.5p	01/05/06–01/05/10
Other employees	—	330,000	—	—	330,000	11.5p	01/05/06–01/05/10
1996 Savings related share option scheme							
Other employees	229,922	—	—	(229,922)	—	130.0p	10/09/99–10/03/04

The ordinary share mid-market price on 31 January 2004 was 16.5p. During the year, the highest mid-market price was 35.0p and the lowest was 10.75p.

19. 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") (a dormant subsidiary company), and 111,460 10.25% cumulative preference shares of £1 each in Casket Plc ("Casket") together with an accrued dividend of £230,424. The rights as regards voting and participation in the profits and assets are set out below.

Kingsley & Forester Group Plc

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 held.

Casket Plc

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. The preferential dividend has been waived on shares owned by the Group in 2004.

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.

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.

20. Commitments

There was no capital expenditure contracted for but not provided for in the financial statements of the Group (2003 — £nil).

Operating lease commitments

	2004 Land and buildings £'000	**Other £'000**	2003 Land and buildings £'000	Other £'000
Annual commitments under operating leases expiring				
Within 1 year	**76**	**17**	92	58
1 to 5 years	**296**	**136**	296	143
More than 5 years	**723**	**51**	293	13
	1,095	**204**	681	214

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.

21. Pension arrangements

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

The Tandem Group Pension Plan

A contributory pension scheme, the Tandem Group Pension Plan, has two sections. One provides benefits based on final pensionable salary, the other provides benefits based on defined contributions. The final salary section is closed to new members.

The assets of the Plan are held separately from those of the Group, being invested with managed funds.

Contributions to the final salary section are determined by an independent qualified actuary on the basis of the triennial valuation using the Attained Age Method. A valuation was carried out in October 2001 ("the 2001 valuation"). The assumptions which have the most significant effect on the results of the 2001 valuation 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 7.5% per annum pre retirement and 5.5% post retirement and that salaries would increase at the rate of 5% per annum. Future pension increases were assumed to be at the rate guaranteed.

The 2001 valuation of the final salary section showed that the market value of the Plan's assets at that date was £8,061,000 and that the actuarial valuation of those assets based on a Minimum Funding Requirement (MFR) basis represented 95% of the benefits that had accrued to members, after allowing for future increases in earnings and pensions. The Group has agreed to make monthly payments of £6,000 from November 2002 to September 2011 in order to meet the defined benefits.

As required by SSAP24, the figures included in the accounts in respect of the Company pension scheme are based on an actuarial valuation carried out at October 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP24 triennial valuation as at October 2004 based upon which subsequent pension costs will be determined until the adoption of the Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17").

The paragraphs below set out the additional disclosures required by FRS 17:

The valuation used for FRS 17 disclosures has been based on the Projected Unit Method and membership data as provided for the 1 October 2001 valuation, updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 January 2004. Scheme assets are stated at their fair value at 31 January 2004. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method		**Projected Unit**	
	2004	2003	2002
Discount rate	**5.50%**	5.50%	6.25%
Increase in pensionable salaries	**3.75%**	3.50%	3.50%
Increase in pensions in payment	**5.00%**	5.00%	5.00%
Increase in deferred pensions	**3.00% to 5.00%**	3.00% to 5.00%	3.00% to 5.00%
Inflation assumption	**2.75%**	2.50%	2.50%

The expected rate of return and value of assets in the scheme were:

	Long term expected rate of return			**Value at 31 January 2004**	Value at 31 January 2003	Value at 31 January 2002
	2004	2003	2002	**£'000**	£'000	£'000
Equities	**8.0%**	8.0%	7.0%	**2,309**	1,740	2,451
Gilts	**5.0%**	5.0%	5.0%	**5,420**	5,740	5,517
Cash	**5.0%**	4.0%	4.0%	**11**	8	21
Total fair value of assets				**7,740**	7,488	7,989
Present value of scheme liabilities				**(8,777)**	(8,774)	(7,754)
(Deficit)/surplus in the scheme				**(1,037)**	(1,286)	235

21. Pension arrangements continued

	2004 £'000	2003 £'000
Analysis of the amount that would be charged to operating profit		
Current service cost	**35**	35
Analysis of the amount that would be charged to other finance income		
Expected return on pension scheme assets	**(418)**	(448)
Interest on pension scheme liabilities	**473**	485
Net charge	**55**	37
Analysis of amount that would be recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**(132)**	615
Experience losses arising on liabilities	**22**	199
(Gain)/loss due to changes in assumptions underlying the present value of scheme liabilities	**(157)**	672
Actuarial (gain)/loss that would be recognised in the STRGL	**(267)**	1,486
Movement in deficit during the year		
Deficit/(surplus) at the beginning of the year	**1,286**	(235)
Movement in year:		
Current service cost	**35**	35
Contributions	**(72)**	(36)
Other finance cost	**55**	36
Actuarial (gain)/loss	**(267)**	1,486
Deficit at the end of the year	**1,037**	1,286
History of experience gains and losses		
Difference between the actual and expected return on scheme assets		
Amount (£'000)	**(132)**	615
Percentage of scheme assets	**1.7%**	8.2%
Experience losses on scheme liabilities		
Amount (£'000)	**22**	199
Percentage of scheme liabilities	**0.3%**	2.3%
Total amount recognised in statement of total recognised gains and losses		
Amount (£'000)	**(267)**	1,486
Percentage of the present value of the scheme liabilities	**3.0%**	16.9%

The Casket Group Retirement and Death Benefit Scheme

Prior to 1995, Casket plc operated a defined benefits pension scheme. On 31 May 1995 proceedings commenced to wind up this scheme. On 1 June 1995 a new defined contribution scheme commenced. Current employees at that time had an amount transferred to individual accounts in the new scheme. Former employees had their deferred benefits transferred to be payable out of a contingency fund.

A valuation of the contingency fund at 6 April 2001 using the current unit method, showed that the market value of the fund's assets at that date was £1,065,000 and that the actuarial valuation of those assets based on MFR basis represented 81% of the benefits that had accrued to members, after allowing for future increases in earnings and pensions. The Group has agreed to make monthly payments of £8,663 from August 2002 to July 2005 and £7,364 from August 2005 to July 2012 to eliminate the deficit.

As required by SSAP24, the figures included in the accounts in respect of the Company pension scheme are based on an actuarial valuation carried out at April 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP24 triennial valuation as at April 2004 based upon which subsequent pension costs will be determined until the adoption of FRS17.

The paragraphs below set out the additional disclosures required by FRS 17:

The valuation used for FRS 17 disclosures has been based on the Projected Unit Method and takes account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 January 2004. Scheme assets are stated at their fair value at 31 January 2004. As the Casket Group Retirement and Death Benefit Scheme is a closed scheme, under the projected unit method, the current service cost will increase as the members of the scheme approach retirement. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method		**Projected Unit**	
	2004	2003	2002
Discount rate	**5.50%**	5.50%	6.25%
Increase in pensionable salaries	**Statutory rates**	Statutory rates	Statutory rates
Increase in pensions in payment	**Lower of RPI or 5.00%**	Lower of RPI or 5.00%	Lower of RPI or 5.00%
Increase in deferred pensions	**2.75%**	2.50%	2.50%
Inflation assumption	**2.75%**	2.50%	2.50%

The expected rate of return and value of assets in the scheme were:

	Long term expected rate of return			**Value at 31 January 2004**	Value at 31 January 2003	Value at 31 January 2002
	2004	2003	2002	**£'000**	£'000	£'000
Equities	**8.0%**	8.0%	7.0%	**824**	595	735
Gilts	**5.0%**	5.0%	5.0%	**119**	113	85
Cash	**5.0%**	5.0%	4.0%	**54**	51	123
Total fair value of assets				**997**	759	943
Present value of scheme liabilities				**(1,885)**	(1,891)	(1,628)
Deficit in the scheme				**(888)**	(1,132)	(685)

21. Pension arrangements continued

	2004 £'000	2003 £'000
Analysis of the amount that would be charged to operating profit		
Current service cost	—	—
Analysis of the amount that would be charged to other finance income		
Expected return on pension scheme assets	**(55)**	(62)
Interest on pension scheme liabilities	**103**	102
Net charge	**48**	40
Analysis of amount that would be recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**(215)**	201
Experience (gains)/losses arising on liabilities	**(46)**	58
(Gain)/loss due to changes in assumptions underlying the present value of scheme liabilities	**(31)**	148
Actuarial (gain)/loss that would be recognised in the STRGL	**(292)**	407
Movement in deficit during the year		
Deficit at the beginning of the year	**1,132**	685
Movement in year:		
Current service cost	—	—
Contributions	—	—
Other finance cost	**48**	40
Actuarial (gain)/loss	**(292)**	407
Deficit at the end of the year	**888**	1,132
History of experience gains and losses		
Difference between the actual and expected return on scheme assets		
Amount (£'000)	**(215)**	201
Percentage of scheme assets	**21.6%**	26.5%
Experience (gains)/losses on scheme liabilities		
Amount (£'000)	**(46)**	58
Percentage of scheme liabilities	**2.4%**	3.1%
Total amount recognised in statement of total recognised gains and losses		
Amount (£'000)	**(292)**	407
Percentage of the present value of the scheme liabilities	**15.5%**	21.5%

If the assets and liabilities of the two schemes were included in the Group's balance sheet the effect would be as follows:

	2004 £'000	2003 £'000
Net Assets		
Excluding pension deficit	**7,300**	5,431
Net pension deficit	**(1,925)**	(2,418)
Related deferred tax asset	**578**	725
Including pension deficit	**5,953**	3,738
Profit and loss reserves		
Excluding pension deficit	**(6,609)**	(12,376)
Net pension deficit	**(1,925)**	(2,418)
Related deferred tax asset	**578**	725
Including pension deficit	**(7,956)**	(14,069)

22. Contingent liabilities

The Company has guaranteed the bank borrowings of its subsidiary undertakings. At the year end the net liabilities covered by these guarantees totalled £8,482,000 (2003 — £nil).

The Group is currently defending a claim in relation to compost supplied between 1994 and 1995 by a former subsidiary company. The Group was unsuccessful on liability at trial and on 19 February 2003 was refused leave to appeal the original trial decision. Nevertheless the matter continues to be vigorously defended and quantum is still to be determined. Funds of £95,000 have been set aside in respect of this litigation. The matter is listed to return to court on 9 August 2004.

23. Acquisition

On 8 April 2003, the Group acquired 100% of the issued share capital of MV Sports Group Plc for consideration comprising the issue of 12,168,406 ordinary shares of 4 pence each in the Company. The provisional fair value of the total consideration was £1,909,000. In accordance with sections 131 and 133 of the Companies Act 1985, the Company has recorded the cost of investment at the fair value of the shares issued and the resulting premium has been credited to the merger reserve. The net assets acquired have been adjusted to their provisional fair values, which reflect the write down of goodwill in respect of Water Waiter Limited. The fair value of net assets acquired are provisional awaiting further assessment of assets and liabilities. Details of the acquisition are as follows:

23. Acquisition continued

	Book value on acquisition £'000	Provisional fair value adjustments £'000	Value brought into Group £'000
Fixed assets			
Intangible	2,152	(1,095)	1,057
Tangible	868	—	868
Current assets			
Stocks	1,281	—	1,281
Debtors	1,854	—	1,854
Cash	185	—	185
Total assets	6,340	(1,095)	5,245
Creditors			
Trade creditors	1,937	—	1,937
Other creditors and accruals	956	—	956
Total liabilities	2,893	—	2,893
Net assets acquired	3,447	(1,095)	2,352
Goodwill arising on acquisition			(443)
Total consideration paid			**1,909**
Satisfied by:			
Shares issued			1,460
Acquisition costs capitalised			449
			1,909
Net cash flows in respect of the acquisition comprised:			
Costs of acquisition			(449)
Cash at bank and in hand acquired with subsidiary			185
			(264)

MV Sports Group Plc incurred a loss after taxation of £1,484,000 in the year ended 30 June 2003 (30 June 2002 — £680,000 loss). The summarised unaudited profit and loss account and statement of total recognised gains and losses for the period from 1 July 2002 to 8 April 2003, shown on the basis of the accounting policies of MV Sports Group Plc prior to acquisition, are as follows:

Profit and loss account	£'000
Turnover	14,810
Operating loss	(1,478)
Finance charges (net)	(196)
Loss on ordinary activities before taxation	(1,674)
Tax on profit on ordinary activities	(10)
Loss on ordinary activities after taxation	(1,684)
Statement of total recognised gains and losses	
Loss for the financial period	(1,684)
Re-translation of overseas subsidiaries	(16)
Total recognised gains and losses relating to the period	(1,700)

MV Sports Group Plc contributed £4,174,000 to the Group's net operating cash flows, paid £38,000 in respect of net returns on investment and servicing of finance, paid £3,000 in respect of taxation and utilised £83,000 for capital expenditure.

24. Disposal

On 31 October 2003, the Group sold its 100% interest in the ordinary share capital of Water Waiter Limited. The profit of Water Waiter Limited up to the date of disposal was £202,000, and for its last financial year was £174,000. Net assets disposed of and the related sale proceeds were as follows:

	£'000
Fixed assets	307
Current assets	281
Creditors	(277)
Net assets	311
Related goodwill	1,088
Net sale proceeds	**1,399**
Satisfied by:	
Cash	1,382
Deferred consideration	154
Disposal costs	(137)
	1,399
Net cashflows in respect of the disposal comprised:	
Cash consideration	1,382
Disposal costs	(137)
	1,245

Water Waiter Limited contributed £277,000 to the Group's net operating cash flows, paid £nil in respect of net returns on investment and servicing of finance, paid £nil in respect of taxation and utilised £33,000 for capital expenditure.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FORTIETH ANNUAL GENERAL MEETING of TANDEM GROUP plc will be held at Eversheds LLP, 1 Royal Standard Place, Nottingham NG1 6FZ on 10 June 2004 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive, consider and adopt the report of the Directors and the audited financial statements for the year ended 31 January 2004.
2. To re-elect as a Director of the Company A P Vicary who retires in accordance with the Articles of Association and is eligible for re-election.
3. To re-appoint Deloitte & Touche LLP 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 is complied with and to authorise the Directors to fix their remuneration.

Special business

To consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution.

4. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 4p each in the capital of the Company ("ordinary shares") provided that:
   - (i) the maximum number of ordinary shares hereby authorised to be purchased is 5,637,661 (representing approximately 15 per cent of the Company's issued ordinary share capital);
   - (ii) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 1p;
   - (iii) the maximum price, exclusive of any expenses, which may be paid for any such share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;
   - (iv) the authority hereby conferred shall expire on the close of the next Annual General Meeting of the Company;
   - (v) the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

By Order of the Board
M P J Keene
9a South Street, Crowland, Peterborough, PE6 0AH
5 April 2004

1. Any holder of 4p ordinary shares entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting in person at the meeting should he or she so wish.
2. A form of proxy is enclosed. To be valid, the form of proxy together with any power of attorney or other authority under which it is signed (or a certified or office copy of such power of attorney) must be lodged with Capita Registrars of Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA, not later than 11.00 a.m. on 8 June 2004.
3. Any person entered on the register of members of the Company at 11.00 a.m. on 8 June 2004 is entitled to attend and vote at the Annual General Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the register of members after the above time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.
4. Copies of the Memorandum and Articles of Association of the Company, 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.

Form of proxy

TANDEM GROUP plc
ANNUAL GENERAL MEETING
to be held at 11.00 a.m. on 10 June 2004
(Name and address to be inserted in BLOCK LETTERS by shareholder.
In the case of joint holdings, names of all joint holders to be stated)

I/We ....

of ....

being (a) member(s) of the above-named Company hereby appoint the Chairman of the meeting or

....

as my/our proxy to attend and, on a poll, vote on my/our behalf at the Annual General Meeting of the Company to be held at Eversheds LLP, 1 Royal Standard Place, Nottingham NG1 6FZ at 11.00 a.m. on 10 June 2004 or at any adjournment thereof. The proxy is instructed to vote in respect of the resolutions as specified below:

	For	Against
ORDINARY BUSINESS		
1. To adopt the report of the Directors and the audited financial statements		
2. To re-elect A P Vicary as a Director		
3. To re-appoint Deloitte & Touche LLP as auditors of the Company		
SPECIAL BUSINESS		
SPECIAL RESOLUTION		
4. To authorise the Company to purchase its own shares		

Signature .... Date ....

Notes :

1. Please indicate how the proxy is to vote by placing an X in the appropriate box opposite the resolution. Where no 'X' is inserted, the proxy may vote or abstain at his/her/its discretion.
2. You may appoint a person other than the Chairman of the meeting by entering the name and address of the person you wish to appoint in the space provided and deleting the words "the Chairman of the meeting or". A proxy need not be a member of the Company. The Chairman of the meeting will act as proxy if no other name is inserted.
3. Any alteration of this form of proxy, including any alteration under Note 2 above, must be initialled.
4. A corporation must execute under its common seal or under the hand of a duly authorised officer.
5. This form of proxy together with any power of attorney or other authority under which it is signed (or a certified or office copy of such power of attorney) should be returned as soon as possible to the Company's registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA and in any event not later than 48 hours before the time appointed for the Annual General Meeting. Completion and return of this Form of Proxy will not preclude members of the Company from attending and voting in person (in substitution for your proxy vote) should you wish to do so.
6. In the case of joint holders, any one holder may sign this form. The vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the Register in respect of the joint holding.
7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at the date 48 hours before the time appointed for the Annual General Meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after this time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Second fold

BUSINESS REPLY SERVICE
Licence No. MB 122

2

Capita Registrars
Proxy Department
PO Box 25
Beckenham
KENT
BR3 4BR

First fold

Third fold
and tuck in flap opposite

IMPORTANT INFORMATION FOR SHAREHOLDERS

If you receive duplicate mailings, it may be because we have more than one shareholding in your name. To ensure that your shares are registered correctly and amalgamated into one account, please contact the Company's registrars in writing to Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA or by telephone on: **0870 162 3131**