

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this document or what action to take you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services Act 1986 who specialises in the acquisition of shares and other securities.

Notice has been given to the UK Listing Authority to cancel the listing of Ordinary Shares on the Official List, subject to Shareholders approving the Resolution required to implement the Proposals set out in this document.

Application will be made for the Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Further, neither the London Stock Exchange nor the UK Listing Authority has itself approved the contents of this document in respect of the admission to AIM. It is expected that dealings in the Consideration Shares will commence on 28 September 2000 and that dealings in the other Ordinary Shares will commence on 27 September 2000.

If you have sold or transferred all of your Ordinary Shares in Tandem please send this document, together with the accompanying documents, immediately to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Open Offer referred to in this document and the accompanying Application Form is not being made, directly or indirectly, in or into the USA, Canada, Japan or Australia and neither this document nor the accompanying documents should be mailed, forwarded, distributed, sent in or transmitted in or into those countries.

The Directors, whose names appear on page 57, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Admission Document relating to
the admission to trading on AIM of the Ordinary Shares of**

Tandem Group plc

(Incorporated and registered in England and Wales No. 616818)

Acquisition of Pot Black (U.K.) Limited

Acquisition of Two Wheel Trading Company Limited

Capital Reorganisation

Placing of 80,000,000 New Ordinary Shares at 5 pence per share

of which 20,425,062 are available under an Open Offer

Cancellation of listing on the Official List and Admission to AIM

Adoption of new Articles of Association

Amendment of the Memorandum of Association

Notice of Extraordinary General Meeting

This document, which comprises a prospectus for the purposes of the Public Offers of Securities Regulations 1995 ("the Regulations") has been drawn up in accordance with the Regulations, the Listing Rules made by the UK Listing Authority and the AIM Rules. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the Regulations.

Notice of an Extraordinary General Meeting of Tandem to be held at the offices of Eversheds, 1 Royal Standard Place, Nottingham NG1 6FZ on 22 September at 11.00 a.m. is set out at the end of this document. Shareholders are requested to complete and return the enclosed Form of Proxy by post or by hand to Connaught St. Michaels Limited, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU as soon as possible but in any event so as to arrive no later than 11.00 a.m. on 20 September 2000, whether or not they propose to be present at the Extraordinary General Meeting.

The latest time for acceptance and payment in full under the Open Offer is 3 p.m. on 21 September 2000 and the procedure for acceptance and payment is set out on pages 20 and 21. Applications under the Open Offer may only be made on the enclosed Application Form which is personal to the person(s) named thereon and may not be assigned or transferred except to satisfy *bona fide* market claims as set out in this document.

Peel Hunt, which is regulated by The Securities and Futures Authority Limited, is acting for Tandem in relation to the matters described in this document and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Peel Hunt or for providing advice in relation to the subject matter of this document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2000
Record Date for the Open Offer	21 August
Annual General Meeting	11 September
Latest time for splitting Application Forms to satisfy bona fide market claims only	19 September
Latest time for receipt of Forms of Proxy	11.00 a.m. 20 September
Latest time for receipt of completed Application Forms and payment in full	3.00 p.m. 21 September
Extraordinary General Meeting	22 September
Cancellation of listing on the Official List	26 September
Commencement of dealings in the Ordinary Shares (other than the Consideration Shares)	27 September
CREST stock accounts credited (as applicable) in respect of New Ordinary Shares (other than Consideration Shares)	27 September
Commencement of dealings in Consideration Shares and definitive share certificates for the Consideration Shares dispatched	28 September
Definitive share certificates for the New Ordinary Shares (other than Consideration Shares) (as applicable) dispatched	2 October

DIRECTORS, SECRETARY AND ADVISERS

Directors	Graham Waldron (<i>Non-executive Chairman</i>) Mervyn Keene (<i>Finance Director</i>) Paul Vicary (<i>Commercial Director</i>) <i>all of</i>
Registered Office	Bridge Street Brigg North Lincolnshire DN20 8PB
Secretary	Mervyn Keene
Sponsor, Stockbroker, Nominated Adviser and Nominated Broker	Peel Hunt plc 62 Threadneedle Street London EC2R 8HP
Reporting accountants and auditors	BDO Stoy Hayward Foxhall Lodge Gregory Boulevard Nottingham NG7 6LH
Solicitors to the Company	Eversheds 1 Royal Standard Place Nottingham NG1 6FZ
Solicitors to Peel Hunt	Gouldens 10 Old Bailey London EC4M 7NG
Registrars	Connaught St. Michaels Limited Cresta House Alma Street Luton Bedfordshire LU1 2PU

DEFINITIONS

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

References throughout this document to page numbers, paragraphs and Parts are references to such pages numbers, paragraphs and Parts of this document, unless the context requires or indicates otherwise.

“Acquisition Agreements”	the Pot Black Agreement and the Two Wheel Trading Agreement
“Acquisitions”	the Pot Black Acquisition and the Two Wheel Trading Acquisition
“Act”	the Companies Act 1985, as amended
“Additional Open Offer Shares”	any Issue Shares available to be applied for by Qualifying Shareholders in excess of their entitlement under the Open Offer as set out in Part II
“Admission”	admission of Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of AIM set out in Chapter 16 of the rules of the London Stock Exchange
“Annual General Meeting”	the annual general meeting of the Company to be held at 11.00 a.m. on 11 September 2000 notice of which has been dispatched to Shareholders
“Application Form”	the application form for use by Qualifying Shareholders in connection with the Open Offer
“Board”	the board of Directors
“Capital Reorganisation”	the proposed capital reorganisation of the Ordinary Shares details of which are set out in paragraph 10 of Part I
“Casket”	Casket Leisure Products Limited, a subsidiary of the Company registered under company number 1704676
“Company” or “Tandem”	Tandem Group plc, registered under company number 616818
“Connaught St. Michaels” or “Registrars”	Connaught St. Michaels Limited, Tandem’s registrars
“Consideration Shares”	the new Ordinary Shares to be allotted as part of the consideration pursuant to the Pot Black Agreement and the Two Wheel Trading Agreement
“CRESTCo”	CRESTCo Limited, the operator (as defined in the Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272)) of the system for trading shares in uncertificated form known as “CREST”
“Debt Restructuring”	the proposed write off of approximately deutschmarks 4,121,344 and £48,000 of the Group’s bank debt and the proposed conversion of a further deutschmarks 1,236,403 of the Group’s bank debt into New Ordinary Shares as described in paragraph 6 of Part I
“Debt Restructuring Shares”	the new Ordinary Shares to be allotted as part of the Debt Restructuring

“Directors”	the directors of the Company, whose names are set out on page 57
“Enlarged Group”	Tandem and its subsidiaries following the Acquisitions
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 11.00 a.m. on 22 September 2000, notice of which is set out on pages 93 to 95
“Falcon”	Falcon Cycles Limited, a subsidiary of the Company registered under company number 951180
“Form of Proxy”	the enclosed form of proxy for use in connection with the Extraordinary General Meeting
“Group”	Tandem and its subsidiaries
“Issue Price”	5 pence per share, being the price at which New Ordinary Shares are to be issued under the Placing and the Open Offer
“Issue Shares”	the 80,000,000 new Ordinary Shares to be issued pursuant to the Placing and the Open Offer
“London Stock Exchange”	London Stock Exchange PLC
“New Ordinary Shares”	the Issue Shares, the Consideration Shares and the Debt Restructuring Shares
“Non-Voting Shares”	the non-voting ordinary shares of 1 pence each in the share capital of the Company to be created pursuant to the Capital Reorganisation, details of the rights attaching to which are set out in Part VII
“Official List”	the Official List of the UK Listing Authority
“Open Offer”	the conditional invitation by Peel Hunt on behalf of Tandem to Qualifying Shareholders to subscribe for up to 20,425,062 new Ordinary Shares, on the terms and subject to the conditions set out in paragraph 1 of the letter from Peel Hunt contained in Part II and in the Application Form which accompanies this document
“Open Offer Shares”	up to 20,425,062 new Ordinary Shares to be issued pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of 5 pence each in the share capital of the Company or, following the Capital Reorganisation, ordinary shares of 4 pence each in the share capital of the Company
“Overseas Shareholders”	any Shareholders not resident in the UK or who have registered addresses outside the UK
“Peel Hunt”	Peel Hunt plc of 62 Threadneedle Street, London EC2R 8HP the Sponsor, Stockbroker and, following Admission, the Nominated Adviser and Nominated Broker of Tandem
“Placing”	the conditional placing by Peel Hunt, as agent for the Company, of 80,000,000 new Ordinary Shares as described in paragraph 1 of the letter from Peel Hunt contained in Part II
“Placing Agreement”	the conditional agreement dated 29 August 2000 between the Company and Peel Hunt relating to the Placing and Open Offer, details of which are set out in paragraph 11 of Part VI

“Placing Shares”	the 80,000,000 new Ordinary Shares which are the subject of the Placing
“Pot Black”	Pot Black (U.K.) Limited, registered under company number 2096209
“Pot Black Acquisition”	the proposed acquisition of the entire issued share capital of Pot Black by Tandem pursuant to the Pot Black Agreement
“Pot Black Agreement”	the conditional agreement dated 25 August 2000 relating to the Pot Black Acquisition, details of which are set out in paragraph 15.1 of Part VI
“Proposals”	the Acquisitions, the Placing, the Open Offer, the Capital Reorganisation and the Debt Restructuring
“Qualifying Shareholders”	Shareholders on the register of members of Tandem on the Record Date other than certain Overseas Shareholders as set out in Part II
“Record Date”	the close of business on 21 August 2000
“Resolution”	the resolution to be proposed at the Extraordinary General Meeting as set out in the notice of Extraordinary General Meeting on pages 93 to 95.
“Shareholder(s)”	holder(s) of Ordinary Shares
“Share Option Schemes”	the Economic Forestry Group 1986 Senior Executive’s Share Option Scheme, the EFG Sharesave Scheme, the Tandem Group 1996 Inland Revenue Approved Executive Share Option Scheme, the Tandem Group 1996 Unapproved Share Option Scheme and the Tandem Group 1996 Save As You Earn Share Option Scheme
“Townsend”	Townsend Cycles Limited, a wholly owned subsidiary of the Company registered under company number 1030739
“Two Wheel Trading”	Two Wheel Trading Company Limited, registered under company number 1726061
“Two Wheel Trading Acquisition”	the proposed acquisition of the entire issued share capital of Two Wheel Trading by Tandem pursuant to the Two Wheel Trading Agreement
“Two Wheel Trading Agreement”	the conditional agreement dated 25 August 2000 relating to the Two Wheel Trading Acquisition, details of which are set out in paragraph 15.2 of Part VI
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986, including, where the context so permits, any committee, employee, officer or servant to whom any function of the UK Listing Authority may for the time being be delegated

PART I

LETTER FROM THE CHAIRMAN

Tandem Group plc

Directors:

Graham Waldron (*Non-executive Chairman*)

Mervyn Keene (*Finance Director*)

Paul Vicary (*Commercial Director*)

Registered Office:

Bridge Street

Brigg

North Lincolnshire

DN20 8PB

29 August 2000

To Shareholders and, for information only, participants in the Share Option Schemes.

Dear Shareholder,

1. Introduction

On 21 January 2000, Tandem announced a share placing to raise £550,000 (net of expenses) in order to take advantage of debt amounting to £839,039 being written off and to enable the repayment of bank loans totalling £1,387,299. This share placing was approved by Shareholders at an extraordinary general meeting of the Company held on 21 February 2000.

In the announcement on 21 January 2000, your Board advised Shareholders that it continued to consider possible opportunities to restore Shareholder value. Research by your Board into the UK sports and leisure equipment market, where the Company has a significant position supplying bicycles, identified a fragmented supplier base with potential for consolidation and expansion.

Today, your Board is pleased to announce the acquisitions of Pot Black and Two Wheel Trading, a placing and open offer, a reorganisation of the Company's share capital, cancellation of listing on the Official List, admission to AIM, the adoption of new Articles of Association and the amendment of the Memorandum of Association.

2. Reasons for the Proposals

Following the formation of the current Board last year, Tandem's focus has been to increase the profitability of the Group's bicycle business and to formulate a strategic plan to enhance Shareholder value. Loss making activities have been eliminated, surplus assets disposed of and bank borrowings reduced from £15,539,000 at 31 January 1999 to £9,351,000 at 31 January 2000. Your Board believes that growth in earnings per share and Shareholder value can best be achieved by:

- acquiring businesses involved with sports and leisure equipment where the Group has relevant experience and where business synergies can be found;
- issuing New Ordinary Shares by way of the Placing and the Open Offer, which ensures that current Shareholders are given an opportunity to take up a proportion of the Open Offer Shares and includes an excess application procedure enabling Qualifying Shareholders to apply for a greater allocation of Ordinary Shares than they may have been able to under a rights issue (subject to other Qualifying Shareholders deciding not to take up their allocation of Open Offer Shares); and
- negotiating a further write off of current bank debt.

The costs associated with public company transactions can sometimes be disproportionately high. Your Board believes that by acquiring more than one business and achieving the other two objectives

concurrently, the implementation costs of this transaction will be lower than if each objective was undertaken separately.

In line with this strategy your Board has announced:

- that the Company has entered into conditional agreements for the acquisition of two sports and leisure equipment businesses with turnovers of £6.38 million (in respect of Pot Black for the year ended 31 December 1999) and £3.27 million (in respect of Two Wheel Trading for the year ended 31 December 1999);
- the Placing and Open Offer of the Issue Shares to raise approximately £3,400,000 (net of expenses);
- a further write off of current bank debt of deutschmarks 4,121,344 and £48,000; and
- the conversion of deutschmarks 1,236,403 of bank debt into New Ordinary Shares at 7.2 pence per share (using a deutschmark sterling conversion rate on the fifth business day prior to conversion, as quoted in the Financial Times).

Shareholders will see from the Pro-forma Statement of combined net assets of the Enlarged Group in Part V that on completion of the Proposals the pro-forma net asset position of the Group converts from negative to positive.

The Debt Restructuring, which is conditional upon the Placing being completed, will increase net assets by approximately £1,700,000 (assuming a deutschmark sterling conversion rate of 3.24). This compares with the cash consideration of £1,000,000 for the Acquisitions.

Following completion of the Proposals, your Board believes that the Company will be in a stronger position to become a major supplier of sports and leisure equipment within the Enlarged Group's sectors. A number of further target activities and businesses have been identified by your Board as possible opportunities for future expansion in this growing sector.

3. Existing business and current trading and prospects of the Group

The Group is one of the largest manufacturers of bicycles in the UK, with its brand names of Falcon, Claud Butler, Townsend and British Eagle amongst the market leaders. Components are sourced worldwide to take advantage of the latest technology and reduced costs. The Group's bicycles are sold principally to independent bicycle dealers, mail order companies and national sports goods retailers.

The Group's results for the first half of the current financial year will be favourably affected by the exceptional profit of £839,039, generated by the debt write off of bank loans agreed on 21 January 2000 and referred to in paragraph 1 above. Against this the costs associated with maintaining a high level of borrowings will result in additional bank fees of approximately £150,000 compared to the previous financial year. The net effect of these exceptional items will show a gain of approximately £689,000 in the first half of this financial year. In the first half of last year the Group benefited from an exceptional gain of £148,000 from the revaluation of the loan in deutschmarks.

The Group's unit sales of bicycles for the first five months of the current financial year are ahead of the like for like equivalent for the same period last year but a strong demand for lower price products resulted in a fall in average unit prices and unit contributions. The Group has increased its customer base of independent bicycle dealers and expects to show growth in this sector during the second half of this financial year. Mail order customers are offering an improved range of the Group's products and additional sales are anticipated. Your Board therefore expects that the results for the year will be satisfactory and in line with expectations.

Paul Vicary, the commercial director of Tandem, is also the managing director of the bicycle business. Other members of the bicycle business management team include a financial director, sales director and operations director.

Your Board currently consists of Graham Waldron (non-executive chairman), Mervyn Keene (finance director) and Paul Vicary (commercial director). Following completion of the Proposals, your Board will be seeking to appoint a further non-executive director.

The results for the year ended 31 January 2000 showing a profit before taxation of £71,000 were announced on 26 July 2000. This compares with a loss last year of £5,817,000. Following closure of the Leigh operations, which has previously been reported, turnover fell from £31,256,000 to £21,226,000.

The report and accounts of the Company for each of the three years ended 31 January 2000 are set out in the appendix to and which forms a part of this document.

4. The Acquisitions

Discussions have taken place with a number of businesses operating in the sports and leisure equipment market during recent months. Proposed targets have been businesses that, for one reason or another, have under-performed recently, but where a clear opportunity for strong growth exists, particularly as part of a larger group.

Positive initial discussions have been held with the owners of a number of companies so that negotiations can be commenced for their businesses to join the Group when shareholder value has improved. Discussions with some of these owners have not, however, reached a stage where there is any certainty that they will result in an acquisition by the Company. Nevertheless, the effective refinancing of the Company through the Proposals will put the Company in a better position to make acquisitions of these or other businesses.

Nevertheless, negotiations have been successfully concluded and contracts, conditional upon, *inter alia*, Shareholder approval, have been exchanged to acquire two sports and leisure equipment businesses namely:

- Pot Black (U.K.) Limited; and
- Two Wheel Trading Company Limited.

Information on Pot Black and terms of the Pot Black Acquisition

Pot Black was incorporated in England and Wales on 3 February 1987. Its principal activities are the manufacture and distribution of home snooker tables, pool tables, nursery furniture, wooden toys and paddling pools from its premises in Bideford, North Devon. Pot Black predominantly sells through mail order and catalogue retailers.

The majority of Pot Black’s turnover relates to snooker and pool products. Pot Black is a leading supplier of home snooker and pool tables in the UK.

Pot Black’s business is highly seasonal with a large proportion of the turnover occurring in the second half of the calendar year.

A summary of Pot Black’s audited results for the last four financial periods, which have been extracted from the financial information set out in Part III, is as follows:

<i>Description</i>	<i>Year ended</i>	<i>9 months</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31/3/97</i>	<i>ended</i>	<i>31/12/98</i>	<i>31/12/99</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	9,248	6,212	6,565	6,385
Profit/(loss) before taxation	455	330	(84)	(441)

Further financial information on Pot Black is set out in Part III. In order to make a proper assessment of the financial performance of Pot Black, readers should not rely solely on the summary financial information set out above but should read the whole of this document including the financial information set out in Part III.

During 1998 and 1999 the principal owner of the business chose to withdraw from day to day management of the business and made a number of senior personnel changes. These proved unsuccessful and led to increased overheads and inefficiencies in manufacturing. A new management structure was put in place at the end of 1999 in order to reduce overheads. This new structure has already eliminated negative manufacturing variances.

Following the management changes at the end of 1999, Pot Black now has a formal management structure reporting to the executive chairman. This comprises a sales director, marketing director, works director and finance director. A further tier of management includes a divisional commercial director, divisional distribution director and production manager.

Following the acquisition by Tandem, the current executive chairman of Pot Black will move to a non-executive role within Pot Black. A general manager will be appointed.

Turnover for the six months to 30 June 2000, albeit a quiet period for Pot Black, is ahead of the same period last year. The range of Pot Black's products selected for Autumn/Winter catalogues by customers should result in a satisfactory performance for the year.

Tandem has entered into a conditional agreement to purchase the entire issued share capital of Pot Black for a consideration of £932,500 which is to be satisfied as to £800,000 in cash and £132,500 by the issue of Consideration Shares issued at a discount of 10 per cent. to the average middle market price of the Ordinary Shares for the five dealing days ending on the sixth dealing day prior to completion. Further details of the Pot Black Agreement are set out in paragraph 15.1 of Part VI.

Your Board intends to increase the turnover of Pot Black in the first six months of subsequent calendar years by generating increased sales of outdoor play equipment products. The source of these products has been identified and initial discussions already held by the Board with potential customers have had a positive response. Your Board believes that this is a product area that can make a significant contribution to the Enlarged Group's results. A sales and marketing director, with over fifteen years experience in the toy and leisure industry, has been specifically recruited by the Company to expand this aspect of the Pot Black business. The Company will also look to extending Pot Black's customer base.

Information on Two Wheel Trading and terms of the Two Wheel Trading Acquisition

Two Wheel Trading was incorporated in England and Wales on 24 May 1983. Its principal activity is the manufacture and distribution of bicycle accessories from its premises in the Midlands. It distributes a number of well-known brands, including Freeway and Freak Factory. A summary of the audited results for the last three financial periods, extracted from the financial information set out in Part IV, is as follows:

<i>Description</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31/12/197</i>	<i>31/12/198</i>	<i>31/12/199</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	3,513	3,560	3,270
Profit/(loss) before taxation	10	142	(92)

Further financial information on Two Wheel Trading is set out in Part IV. In order to make a proper assessment of the financial performance of Two Wheel Trading, readers should not rely solely on the summary financial information set out above but should read the whole of this document including the financial information set out in Part IV.

Turnover for the six months to 30 June 2000 is ahead of the same period for last year. New products have been introduced and should result in a satisfactory performance for the year.

Tandem has entered into a conditional agreement to purchase the entire issued share capital of Two Wheel Trading for a consideration of £700,000 which is to be satisfied as to £200,000 in cash and £500,000 by the issue of Consideration Shares issued at a discount of 10 per cent. to the average middle market price of the Ordinary Shares for the five dealing days ending on the dealing day prior to the date of the Two Wheel Trading Agreement. Further details of the Two Wheel Trading Agreement are set out in paragraph 15.2 of Part VI.

Combining Two Wheel Trading with the Company's current bicycle business will bring synergies in several areas including product marketing, component sourcing and production. New product lines will be added to Two Wheel Trading's range of products using the resources of the Company's current bicycle business. In addition, the Group has agreed a distributorship with a supplier of a leading brand of bicycle components. Negotiations are taking place in order to secure distributorships of further well known brands.

The board of Two Wheel Trading currently consists of a managing director, operations director and a non-executive director. Other members of the management team are a financial controller, general manager of the manufacturing division, marketing manager, quality manager and national accounts manager. The managing director and operations director have service contracts for a period of three years. No immediate management changes are envisaged following completion.

5. Future prospects of the Enlarged Group

Your Board believes that the effect of the Acquisitions will be to increase the earnings per share. The focus on sports and leisure businesses should also have the following benefits for the Enlarged Group:

- *Improved raw material buying terms*
Raw materials for sports and leisure equipment manufactured or assembled in the UK are supplied from all over the world. Greater resources should enable the procurement of both materials and finished stock at reduced cost.
- *Increased volume will give the ability to reduce inward transportation costs*
Inward transportation costs have increased significantly in recent years. A wider product range covering different seasons will facilitate shared transport, which will lower cost and reduce stock holdings and working capital requirements.
- *Wider customer and product base*
A wider product range should expand the customer base and realise economies in distribution, selling and administration, leading to improved operating margins.
- *Synergies*
Combining similar businesses under a single management structure should generate operating and management synergies.
- *Reduction of seasonality*
The reduction of seasonality should allow a more effective use of premises, employees and other fixed overheads.

The Group's head office function should ensure the compatibility of information systems to enable the Enlarged Group to take advantage of the material procurement and synergies referred to above. Reporting procedures will be harmonised to ensure tight financial controls across the Enlarged Group.

As soon as practicable following the Acquisitions the operations, assets and liabilities of both Pot Black and Two Wheel Trading will be transferred to Tandem. Once they have been successfully integrated into the Group, with the businesses producing satisfactory returns, your Board intends to seek further acquisitions in the sports and leisure equipment sector and, as referred to in paragraph 4 above, positive discussions have been held with the owners of a number of companies in this respect.

6. Banking facilities and debt write off

The Company has agreed banking facilities to 31 January 2002 subject to, *inter alia*, the Proposals being completed.

As part of the Company's new banking facilities, two members of the Company's current banking consortium have agreed to write off part of the Group's debt to them to a value of deutschmarks 4,121,344 and £48,000. In addition, one of the banks has agreed to convert deutschmarks 1,236,403 worth of debt into equity by the way of issue to it of Debt Restructuring Shares at 7.2 pence per share (using a deutschmark sterling conversion rate on the fifth business day prior to conversion, as quoted in the Financial Times), a premium of 44 per cent. to the Issue Price. The Debt Restructuring Shares will rank *pari passu* in all respects with all the other Ordinary Shares. Further details of the Debt Restructuring is set out in paragraph 14.3 of Part VI.

7. Details of the Placing and Open Offer

In order to provide additional working capital for the further development of the Enlarged Group and to finance the cash consideration elements of the Acquisitions, the Company proposes to raise £4 million (approximately £3.4 million net of expenses) by way of the issue of 80,000,000 New Ordinary Shares at 5 pence per share pursuant to the Placing and the Open Offer. The Placing and Open Offer is not underwritten by Peel Hunt or any other person.

The Placing Shares and the Open Offer Shares will rank *pari passu* in all respects with the other New Ordinary Shares and the existing Ordinary Shares following the Capital Reorganisation.

(a) *The Placing*

Peel Hunt, as the Company's agent, has agreed to use its reasonable endeavours to procure subscribers at the Issue Price for 80,000,000 Placing Shares subject, in the case of 20,425,062 of the Placing Shares, to recall to satisfy valid applications under the Open Offer. Pursuant to the Placing Agreement, Peel Hunt has procured institutional and other investors conditionally to agree to subscribe for all of the Placing Shares.

(b) *The Open Offer*

The Directors have arranged for Peel Hunt, as agent for the Company, to make the Open Offer under which Qualifying Shareholders will be invited to subscribe at the Issue Price for up to 20,425,062 Open Offer Shares on the following basis:

1 Open Offer Share for every 5 existing Ordinary Shares

held at the Record Date, and so in proportion for any other number of existing Ordinary Shares then held.

A Qualifying Shareholder may apply for any number of Open Offer Shares up to his or her maximum entitlement. In addition, Qualifying Shareholders may apply for Additional Open Offer Shares at the Issue Price. Valid applications for Additional Open Offer Shares made by Qualifying Shareholders in excess of their maximum entitlement will only be satisfied to the extent that Shareholders do not apply for their maximum entitlement of Open Offer Shares, fractional entitlements which arise following the rounding down to the nearest whole number of Open Offer Shares following application by Qualifying Shareholders or from Ordinary Shares which would have represented the entitlement of Shareholders who are not Qualifying Shareholders if they had been Qualifying Shareholders. To the extent that applications for Additional Open Offer Shares exceed the number of shares available, as described above, to satisfy any such applications, Peel Hunt, in consultation with the Company, will determine the basis of allocation of Additional Open Offer Shares to Qualifying Shareholders through a ballot by drawing applications for Additional Open Offer Shares randomly until all of the Additional Open Offer Shares available for allocation have been allocated.

New Ordinary Shares are not being made generally available to the public other than through the Open Offer.

The Application Form represents a right to apply for Open Offer Shares. It is not a document of title and cannot be traded. Any rights to subscribe for Open Offer Shares under the Open Offer which are not exercised will lapse and the Open Offer Shares will be subscribed by Qualifying Shareholders who have applied for Additional Open Offer Shares, and to the extent that any Open Offer Shares remain unsubscribed, they will be available in relation to the Placing. Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that Open Offer Shares will not be sold in the market for the benefit of those who do not apply under the Open Offer.

(c) *Conditions to the Placing and the Open Offer*

The Placing and the Open Offer are subject, *inter alia*, to satisfaction of the following conditions on or before 9.00 a.m. on 27 September 2000 (or such later date as Peel Hunt and the Company agree, but in any event not later than 9.00 a.m. on 11 October 2000):

- (i) the passing of the Resolution;

- (ii) the Acquisition Agreements having completed in escrow (subject only to the issue and Admission of the Issue Shares and the Admission of the Consideration Shares);
- (iii) the Placing Agreement having become unconditional in all respects and not having been terminated or rescinded in accordance with its terms before Admission of the Issue Shares; and
- (iv) Admission of the Issue Shares.

If the Placing Agreement does not become unconditional, no Issue Shares will be issued or sold and all monies received by the Registrars will be returned to applicants without interest as soon as practicable thereafter. If the gross proceeds of the Placing and the Open Offer do not amount to a minimum of £4 million then the Acquisitions will not proceed and Admission of the New Ordinary Shares will not take place.

In order to ensure that the Company qualifies for certain of the investment reliefs from taxation referred to in paragraph 14 below Admission and issue of the Issue Shares needs to take place prior to completion of the Acquisitions. Admission of the Issue Shares will take place prior to completion of the Acquisitions but completion of the Acquisitions at that time will be subject only to proceeds of the Placing being received by Peel Hunt and Admission of the Consideration Shares.

Further details of the Open Offer and the procedure for application and payment, are set out in the letter from Peel Hunt contained in Part II.

8. Dividend policy

The Directors intend to pay dividends on Ordinary Shares as and when it is commercially prudent to do so and subject to the availability of distributable reserves. Following the Acquisitions, the Board intends to apply to the Court to enable a capital reduction to take place to eliminate accumulated losses and allow dividends to be declared from distributable reserves created thereafter.

9. Corporate Governance

Even though the Company is applying for the Ordinary Shares to be admitted to trading on AIM, the Company intends to comply with the Combined Code set out in the Listing Rules subject to such reservations as are appropriate for the size and circumstances of the Company. The Board recognises that the Company is not currently compliant in respect of the number of non-executive directors appointed to the Board but intends to appoint an additional non-executive director during the current financial year.

10. Capital Reorganisation

The nominal value of each Ordinary Share is currently 5 pence and the middle market price of each Ordinary Share in recent weeks has been close to that amount and was 5.25 pence, as at 24 August 2000, being the latest practicable date prior to the date of this document. A company limited by shares has no power to issue shares as fully paid up for a money consideration less than their nominal value and is prohibited from doing so under Section 100 of the Act.

Due to this prohibition, and in order to enable the implementation of the Placing and the Open Offer and the issue of the Consideration Shares, it is proposed that the share capital of the Company be reorganised by:

1. each of the existing issued and unissued ordinary shares of 5 pence each being sub-divided and converted into four new ordinary shares of 1 pence each and one new non-voting ordinary share of 1 pence each; and
2. every four resulting new ordinary shares of 1 pence each being consolidated into one new ordinary share of 4 pence each.

The rights attached to the Non-Voting Shares are set out in Part VII. The Non-Voting Shares will not be listed on the Official List or AIM. It is intended that the rights attaching to the Non-Voting Shares are such as to ensure they have negligible value.

The Resolution seeks, *inter alia*, the sanction of Shareholders to the changes in the share capital of the Company set out above.

The proposals relating to the capital reorganisation will be made by reference to holdings of Ordinary Shares on the register of members of the Company as at the Record Date.

In respect of the existing Ordinary Shares no new share certificates will be issued following the Capital Reorganisation. Any share certificates representing current holdings of Ordinary Shares will, following completion of the Proposals, remain valid. Shareholders will be entitled to exchange their existing share certificate(s) for new share certificates by applying in writing to the Registrars enclosing their existing share certificate(s). As before, Ordinary Shares may be held through the uncertificated CREST system.

All notices, share certificates and other documents delivered by or dispatched to Shareholders will be delivered or dispatched at their own risk to their registered address save that, in the case of joint holders, all documents will be dispatched to the registered address of the joint holder whose name appears first on the Company's Register of Members.

11. Directors' authority to allot shares

In order that the Company is able to implement fully the Placing and the Open Offer and issue the Consideration Shares and the Debt Restructuring Shares, it is necessary to increase the authorised share capital of the Company and for the Shareholders to authorise the Directors to allot relevant securities under section 80 of the Act and to disapply statutory pre-emption rights which arise under section 89 of the Act.

The Directors do not have the power to allot relevant securities without Shareholder authority pursuant to section 80 of the Act. If the power to allot is authorised, the Directors intend to exercise their authority to allot shares to facilitate the Proposals.

The provisions of section 89 of the Act confer rights of pre-emption on Shareholders in respect of the allotment of equity securities to be paid up in cash, except to the extent that such rights are disappplied by the passing of a special resolution pursuant to section 95 of the Act.

Accordingly, you will find set out on pages 93 to 95 a notice of an Extraordinary General Meeting to be held at the offices of Eversheds at 1 Royal Standard Place, Nottingham NG1 6FZ at 11.00 a.m. on 22 September 2000 at which a special resolution will be proposed in relation to, *inter alia*, the following:

- to increase the authorised share capital of the Company from £6,250,000 to £12,000,000 by the creation of 143,750,000 ordinary shares of 4 pence each (an increase of 92 per cent. to the existing authorised share capital of the Company);
- to authorise the Directors, generally and unconditionally, to allot relevant securities (within the meaning of the section 80 of the Act) up to an aggregate nominal amount of £6,610,514.76 (representing 129 per cent. of the issued ordinary share capital of the Company immediately prior to the implementation of the Proposals); and
- to disapply the statutory pre-emption rights under section 89 of the Act in relation to the issue of New Ordinary Shares for cash up to a maximum nominal value of £6,610,514.76 but in the case of issues otherwise than pro-rata to Shareholders limited to 5 per cent. of the issued ordinary share capital of the Company following the implementation of the Proposals.

The percentage figures set out above assume a deutschmark sterling conversion rate for the Debt Restructuring Shares of deutschmark 3.24 and an issue price for the Consideration Shares of 5 pence.

The authorities will expire five years after the passing of the Resolution.

12. Memorandum and Articles of Association

Tandem's principal objects contained in its Memorandum of Association are to carry on the business of the management of woodland and other general commercial trading objects. The Resolution to be proposed at the Extraordinary General Meeting will, *inter alia*, amend the main objects of Tandem to reflect its role as a holding company and to provide that its principal object shall be, *inter alia*, to carry on the business of a general commercial company.

The Resolution will also adopt new Articles of Association of the Company reflecting the changes in the share capital (in particular to set out the rights of the Non-Voting Shares) and to reflect current company law and practice. The proposed new Articles of Association are substantially the same as the current Articles of Association. A summary of the principal differences is set out in Part VII. Amendments of a minor nature are not specifically mentioned therein.

Details of the availability for inspection of both the existing Articles of Association and the proposed new Articles of Association are set out in paragraph 19 of Part VI.

13. Cancellation of Listing and admission to AIM

The Company's existing Ordinary Shares are currently listed on the Official List. As part of the Proposals, the Company has given notice to cancel its listing on the Official List and will be applying for its Ordinary Shares to be admitted to trading on AIM. The reason for the move to AIM is that companies quoted on AIM are deemed to be unlisted for the purposes of certain areas of taxation law. Certain shareholders of such companies are able to enjoy various tax reliefs associated with an investment in certain qualifying unlisted companies, of which the Directors anticipate the Company will be one. The tax incentives for investing in unlisted companies available in respect of certain qualifying companies quoted on AIM may be attractive to certain Shareholders who wish to subscribe through the Open Offer or who acquire Ordinary Shares after Admission. The date of cancellation of the listing will be 26 September 2000, being not less than 20 business days from the date of this document and is subject to the passing of the Resolution and the Placing Agreement not being terminated. Admission is expected to take place at 8.00 a.m. on 27 September 2000.

Should the Resolution not be passed, it is expected that trading on the Official List will continue.

If the cancellation of the listing occurs and subsequently the Placing is terminated or does not become unconditional, there will be no quotation for existing Ordinary Shares but the Company will make application for Admission of its existing Ordinary Shares as soon as practical thereafter.

It is a requirement of certain of the investment reliefs from taxation referred to in paragraph 14 below that the existing Ordinary Shares are not listed at the time when the Issue Shares are themselves issued.

14. Taxation and investments reliefs

The following comments are intended as a general guide to the position under current law and practice in the United Kingdom and may not apply to certain classes of Shareholders such as dealers in securities or to Shareholders who are not absolute beneficial owners of their shares. Any person who is in any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult his or her own professional adviser.

United Kingdom taxation of chargeable gains

A subsequent disposal of Ordinary Shares may result in a liability to United Kingdom taxation of chargeable gains, depending upon individual circumstances. The extent of this liability will depend, *inter alia*, on the period of ownership of the shares and the extent to which the shares qualify as business assets for taper relief. Under provisions contained in the Finance Act 2000, shares in trading companies quoted on AIM will in certain circumstances qualify for business asset taper relief.

Stamp duty and stamp duty reserve tax (SDRT)

No UK stamp duty or SDRT should be payable by a Qualifying Shareholder on the issue to them of the Open Offer Shares.

Subsequent sales of Ordinary Shares will generally be liable to *ad valorem* stamp duty, at the rate of 50 pence per £100 (or part thereof) of the amount or value of the consideration rounded up to the nearest £5.00, and SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration. However, where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it became unconditional), the stamp duty paid will cancel the SDRT liability and any SDRT paid can be recovered. Stamp duty or SDRT are the liability of the purchaser or transferee.

If New Ordinary Shares are transferred into the CREST System, there will be no charge to stamp duty or SDRT on the transfer (unless made for consideration). Any transfer into the CREST System made for consideration or any subsequent transfer for value of New Ordinary Shares in the CREST System will be subject to SDRT at the rate of 0.5 per cent. of the value of the consideration.

Certain categories of persons are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Investment reliefs

The Company has received confirmation from the Inland Revenue that, having considered the nature of the proposed activities of the Company, the type of shares being issued pursuant to the Placing and the Open Offer and the intended application of the net proceeds the issue of the New Ordinary Shares to subscribers under the Placing and the Open Offer should be a qualifying investment for the Enterprise Investment Scheme (EIS) income tax relief and capital gains deferral relief under Chapter III, Part VII of the Income and Corporation Taxes Act 1988 and Schedule 5B of the Taxation of Chargeable Gains Act 1992. Furthermore, the Company should, for Venture Capital Trust purposes meet the relevant company conditions under Schedule 28B of the Income and Corporation Taxes Act 1988.

Under the EIS provisions, income tax relief equal to 20 per cent. of the amount subscribed for the New Ordinary Shares can be claimed by qualifying individuals up to their annual subscription limit, which in 2000/01 is £150,000. Any gains arising on a disposal of the New Ordinary Shares after the subscriber has held them for 5 years will not be taxable provided the EIS income tax relief was given and not withdrawn. The Finance Act 2000 contains provisions to shorten this period to 3 years in respect of shares issued after 6 April 2000.

Generally, individuals over 18 years and most trustees, who are resident in the United Kingdom for tax purposes, should be able to claim EIS deferral relief and thereby defer tax on their chargeable gains on their assets to the extent that they subscribe for New Ordinary Shares within the time limits. For EIS deferral relief there is no monetary or other limit on the amount of gains that can be deferred. The period for reinvestment commences one year before and ends three years after the disposal that gives rise to the gain for which deferral relief is claimed. As soon as reasonably practicable following completion of the Acquisitions, the Company will effect a transfer of the operations, business and assets of both Pot Black and Two Wheel Trading to Tandem.

The availability of these investment reliefs depends upon, amongst other things, the Company continuing to satisfy the requirements of a qualifying company. Further, in order to make a valid claim for EIS reliefs, a Shareholder must receive an appropriate certificate from the Company. This certificate, which the Company needs to obtain from the Inland Revenue, is unlikely to be available earlier than 4 months following the issue of the New Ordinary Shares in question.

Neither the Company nor your Directors undertake to conduct the Company's activities in such a way as to preserve or maintain the benefit of any tax reliefs, which may be available to a Shareholder.

15. Annual General Meeting

Notice of the Annual General Meeting, which is to be held at the offices of Eversheds, 1 Royal Standard Place, Nottingham NG1 6FZ at 11.00 a.m. on 11 September 2000 has been dispatched to Shareholders. At this meeting resolutions will be proposed, *inter alia*, to adopt the audited financial statements for the year ended 31 January 2000, re-elect as a director of the Company Mervyn Keene, permit Graham Waldron to continue as a director of the Company, re-elect BDO Stoy Hayward as auditors of the Company, authorise the Board to allot securities and disapply pre-emption rights of Shareholders to a limited amount. Both the authority to allot securities and the disapplication of the pre-emption rights will be superseded and will cease to have effect if the Resolution is passed.

16. Extraordinary General Meeting

Notice of the Extraordinary General Meeting, which is to be held at the offices of Eversheds, 1 Royal Standard Place, Nottingham NG1 6FZ at 11.00 a.m. on 22 September 2000, is set out on pages 93 to 95. At this meeting a Resolution will be proposed to approve the Acquisitions and the Capital Reorganisation, to amend the Memorandum of Association and adopt new Articles of Association, to

increase the authorised share capital and to authorise your Directors to allot relevant securities and to disapply pre-emption rights. The Proposals are all conditional upon, *inter alia*, the passing of the Resolution.

17. Availability of this document

Copies of this document will be available, free of charge, for collection only, from Tandem, Bridge Street, Brigg, North Lincolnshire DN20 8PB and from Peel Hunt, 62 Threadneedle Street, London EC2R 8HP, during office hours on any week day (Saturday, Sundays and public holidays excepted) from the date of this document until a date not less than 14 days from the date of Admission.

18. Action to be taken

Extraordinary General Meeting

Shareholders will find enclosed with this document a reply paid Form of Proxy for use at the Extraordinary General Meeting. Whether or not Shareholders intend to attend the Extraordinary General Meeting, they are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event, in order to be valid, so as to be received by the Registrars, Connaught St. Michaels Limited, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU not later than 11.00 a.m. on 20 September 2000. Completion and return of the Form of Proxy will not preclude them from attending the Extraordinary General Meeting and voting in person (in substitution for their proxy) should they wish to do so.

Application Form

Shareholders will also find enclosed with this document an Application Form for use in respect of the Open Offer. Should Shareholders wish to apply for up to their maximum entitlement of Open Offer Shares or apply for their maximum entitlement of Open Offer Shares and for Additional Open Offer Shares they are requested to complete and return the Application Form, in accordance with the instructions printed thereon, as soon as possible and in any event, in order to be valid, so as to be received by the Registrars, Connaught St. Michaels Limited, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU not later than 3 p.m. on 21 September 2000.

19. Directors' Intentions and Recommendation

Your Directors, who have been so advised by Peel Hunt, consider that the Proposals are in the best interests of your Company and the Shareholders as a whole. In providing such advice to the Company, Peel Hunt has taken into account the Directors' commercial assessment of the Proposals. Accordingly, your Directors recommend that you vote in favour of the Resolution as they intend to do in respect of their own beneficial shareholdings which, in aggregate, amount to 9,180,582 Ordinary Shares, representing approximately 9.02 per cent. of the issued ordinary share capital of the Company.

All the Directors have given irrevocable undertakings to take up in full their entitlements under the Open Offer in respect of an aggregate of 1,836,116 New Ordinary Shares under the Open Offer. In addition, 3,000,000 Placing Shares have been placed with the Directors subject to recall to satisfy valid applications under the Open Offer.

20. Further information

Your attention is drawn to the contents of Parts II to VII and the Appendix which forms part of this document. Shareholders are advised to read the whole of this document and not rely on the summary information presented in this letter.

Yours sincerely
Graham Waldron
Chairman

PART II

LETTER FROM PEEL HUNT PLC



62 Threadneedle Street, London EC2N 8HR

29 August 2000

To Shareholders and, for information only, participants in the Share Option Schemes

Dear Sir or Madam

Open Offer of 20,425,062 Open Offer Shares at 5 pence per share

1. Introduction

This letter, together with the accompanying Application Form, contains the formal terms and conditions of the Open Offer and should be read in conjunction with the rest of this document.

As the letter from the Chairman set out in Part I explains, the Company proposes to raise £4,000,000 (approximately £3,400,000, net of expenses) by way of the Placing and Open Offer in order to fund the Acquisitions and provide working capital to the Enlarged Group on the completion of the Acquisitions.

A total of 80,000,000 New Ordinary Shares are proposed to be issued under the Placing and Open Offer at the Issue Price. Of these, 20,425,062 New Ordinary Shares, being the Open Offer Shares, are being made available to Qualifying Shareholders under the Open Offer on the basis of 1 New Ordinary Share for every 5 existing Ordinary Shares held on the Record Date. Directors have undertaken to take up their full entitlement under the Open Offer in respect of an aggregate of 1,836,116 Open Offer Shares. All of the 80,000,000 Issue Shares have been conditionally placed by Peel Hunt with institutions and other investors subject in the case of 20,425,062 of the Placing Shares to recall to satisfy valid applications under the Open Offer. Of the 20,425,062 Placing Shares placed subject to recall 3,000,000 have been placed with the Directors. Further details of the Placing Agreement are set out in paragraph 11 of Part VI. To the extent that Open Offer Shares are not taken up, then they shall firstly be made available to satisfy additional demand in respect of excess applications under the Open Offer and then issued to subscribers under the Placing.

Neither the Placing nor the Open Offer has been underwritten by Peel Hunt or any other person.

The Placing

Pursuant to the Placing Agreement, Peel Hunt, as the Company's agent, has conditionally agreed to use its reasonable endeavours to procure places for all of the Placing Shares, subject, in part, to recall to satisfy valid applications under the Open Offer. Pursuant to the Placing Agreement, Peel Hunt has procured institutional and other investors conditionally to agree to subscribe for all of the Placing Shares. The Placing is conditional upon the Placing Agreement becoming unconditional in accordance with its terms, details of which are set out in paragraph 11 of Part VI.

The Open Offer

Peel Hunt, as agent for and on behalf of the Company, hereby invites Qualifying Shareholders, subject to the terms and conditions set out in this letter and in the Application Form, to apply for up to 20,425,062 Open Offer Shares at a price of 5 pence per share, free of all commissions and expenses, payable in full on application, on the basis of:

1 Open Offer Share for every 5 Ordinary Shares

held by them on the Record Date, and so in proportion for any other number of Ordinary Shares then held. Fractional entitlements to Open Offer Shares will be rounded down to the nearest whole number of Open Offer Shares. The fractional entitlements which would otherwise have arisen will not be allotted to Qualifying Shareholders but will be aggregated and will be available to satisfy applications for Additional Open Offer Shares.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their entitlement shown in Box C on the Application Form and may also apply for Additional Open Offer Shares as described below.

Qualifying Shareholders wishing to apply for New Ordinary Shares in excess of their entitlement may do so, by indicating the total number of Open Offer Shares and Additional Open Offer Shares for which they wish to apply in Box E on the Application Form. The maximum number of Additional Open Offer Shares available to be applied for is the aggregate of:

- the Open Offer Shares not taken up under the Open Offer;
- the number of Issue Shares which would have represented the entitlement of those Shareholders who are not Qualifying Shareholders if they had been Qualifying Shareholders; and
- fractional entitlements referred to above.

An announcement is expected to be made by the Company, as soon as practicable, giving details, *inter alia*, of the result of the Open Offer and the basis of allocation of the Additional Open Offer Shares.

Applications under the Open Offer, including for Additional Open Offer Shares, may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholders named therein and may not be assigned, transferred or split except to satisfy *bona fide* market claims. Qualifying Shareholders who have sold or transferred all or part of their registered holdings are advised to consult their stockbroker, bank or other agent through or by whom the sale or transfer was effected immediately since the benefits arising under the Open Offer may be claimed from them by purchasers or transferees under the rules of the London Stock Exchange. The Application Form represents a right to apply for Open Offer Shares. It is not a document of title and cannot be traded. Any rights to subscribe for Open Offer Shares under the Open Offer which are not exercised will lapse and the Open Offer Shares will be allocated in the following order: (i) to Qualifying Shareholders who have applied for Additional Open Offer Shares under the Open Offer; and (ii) to the extent that any Open Offer Shares remain unallocated, to subscribers under the Placing. To the extent that applications for Additional Open Offer Shares exceed the number of such shares available, as described above, to satisfy such applications, Peel Hunt, in consultation with Tandem will determine the basis of allocation of Additional Open Offer Shares to Qualifying Shareholders through a ballot by drawing applications for Additional Open Offer Shares randomly until all the Additional Open Offer Shares available for allocation have been allocated. Accordingly, Qualifying Shareholders may not receive all of the Additional Open Offer Shares they apply for and indeed, may not receive any such shares. Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that Open Offer Shares not taken up will not be sold in the market for the benefit of those who do not apply under the Open Offer.

In addition, the Open Offer is not being made to Overseas Shareholders save for those whom the Company, in its sole discretion, determines to constitute Qualifying Shareholders. Accordingly, New Ordinary Shares attributable to Overseas Shareholders who are not Qualifying Shareholders will be made available under the Open Offer to Qualifying Shareholders to satisfy applications for Additional Open Offer Shares. To the extent that they remain unsubscribed, such shares will then be under the Placing with the proceeds being retained for the benefit of the Company. The attention of overseas Shareholders is particularly drawn to the paragraph below entitled "Overseas Shareholders".

The Placing and the Open Offer are subject to the satisfaction of the following conditions on or before 9.00 a.m. on 27 September 2000 or such later date (not being later than 9.00 a.m. on 11 October 2000 as the Company and Peel Hunt may agree):

- (i) the passing of the Resolution;
- (ii) the Acquisition Agreements having completed in escrow (subject only to the issue and Admission of the Issue Shares and the Admission of the Consideration Shares);

- (iii) the Placing Agreement having become unconditional in all respects and not having been terminated or rescinded in accordance with its terms before Admission of the Issue Shares; and
- (iv) Admission of the Issue Shares.

Details of the Placing Agreement are set out in paragraph 11 of Part VI. Application will be made for the Ordinary Shares to be admitted to trading on AIM and dealings are expected to commence in the Ordinary Shares (other than the Consideration Shares) on 27 September 2000. Dealings are expected to commence in the Consideration Shares on 28 September 2000.

The Issue Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing Ordinary Shares and the other New Ordinary Shares, including the right to receive all dividends and other distributions hereafter declared, made or paid. They will be issued free from all liens, charges and encumbrances and subject to the Memorandum and Articles of Association of the Company.

2. Procedure for application

Applications

The Application Form shows the number of Ordinary Shares registered in your name at the Record Date and the maximum number of Open Offer Shares for which you are entitled to apply under the Open Offer. You may apply for less or more than your maximum entitlement should you so wish.

Excess applications

Peel Hunt, as agent for and on behalf of the Company, hereby invites Qualifying Shareholders upon and subject to the terms and conditions set out in this letter and in the accompanying Application Form, to make application for Open Offer Shares in excess of their entitlement at the Issue Price, payable in full on application.

To the extent that applications for Additional Open Offer Shares exceed the number of shares available, as described above, to satisfy any such applications Peel Hunt, in consultation with the Company, will determine the basis of allocation of Additional Open Offer Shares to Qualifying Shareholders through a ballot by drawing applications for Additional Open Offer Shares randomly until the full value of the Additional Open Offer Shares available for allocation is satisfied.

If you wish to apply for all or any of the Open Offer Shares, including any Additional Open Offer Shares to which you are entitled, you should complete the accompanying Application Form in accordance with the instructions thereon and lodge it, together with the appropriate remittance for the full amount payable on application, by post or by hand to Connaught St. Michaels Limited, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU so as to arrive no later than 3 p.m. on 21 September 2000. Application Forms will only be accepted at the above address. Applications once made will be irrevocable. Peel Hunt may (in its absolute discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions or not accompanied by a power of attorney as required.

All payments must be in pounds sterling and must be made by cheque or bankers' draft, made payable to "Connaught St. Michaels Limited, a/c Tandem Group plc", and crossed "Account Payee only". Cheques and bankers' drafts must be drawn in pounds sterling on a bank or a building society in the United Kingdom which is either a settlement member of the Cheque & Credit Clearing Company Limited or the CHAPS Company Limited or which is a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or bankers' drafts to be cleared through the clearing facilities provided for members of any of those companies or committees and must bear the appropriate sorting code in the top right hand corner and must be for the full amount payable on application. Any application which does not comply with these requirements may be rejected.

Peel Hunt reserves the right to have cheques and bankers' drafts presented on receipt and to instruct Connaught St. Michaels to seek special clearance of cheques to obtain value for remittances at the earliest opportunity. If they are presented for payment before the conditions of the Open Offer have been fulfilled, the application moneys will be held in a separate bank account pending the fulfilment of

those conditions. If the conditions of the Open Offer are not fulfilled by 9.00 a.m. on 11 October 2000, the application moneys will be returned without interest within 21 days thereafter by crossed cheque in favour of applying persons through the post at their risk to the address set out on the Application Form. Lodgement of the Application Form with the appropriate remittance will constitute a warranty that all cheques will be honoured on first presentation. Such warranty will constitute a term of the application. If this term is not met, the application may be rejected.

Peel Hunt reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3 p.m. on 21 September 2000 from an authorised person (as defined in the Financial Services Act 1986) specifying the Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

If you do not wish to apply for any Open Offer Shares you should not complete the enclosed Application Form. You are nevertheless requested to complete and return the Form of Proxy for use at the Extraordinary General Meeting.

3. Settlement and dealings in the Open Offer Shares

Application will be made for the Ordinary Shares (including the Issue Shares) to be admitted to AIM. It is expected Admission of the Ordinary Shares (other than the Consideration Shares) will become effective and that dealings in such shares will commence at 8.00 a.m. (London time) on 27 September 2000. Settlements of dealings from that date will normally be on a five-day rolling basis. The Open Offer is conditional on the conditions described above in paragraph 1 of this Part II. Therefore, allocations under the Open Offer are not expected to become unconditional until the commencement of dealings on AIM.

In the case of persons who wish to receive their Open Offer Shares in uncertificated form, it is expected that, subject to the provision of the relevant information requested on the Application Form, such shares will be issued in uncertificated form on 27 September 2000. Connaught St. Michaels will instruct CRESTCo to credit the appropriate stock accounts of such persons with their entitlement to Placing Shares and Open Offer Shares with effect from the date of issue.

In the case of persons who do not wish to receive their Open Offer Shares in uncertificated form, definitive certificates for such shares are expected to be dispatched by post by 2 October 2000. Pending dispatch of the definitive share certificates, transfers of the Open Offer Shares will be certified against the register. No temporary documents of title will be issued. All documents or remittances sent by or to an applicant (or his/her agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

The Company reserves the right to allot or issue Open Offer Shares in certificated form notwithstanding any other provisions set out in this Part II or the Application Form or elsewhere in this document.

4. Money Laundering Regulations

It is a term of the Open Offer that to ensure compliance with the Money Laundering Regulations 1993, Connaught St. Michaels may, at its absolute discretion, require verification of identity from any person lodging an Application Form including, without limitation, any applicant who (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the applicant or (ii) appears to Connaught St. Michaels to be acting on behalf of some other person. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. Pending the provision of evidence satisfactory to Connaught St. Michaels as to identity, definitive certificates in respect of New Ordinary Shares may be retained or instructions to CRESTCo may be withheld at the absolute discretion of Connaught St. Michaels. If, within a reasonable period of time following a request for verification of identity, Connaught St. Michaels has not received evidence satisfactory to it as aforesaid, Tandem and Connaught St. Michaels reserve the right, at their absolute discretion, to reject the application concerned or to terminate any contract constituted by or arising from an Application Form in which event the application moneys will be returned without interest to the account at the drawee bank from which such moneys were originally debited.

5. Overseas Shareholders

The making of the Open Offer to persons not resident in or who are outside the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. No person receiving this document or the Application Form in any territory other than the United Kingdom may treat it as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used without contravention of any unfulfilled registration or other legal requirements. In such circumstances, the document and/or the Application Form are sent for information only and are confidential and should not be copied or distributed.

Any person not resident in or who is outside the United Kingdom wishing to subscribe for Open Offer Shares under the Open Offer must satisfy himself as to full observance of the laws and regulatory requirements of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. Shareholders who are in any doubt as to their position should consult a professional adviser.

Tandem reserves the right to treat as invalid and to reject any application for Open Offer Shares under the Open Offer if it appears to Tandem or its agents that such application or acceptance thereof may involve a breach of the laws or regulations of any jurisdiction or if Tandem and Peel Hunt are not given the relevant warranty set out in the Application Form. Notwithstanding any other statement in this document, Tandem reserves the right to permit a Shareholder to take up Open Offer Shares under the Open Offer if Tandem is satisfied that such action would not result in contravention of any applicable legal or regulatory requirements.

In particular, the Open Offer Shares and the Application Form have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the securities laws of any State of the United States of America or of a province or territory in Canada, Japan or under Australia's Corporations Law and accordingly they are not being offered in any State of the United States of America or of a province or territory in Canada, in Japan or in the Commonwealth of Australia, its states, territories or possessions.

Further information

Your attention is drawn to the information set out in Part I and Parts III to VII and the Appendix which forms part of this document.

Yours faithfully

For Peel Hunt plc

Christopher Holdsworth Hunt

Director

PART III

FINANCIAL INFORMATION ON POT BLACK (U.K.) LIMITED

The Directors
Tandem Group plc
Bridge Street
Brigg
North Lincolnshire
DN20 8PB

The Directors
Peel Hunt plc
62 Threadneedle Street
London
EC2R 8HP

IBDO BDO Stoy Hayward
Chartered Accountants

Foxhall Lodge
Gregory Boulevard
Nottingham
NG7 6LH

29 August 2000

Dear Sirs

POT BLACK (U.K.) LIMITED

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 29 August 2000 of Tandem Group plc.

Basis of preparation

The financial information set out on pages 23 to 40 is based on the audited financial statements of Pot Black (U.K.) Limited (“Pot Black”) for the two years ended 31 December 1999, the nine month period ended 31 December 1997 and the year ended 31 March 1997 and has been prepared on the basis set out on pages 23 and 24 after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of Pot Black who approved their issue.

The Directors of Tandem Group plc are responsible for the contents of the prospectus dated 29 August 2000 in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the current auditors Thomas, Westcott & Gillard of Kingsley House, The Quay, Bideford, Devon EX39 2HJ for the year ended 31 December 1999 and by the previous auditors Kingsley Associates of the same address for the year ended 31 December 1998 and the nine month period ended 31 December 1997 and the year ended 31 March 1997. The audit reports in respect of each period were unqualified.

Our work also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 29 August 2000 a true and fair view of the state of affairs of Pot Black (U.K.) Limited as at the dates stated and of its results and cashflows for the periods then ended.

Consent

We consent to the inclusion in the Prospectus dated 29 August 2000 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

PROFIT AND LOSS ACCOUNTS

		<i>9 months</i>		<i>Years ended</i>	
		<i>Year ended</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
		<i>31 March</i>	<i>31 December</i>	<i>1998</i>	<i>1999</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	2	9,248	6,212	6,565	6,385
Cost of sales		(6,367)	(4,131)	(4,391)	(4,642)
Gross profit		2,881	2,081	2,174	1,743
Distribution costs		(867)	(550)	(711)	(693)
Administrative expenses		(1,470)	(1,162)	(1,477)	(1,405)
Operating profit/(loss)	4	544	369	(14)	(355)
Interest receivable and similar income		2	–	1	2
Amounts written off investments		(25)	–	–	–
Interest payable	5	(66)	(39)	(71)	(88)
Profit/(loss) on ordinary activities before taxation		455	330	(84)	(441)
Tax on profit/(loss) on ordinary activities	6	(149)	(78)	27	37
Profit/(loss) for the financial year/period after taxation		306	252	(57)	(404)
Dividends	7	(200)	–	–	(72)
Retained profit brought forward		848	954	1,206	1,109
		954	1,206	1,149	633
Acquisition of own shares		–	–	(40)	(38)
Retained profit carried forward		954	1,206	1,109	595

Turnover relates to continuing activities.

All recognised gains and losses are included in the profit and loss account.

BALANCE SHEETS

		<i>31 March</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets					
Tangible assets	8	1,708	1,871	1,858	1,754
Current assets					
Stocks	10	1,108	1,331	1,456	1,467
Debtors	11	1,333	1,226	1,493	2,489
Cash at bank and in hand		1	321	1	181
		<u>2,442</u>	<u>2,878</u>	<u>2,950</u>	<u>4,137</u>
Creditors: amounts falling due within one year	12	<u>(1,932)</u>	<u>(2,317)</u>	<u>(2,461)</u>	<u>(4,110)</u>
Net current assets		<u>510</u>	<u>561</u>	<u>489</u>	<u>27</u>
Total assets less current liabilities		2,218	2,432	2,347	1,781
Creditors: amounts falling due after more than one year	13	(68)	(27)	(37)	(21)
Provisions for liabilities and charges	17	<u>(31)</u>	<u>(34)</u>	<u>(36)</u>	<u>–</u>
		<u>2,119</u>	<u>2,371</u>	<u>2,274</u>	<u>1,760</u>
Capital and reserves – equity					
Called up share capital	18	103	103	95	88
Revaluation reserve	19	1,000	1,000	1,000	1,000
Capital redemption reserve	20	62	62	70	77
Profit and loss account		<u>954</u>	<u>1,206</u>	<u>1,109</u>	<u>595</u>
Shareholders' funds	24	<u>2,119</u>	<u>2,371</u>	<u>2,274</u>	<u>1,760</u>

CASH FLOW STATEMENTS

		<i>Year ended</i>	<i>9 months</i>	<i>Years ended</i>	
	<i>Note</i>	<i>31 March</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
		<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash inflow/(outflow) from operating activities	25	795	1,227	(156)	(558)
Returns on investments and servicing of finance	26	(64)	(39)	(70)	(86)
Taxation		(12)	(106)	(65)	19
Capital expenditure	26	(73)	(205)	–	3
Equity dividends paid		(200)	–	–	(72)
Cash inflow/(outflow) before financing		<u>446</u>	<u>877</u>	<u>(291)</u>	<u>(694)</u>
Financing	26	<u>101</u>	<u>(189)</u>	<u>(193)</u>	<u>(71)</u>
Increase/(decrease) in cash in the period		<u><u>547</u></u>	<u><u>688</u></u>	<u><u>(484)</u></u>	<u><u>(765)</u></u>
<i>Reconciliation of net cash flow to movement in net debt</i>	27				
Increase/(decrease) in cash in the period		547	688	(484)	(765)
Cash outflow from decrease in debt and lease financing		<u>68</u>	<u>55</u>	<u>97</u>	<u>41</u>
Change in net debt resulting from cash flows		615	743	(387)	(724)
New finance leases		<u>(36)</u>	<u>–</u>	<u>(99)</u>	<u>(18)</u>
Movements in net debt in the period		579	743	(486)	(742)
Net (debt)/funds at beginning of period		<u>(1,079)</u>	<u>(500)</u>	<u>243</u>	<u>(243)</u>
Net (debt)/funds at period end		<u><u>(500)</u></u>	<u><u>243</u></u>	<u><u>(243)</u></u>	<u><u>(985)</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. Principal accounting policies

Accounting convention

The financial information has been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with applicable accounting standards.

Going concern

Pot Black is dependent upon the continued support of its bankers. On the assumption that the support will continue to be made available by its bankers, the directors of Pot Black consider it appropriate that the financial statements have been prepared on a going concern basis.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life, or if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	–	not provided
Plant and machinery	–	10% on cost
Motor vehicle	–	20% on reducing balance
Racehorses	–	not provided
Fixtures and fittings:		
Tools and computer equipment	–	15% on cost
Office and other factory equipment	–	10% on cost
Pallets	–	33.33% on cost

Freehold property is not depreciated as the assets are maintained in a continual state of high repair. The non-provision of depreciation of freehold property is not in accordance with the requirement of Financial Reporting Standard 15 – Tangible Fixed Assets but is considered necessary in order that the accounts show a true and fair view. The directors of Pot Black thus consider that the life of such freehold property and its residual value (based upon prices prevailing at the time of acquisition or subsequent valuation) are such that depreciation is insignificant.

Racehorse valuations are reviewed annually by the directors of Pot Black.

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

The valuation includes costs incurred in bringing each product to its present location and condition, as follows:

Raw materials	–	Standard cost of direct materials plus attributable overheads based on normal level of activity
Work in progress and finished goods	–	Standard cost of direct materials and labour plus attributable overheads based on normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

At 31 December 1999 the stock valuation includes attributable overheads which had not been reflected in stock valuations at previous period ends. No adjustments have been made to restate prior period stock valuations on a similar basis. This change in treatment reduced the loss for the year ended 31 December 1999 by £82,130.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing difference except to the extent that, in the opinion of the directors of Pot Black, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to income as incurred.

Pensions

Pot Black operates and contributes to a defined contribution pension scheme and also contributes to an employees personal defined contribution scheme. Contributions paid during the year are charged to the profit and loss account.

2. Turnover

The turnover and profit/(loss) before taxation are attributable to the principal activities of the manufacture of snooker tables, pool tables, nursery furniture, wooden toys and paddling pools.

An analysis of turnover by geographical market is given below:

	<i>9 months</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>31 December</i>	<i>1998</i>	<i>1999</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
United Kingdom	8,480	5,880	6,295	6,216
European Union (excluding UK)	768	312	255	162
International	–	20	15	7
	<u>9,248</u>	<u>6,212</u>	<u>6,565</u>	<u>6,385</u>

The turnover is attributable to the following:

Snooker and pool tables	5,275	3,800	4,602	4,742
Paddling pools	2,220	1,019	748	471
Igloos and nursery furniture	1,753	1,393	1,215	1,172
	<u>9,248</u>	<u>6,212</u>	<u>6,565</u>	<u>6,385</u>

3. Staff costs

	<i>9 months</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	1,863	1,406	1,543	1,501
Social security costs	150	110	124	116
Other pension costs	94	70	31	31
	<u>2,107</u>	<u>1,586</u>	<u>1,698</u>	<u>1,648</u>

The average monthly number of employees during the year/period was as follows:

Management and administration	16	16	16	16
Selling and marketing	10	10	8	7
Manufacturing	163	154	116	116
	<u>189</u>	<u>180</u>	<u>140</u>	<u>139</u>

4. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	<i>9 months</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Hire plant and machinery	14	11	15	16
Depreciation – owned assets	70	20	80	58
Depreciation – assets on hire purchase and finance leases	33	22	20	26
Loss on disposal of fixed assets	–	–	12	35
Auditors' remuneration	14	14	14	15
Non-audit work	8	10	22	6
Foreign exchange losses/(gains)	2	(64)	(58)	(42)
Exceptional item – redundancy costs	–	–	–	72
	<u>277</u>	<u>235</u>	<u>249</u>	<u>186</u>
Directors' emoluments	–	30	–	–
Compensation for loss of office	–	–	7	10
Directors' pension contributions to money purchase schemes	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The numbers of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
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5. Interest payable

	<i>9 months ended</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank interest	55	29	60	79
Hire purchase interest	8	5	6	5
Other interest payable	–	2	1	–
Loan interest	–	–	–	1
Leasing charges	3	3	4	3
	<u>66</u>	<u>39</u>	<u>71</u>	<u>88</u>

6. Tax on profit/(loss) on ordinary activities

Taxation on the profit/(loss) on ordinary activities for the period was as follows:

	<i>9 months ended</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
UK corporation tax	(146)	(75)	29	–
Overprovision in prior year/period	(3)	–	–	1
Deferred taxation	–	(3)	(2)	36
	<u>(149)</u>	<u>(78)</u>	<u>27</u>	<u>37</u>

7. Dividends

	<i>9 months ended</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interim dividend – equity	200	–	–	72

8. Tangible fixed assets

	<i>Freehold Property £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Racehorses £'000</i>	<i>Totals £'000</i>
Cost or valuation						
At 1 April 1996	1,300	486	228	106	54	2,174
Additions	–	27	23	43	–	93
Disposals	–	–	–	(14)	–	(14)
At 31 March 1997	1,300	513	251	135	54	2,253
Additions	–	39	85	–	81	205
At 31 December 1997	1,300	552	336	135	135	2,458
Additions	–	4	12	105	28	149
Disposals	–	(8)	–	(111)	–	(119)
At 31 December 1998	1,300	548	348	129	163	2,488
Additions	–	10	46	21	20	97
Disposals	–	(10)	–	–	(112)	(122)
At 31 December 1999	1,300	548	394	150	71	2,463
Depreciation						
As at 1 April 1996	–	308	113	26	–	447
Charge for year	–	51	33	19	–	103
Eliminated on disposals	–	–	–	(5)	–	(5)
At 31 March 1997	–	359	146	40	–	545
Charge for period	–	26	2	14	–	42
At 31 December 1997	–	385	148	54	–	587
Charge for year	–	41	38	21	–	100
Eliminated on disposal	–	(8)	–	(49)	–	(57)
At 31 December 1998	–	418	186	26	–	630
Charge for year	–	27	35	22	–	84
Eliminated on disposals	–	(5)	–	–	–	(5)
At 31 December 1999	–	440	221	48	–	709
Net book value						
At 31 December 1999	1,300	108	173	102	71	1,754
At 31 December 1998	1,300	130	162	103	163	1,858
At 31 December 1997	1,300	167	188	81	135	1,871
At 31 March 1997	1,300	154	105	95	54	1,708

Included in land and buildings is freehold land valued at £1,300,000 which is not depreciated.

Included in the above net book value totals are amounts of £95,000 (31 December 1998 £100,000 31 December 1997 £137,000, 31 March 1997 £181,000) in respect of assets held under finance leases and hire purchase contract.

The gross value of fixed assets is stated at:

	<i>Freehold Property £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Racehorses £'000</i>	<i>Totals £'000</i>
Valuation in 1987	–	52	8	–	–	60
Valuation in 1989	1,101	–	–	–	–	1,101
Cost	199	496	386	150	71	1,302
	<u>1,300</u>	<u>548</u>	<u>394</u>	<u>150</u>	<u>71</u>	<u>2,463</u>

If plant, fixtures and fittings had not been revalued they would have been included at the following historical cost:

	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
Cost	704	829	837	882
Aggregate depreciation	424	445	524	586

Plant, fixtures and fittings were valued on a forced sale basis on 29 July 1987 by Messrs Husseys, Chartered Surveyors.

The freehold land and buildings were valued by the directors of Pot Black on 31 March 1989.

If the land and buildings were sold at their valuation, a tax liability of approximately £283,000 would arise.

9. Fixed asset investments

Pot Black's investments at the balance sheet date in the share capital of unlisted companies include the following:

Pot Black Limited

Nature of business: Not trading

<i>Class of shares:</i>	<i>% holding</i>
Ordinary	100.00

	<i>31 March 1997 £</i>	<i>31 December 1997 £</i>	<i>31 December 1998 £</i>	<i>31 December 1999 £</i>
Aggregate capital and reserves	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Childcraft Limited

Nature of business: Not trading

<i>Class of shares:</i>	<i>% holding</i>
Ordinary	100.00

	<i>31 March 1997 £</i>	<i>31 December 1997 £</i>	<i>31 December 1998 £</i>	<i>31 December 1999 £</i>
Aggregate capital and reserves	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Both companies are dormant and the only assets are the company names. The holdings in these companies are stated at cost.

10. Stocks

	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
Raw materials	588	715	527	462
Finished goods	520	616	929	1,005
	<u>1,108</u>	<u>1,331</u>	<u>1,456</u>	<u>1,467</u>

At 31 December 1999 the stock valuation includes attributable overheads which had not been reflected in stock valuations at previous period ends. No adjustments have been made to restate prior period stock valuations on a similar basis. This change in treatment reduced the loss for the year ended 31 December 1999 by £82,130.

11. Debtors: amounts falling due within one year

	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
Trade debtors	1,134	1,096	1,382	2,410
Other debtors	16	30	30	23
Prepayments	94	100	63	56
Taxation	39	–	18	–
ACT recoverable	50	–	–	–
	<u>1,333</u>	<u>1,226</u>	<u>1,493</u>	<u>2,489</u>

12. Creditors: amounts falling due within one year

	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
Bank loans and overdrafts (see note 14)	368	–	164	1,109
Hire purchase contracts and finance leases (see note 15)	65	51	43	36
Trade creditors	751	1,543	1,557	2,087
Directors' current accounts	195	61	5	14
Other creditors	57	31	18	24
V.A.T.	49	200	259	303
Social security and other taxes	43	71	60	55
Accrued expenses	208	284	355	482
Taxation	146	76	–	–
ACT payable	50	–	–	–
	<u>1,932</u>	<u>2,317</u>	<u>2,461</u>	<u>4,110</u>

13. Creditors: amounts falling due after more than one year

	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
Hire purchase contracts and finance leases (see note 15)	68	27	37	21

14. Loans and overdrafts

	<i>31 March</i> 1997 £'000	<i>31 December</i> 1997 £'000	<i>31 December</i> 1998 £'000	<i>31 December</i> 1999 £'000
An analysis of the maturity of loans and overdrafts is given below: Amounts falling due within one year or on demand:				
Bank overdrafts	368	–	164	1,109

15. Obligations under hire purchase contracts and finance leases

	<i>Hire purchase contracts</i>				<i>Finance leases</i>			
	<i>31 March</i> 1997 £'000	<i>31 December</i> 1997 £'000	<i>31 December</i> 1998 £'000	<i>31 December</i> 1999 £'000	<i>31 March</i> 1997 £'000	<i>31 December</i> 1997 £'000	<i>31 December</i> 1998 £'000	<i>31 December</i> 1999 £'000
Gross obligations repayable:								
Within one year	48	34	11	14	17	17	41	27
Between one and five years	34	10	12	16	34	17	31	8
	<u>82</u>	<u>44</u>	<u>23</u>	<u>30</u>	<u>51</u>	<u>34</u>	<u>72</u>	<u>35</u>
Finance charges repayable:								
Within one year	–	–	1	2	–	–	8	3
Between one and five years	–	–	2	2	–	–	4	1
	<u>–</u>	<u>–</u>	<u>3</u>	<u>4</u>	<u>–</u>	<u>–</u>	<u>12</u>	<u>4</u>
Net obligations repayable:								
Within one year	48	34	10	12	17	17	33	24
Between one and five years	34	10	10	14	34	17	27	7
	<u>82</u>	<u>44</u>	<u>20</u>	<u>26</u>	<u>51</u>	<u>34</u>	<u>60</u>	<u>31</u>

16. Secured debts

The following secured debts are included within creditors:

	<i>31 March</i> 1997 £'000	<i>31 December</i> 1997 £'000	<i>31 December</i> 1998 £'000	<i>31 December</i> 1999 £'000
Bank overdrafts	368	–	164	1,109
Hire purchase contracts and finance leases	133	78	80	57
	<u>501</u>	<u>78</u>	<u>244</u>	<u>1,166</u>

The bank overdraft is secured by a debenture on the company's freehold factory at Handy Cross, Bideford, Devon, and a fixed and floating charge over the company's other assets.

Hire purchase and finance lease obligations are secured on the assets acquired.

17. Provisions for liabilities and charges

	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
Deferred taxation	<u>31</u>	<u>34</u>	<u>36</u>	<u>–</u>

No provision for deferred taxation is required at 31 December 1999 as a result of corporation tax losses carried forward at that date.

18. Called up share capital

Authorised:

<i>Number:</i>	<i>Class</i>	<i>Nominal value</i>	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
2,100,000	Ordinary "A" voting	10p	210	210	210	210
400,000	Ordinary "B"					
	Non-voting	10p	40	40	40	40
1,000,000	Ordinary "C"					
	Non-voting	10p	100	100	100	100
			<u>350</u>	<u>350</u>	<u>350</u>	<u>350</u>

Allotted, issued and fully paid:

<i>Number:</i>	<i>Class</i>	<i>Nominal value</i>	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
640,000	Ordinary "A" voting	10p	64	64	64	64
205,000	Ordinary "B"					
	Non-voting	10p	36	36	28	21
30,000	Ordinary "C"					
	Non-voting	10p	3	3	3	3
			<u>103</u>	<u>103</u>	<u>95</u>	<u>88</u>

19. Revaluation reserve

<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

20. Capital redemption reserve

	<i>31 March 1997 £'000</i>	<i>31 December 1997 £'000</i>	<i>31 December 1998 £'000</i>	<i>31 December 1999 £'000</i>
Brought forward	62	62	62	70
Purchase of own shares	–	–	8	7
Carried forward	<u>62</u>	<u>62</u>	<u>70</u>	<u>77</u>

21. Pension commitments

Pot Black has a fully-insured pension scheme for its present directors and employees, as well as contributing to personal pension defined contribution schemes on behalf of present directors and other staff invited to join the schemes.

Premiums paid by the company are summarised below:

	<i>9 months</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Present directors	74	54	7	10
Other staff	20	16	24	21
	<u>94</u>	<u>70</u>	<u>31</u>	<u>31</u>

22. Transaction with directors

During the year ended 31 December 1999 Pot Black sold 4 racehorses to SGA Loze and C Loze for £80,000 (year ended 31 December 1998 £Nil, period ended 31 December 1997 £80,000, year ended 31 March 1997 £Nil). The horses were originally acquired from these directors and the transaction is considered to have taken place at arm's length.

23. Related party disclosures

BMW Hearn is a director of Pot Black and also of Matchroom Limited. Matchroom Limited also provides the services of BMW Hearn at a cost of £45,000 per annum,

In addition, BMW Hearn is a director of Steve Davis Holdings Limited. Fees of £45,000 are paid per annum to Steve Davis Holdings Limited for the endorsement of the company's products.

24. Reconciliation of movements in shareholders' funds

	<i>9 months</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit/(loss) for the financial year/period	331	252	(57)	(404)
Dividends	(200)	–	–	(72)
	<u>131</u>	<u>252</u>	<u>(57)</u>	<u>(476)</u>
Acquisition of own shares	–	–	(40)	(38)
Net addition to/(reduction in) shareholders' funds	131	252	(97)	(514)
Opening shareholders' funds	1,988	2,119	2,371	2,274
Closing shareholders' funds	<u>2,119</u>	<u>2,371</u>	<u>2,274</u>	<u>1,760</u>

25. Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	<i>9 months</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>31 December</i>	<i>1998</i>	<i>1999</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit/(loss)	544	369	(14)	(355)
Depreciation charges	103	42	100	84
Loss on sale of fixed assets	–	–	12	35
Decrease/(increase) in stocks	34	(223)	(125)	(11)
Decrease/(increase) in debtors	214	18	(249)	(1,014)
(Decrease)/increase in creditors	(100)	1,021	120	703
	<u>795</u>	<u>1,227</u>	<u>(156)</u>	<u>(558)</u>
Net cash inflow/(outflow) from operating activities	<u>795</u>	<u>1,227</u>	<u>(156)</u>	<u>(558)</u>

26. Analysis of cash flows

	<i>9 months</i>		<i>Years ended</i>	
	<i>Year ended</i>	<i>ended</i>	<i>31 December</i>	<i>31 December</i>
	<i>31 March</i>	<i>31 December</i>	<i>1998</i>	<i>1999</i>
	<i>1997</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Returns on investments and servicing of finance				
Interest received	2	–	1	2
Interest paid	(55)	(31)	(61)	(80)
Interest element of hire purchase and finance lease rentals payments	(11)	(8)	(10)	(8)
	<u>(64)</u>	<u>(39)</u>	<u>(70)</u>	<u>(86)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(64)</u>	<u>(39)</u>	<u>(70)</u>	<u>(86)</u>
Capital expenditure				
Purchase of tangible fixed assets	(57)	(205)	(50)	(79)
Sale of tangible fixed assets	9	–	50	82
Purchase of investments	(25)	–	–	–
	<u>(73)</u>	<u>(205)</u>	<u>–</u>	<u>3</u>
Net cash (outflow)/inflow for capital expenditure	<u>(73)</u>	<u>(205)</u>	<u>–</u>	<u>3</u>
Financing				
Loan repayments in year	(69)	(55)	(97)	(41)
Amount introduced by directors	200	88	–	33
Amount withdrawn by directors	(33)	(222)	(56)	(25)
Purchase of own shares	–	–	(40)	(38)
Share issue	3	–	–	–
	<u>101</u>	<u>(189)</u>	<u>(193)</u>	<u>(71)</u>
Net cash inflow/(outflow) from financing	<u>101</u>	<u>(189)</u>	<u>(193)</u>	<u>(71)</u>

27. Analysis of changes in net (debt)/funds

	<i>At 1 April 1996 £'000</i>	<i>Cashflow £'000</i>	<i>Non-cash changes £'000</i>	<i>At 31 March 1997 £'000</i>
Net cash:				
Cash at bank and in hand	7	(6)	–	1
Bank overdraft	(921)	553	–	(368)
	<u>(914)</u>	<u>547</u>	<u>–</u>	<u>(367)</u>
Debt:				
Hire purchase and finance leases	(165)	68	(36)	(133)
Total	<u>(1,079)</u>	<u>615</u>	<u>(36)</u>	<u>(500)</u>

	<i>At 1 April 1997 £'000</i>	<i>Cashflow £'000</i>	<i>At 31 December 1997 £'000</i>
Net cash:			
Cash at bank and in hand	1	320	321
Bank overdraft	(368)	368	–
	<u>(367)</u>	<u>688</u>	<u>321</u>
Debt:			
Hire purchase and finance leases	(133)	55	(78)
Total	<u>(500)</u>	<u>743</u>	<u>243</u>

	<i>At 1 January 1998 £'000</i>	<i>Cashflow £'000</i>	<i>Other non-cash changes £'000</i>	<i>At 31 December 1998 £'000</i>
Net cash:				
Cash at bank and in hand	321	(320)	–	1
Bank overdraft	–	(164)	–	(164)
	<u>321</u>	<u>(484)</u>	<u>–</u>	<u>(163)</u>
Debt:				
Hire purchase and finance leases	(78)	97	(99)	(80)
Total	<u>243</u>	<u>(387)</u>	<u>(99)</u>	<u>(243)</u>

	<i>At 1 January 1999 £'000</i>	<i>Cashflow £'000</i>	<i>Other non-cash changes £'000</i>	<i>At 31 December 1999 £'000</i>
Net cash:				
Cash at bank and in hand	1	180	–	181
Bank overdrafts	(164)	(945)	–	(1,109)
	<u>(163)</u>	<u>(765)</u>	<u>–</u>	<u>(928)</u>
Debt:				
Hire purchase and finance leases	(80)	41	(18)	(57)
Total	<u>(243)</u>	<u>(724)</u>	<u>(18)</u>	<u>(985)</u>

28. Group accounts

The accounts present information about Pot Black as an individual undertaking and not about its group. Group accounts are not presented as the inclusion of the subsidiaries would be immaterial to the accounts. Pot Black's two subsidiaries are Pot Black Limited and Childcraft Limited, both of which are dormant and have not traded since incorporation. Each company has a net capital of £2. The financial year end of each company is 31 December.

29. Other matters

The financial information in this report does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. Statutory financial statements in respect of Pot Black for the year ended 31 March 1997, for the nine month period ended 31 December 1997 and for the year ended 31 December 1998 have been delivered to the Registrar of Companies. The statutory financial statements in respect of the year ended 31 December 1999 have been approved by the Board, but have not yet been delivered to the Registrar of Companies. The auditors' reports on all of the above accounts were unqualified, however, in respect of the year ended 31 December 1999 the auditors drew to the attention of the shareholders the statement on going concern included in the financial statements, and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

Yours faithfully

BDO Stoy Hayward
*Chartered Accountants
and Registered Auditors*

PART IV

FINANCIAL INFORMATION ON TWO WHEEL TRADING COMPANY LIMITED

The Directors
Tandem Group plc
Bridge Street
Brigg
North Lincolnshire
DN20 8PB

The Directors
Peel Hunt plc
62 Threadneedle Street
London
EC2R 8HP

IBDO BDO Stoy Hayward
Chartered Accountants

Foxhall Lodge
Gregory Boulevard
Nottingham
NG7 6LH

29 August 2000

Dear Sirs

TWO WHEEL TRADING COMPANY LIMITED

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 29 August 2000 of Tandem Group plc.

Basis of preparation

The financial information set out on pages 41 to 54 is based on the audited financial statements for the three years ended 31 December 1999, to which no adjustments were considered necessary. The financial information has been prepared on the basis set out on pages 41 and 42.

Responsibility

Such financial statements are the responsibility of the directors of Two Wheel Trading Company Limited (“Two Wheel Trading”) who approved their issue.

The Directors of Tandem Group plc are responsible for the contents of the prospectus dated 29 August 2000 in which this report is included.

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

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors Mazars Neville Russell of The Broadway, Dudley, West Midlands, DY1 4PY. The audit reports in respect of each year reported upon were unqualified.

Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 29 August 2000, a true and fair view of the state of affairs of Two Wheel Trading Company Limited as at the dates stated and of its results and cashflows for the years then ended.

Consent

We consent to the inclusion in the Prospectus dated 29 August 2000 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

PROFIT AND LOSS ACCOUNTS

	Note	Years ended 31 December		
		1997 £'000	1998 £'000	1999 £'000
Turnover	2	3,513	3,560	3,270
Cost of sales		(2,453)	(2,482)	(2,361)
Gross profit		1,060	1,078	909
Distribution costs		(359)	(286)	(346)
Administrative expenses		(645)	(604)	(624)
Other operating income		2	–	3
Operating profit/(loss)		58	188	(58)
Interest receivable and similar income		–	–	1
Interest payable and similar charges	3	(48)	(46)	(35)
Profit/(loss) on ordinary activities before taxation	4	10	142	(92)
Taxation on profit/(loss) on ordinary activities	7	(7)	(24)	16
Profit/(loss) for the financial year		3	118	(76)
Dividends paid and proposed	8	–	(30)	–
Retained profit/(loss) for the year		3	88	(76)
Retained profit at beginning of year		497	500	588
Reserves capitalised during the year	16	–	–	(45)
Retained profit at end of year		500	588	467

Turnover relates to continuing activities.

All recognised gains and losses are included in the profit and loss account.

BALANCE SHEETS

	Note	31 December		
		1997 £'000	1998 £'000	1999 £'000
Fixed assets				
Intangible fixed assets	9	75	71	64
Tangible fixed assets	10	426	469	417
		501	540	481
Current assets				
Stocks	11	893	965	885
Debtors	12	450	506	492
Cash at bank and in hand		46	–	–
		1,389	1,471	1,377
Creditors: amounts falling due within one year	13	(944)	(1,053)	(1,048)
Net current assets		445	418	329
Total assets less current liabilities		946	958	810
Creditors: amounts falling due after more than one year	14	(441)	(360)	(288)
Provisions for liabilities and charges	15	–	(5)	(5)
		505	593	517
Capital and reserves				
Called up share capital	16	5	5	50
Profit and loss account		500	588	467
Shareholders' funds – equity	17	505	593	517

CASH FLOW STATEMENTS

	Note	Years ended 31 December		
		1997 £'000	1998 £'000	1999 £'000
Net cash inflow from operating activities	21	302	172	116
Returns on investments and servicing of finance				
Interest received		–	1	1
Interest paid		(41)	(38)	(27)
Interest element of finance lease rental payments		(7)	(9)	(8)
		<u>(48)</u>	<u>(46)</u>	<u>(34)</u>
Taxation		(15)	(12)	(12)
Capital expenditure				
Purchase of tangible fixed assets		(30)	(118)	(45)
Sale of tangible fixed assets		28	20	26
		<u>(2)</u>	<u>(98)</u>	<u>(19)</u>
Acquisition				
Purchase of business: deferred consideration		(35)	(29)	–
		<u>(35)</u>	<u>(29)</u>	<u>–</u>
Equity dividends paid		(60)	–	(30)
		<u>(60)</u>	<u>–</u>	<u>(30)</u>
Cash inflow/(outflow) before financing		142	(13)	21
Financing				
Repayment of bank and other loans	21	(35)	(46)	(46)
Capital element of finance lease rental payments	21	(51)	(66)	(63)
Invoice discounting		9	62	104
		<u>(77)</u>	<u>(50)</u>	<u>(5)</u>
Increase/(decrease) in cash in the period	21	<u>65</u>	<u>(63)</u>	<u>16</u>

NOTES TO THE FINANCIAL INFORMATION

1. Principal accounting policies

Accounting convention

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

Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers.

Depreciation

Depreciation is calculated to write off the cost less estimated residual value of fixed assets on a straight line basis and reducing balance basis over their estimated useful lives. It is calculated at the following rates:

Plant and machinery	–	10%
Motor vehicles	–	33% - 50%
Fixtures and fittings	–	10% - 25%

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and consists of material costs and related overheads.

Deferred taxation

Deferred tax is provided in respect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

Foreign currencies

Revenues and costs expressed in foreign currencies are translated into sterling at the rate of exchange ruling on the date on which transactions occur. Monetary assets and liabilities are translated at the rate ruling at the balance sheet date.

Differences arising on the translation of such items are dealt with in the profit and loss accounts.

Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

Finance leases

Assets held under finance leases and the related lease obligations are included at fair value of the leased assets at inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

Pension costs

Contributions payable to Two Wheel Trading’s pension scheme are charged to the profit and loss account in the period to which they relate.

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets acquired on the purchase of a business. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life.

2. Segmental information

The turnover, profit before taxation and net assets are attributable to the principal activities of factoring and manufacturing bicycle parts.

A geographical analysis of turnover is given below:

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
United Kingdom	3,120	3,225	2,949
Eire	305	289	286
Rest of Europe	86	44	34
Other	2	2	1
	<u>3,513</u>	<u>3,560</u>	<u>3,270</u>

3. Interest payable and similar charges

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank overdraft and other loans wholly repayable within 5 years	1	–	–
Finance charges – hire purchase contracts	7	9	8
Other interest	40	37	27
	<u>48</u>	<u>46</u>	<u>35</u>

4. Profit/(loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Staff costs (note 5)	511	533	537
Depreciation of owned tangible fixed assets	73	56	75
Depreciation of assets held under hire purchase contracts	33	44	19
Amortisation of goodwill	4	4	7
Profit on sale of tangible fixed assets	(15)	(13)	(7)
Auditors' remuneration	8	6	6
Hire of other assets – operating leases	134	112	127
Hire of plant and machinery – operating leases	1	–	1
	<u>1</u>	<u>–</u>	<u>1</u>

5. Staff costs

Staff costs including directors:

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	429	445	448
Social security costs	36	36	37
Other pension costs	46	52	52
	<u>511</u>	<u>533</u>	<u>537</u>

Average number of persons including executive directors employed by Two Wheel Trading during the year:

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Management and administration	8	7	7
Sales	3	2	3
Warehouse	4	5	5
Production	15	18	13
	<u>30</u>	<u>32</u>	<u>28</u>

6. Directors

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Emoluments:			
Management services	70	107	112
Pension costs	46	45	45
	<u>116</u>	<u>152</u>	<u>157</u>

7. Taxation

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Corporation tax charge/(credit)	2	22	(16)
Adjustment in respect of prior years	5	(3)	–
Deferred tax	-	5	–
	<u>7</u>	<u>24</u>	<u>(16)</u>

8. Dividends

	<i>Years ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Proposed final dividend	–	30	–

9. Intangible fixed assets

	<i>Goodwill</i> <i>£'000</i>
Cost	
At 1 January 1997 and at 31 December 1997, 1998 and 1999	80
Amortisation	
At 1 January 1997	1
Charge for the year	4
At 31 December 1997	5
Charge for the year	4
At 31 December 1998	9
Charge for the year	7
At 31 December 1999	16
Net book value	
At 31 December 1999	64
At 31 December 1998	71
At 31 December 1997	75

Goodwill arose on the purchase of trade and assets of an unincorporated business on 22 October 1996 and was initially amortised over 20 years. During the year ended 31 December 1999 the useful economic life of goodwill was reviewed and revised by the directors of Two Wheel Trading to 10 years. As a result Two Wheel Trading incurred an additional £3,000 amortisation charge in the year ended 31 December 1999. In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive economic benefit from that business.

10. Tangible fixed assets

	<i>Leasehold improvements £'000</i>	<i>Plant and machinery £'000</i>	<i>Motor vehicles £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Total £'000</i>
Cost					
At 1 January 1997	12	234	160	210	616
Additions	–	10	77	8	95
Disposals	–	–	(89)	–	(89)
At 31 December 1997	12	244	148	218	622
Additions	–	100	50	–	150
Disposals	–	–	(57)	(57)	(114)
Transfers	(12)	–	–	12	–
At 31 December 1998	–	344	141	173	658
Additions	–	–	49	12	61
Disposals	–	–	(36)	–	(36)
At 31 December 1999	–	344	154	185	683
Depreciation					
At 1 January 1997	–	4	94	68	166
Charge for year	–	25	41	40	106
Disposals	–	–	(76)	–	(76)
At 31 December 1997	–	29	59	108	196
Charge for year	–	30	35	35	100
Disposals	–	–	(50)	(57)	(107)
At 31 December 1998	–	59	44	86	189
Charge for year	–	34	38	22	94
Disposals	–	–	(17)	–	(17)
At 31 December 1999	–	93	65	108	266
Net book value					
At 31 December 1999	–	251	89	77	417
At 31 December 1998	–	285	97	87	469
At 31 December 1997	12	215	89	110	426

11. Stocks

	<i>31 December</i>		
	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Finished goods and goods for resale	806	859	770
Raw materials and consumables	87	106	115
	893	965	885

12. Debtors

Due within one year:

	<i>31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	411	459	439
Prepayments	24	47	53
ACT recoverable	15	–	–
	<u>450</u>	<u>506</u>	<u>492</u>

13. Creditors: amounts falling due within one year

	<i>31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loan and overdraft	46	64	48
Obligations under hire purchase contracts	57	55	16
Trade creditors	439	481	520
Corporation tax	43	35	7
Other taxation and social security costs	77	68	32
Other creditors	199	232	342
Directors' loan accounts	54	63	55
Accruals	29	25	28
Proposed dividend	–	30	–
	<u>944</u>	<u>1,053</u>	<u>1,048</u>

Obligations under finance leases and hire purchase contracts are secured by related assets and bear finance charges at fixed commercial rates.

The bank loan and overdraft are secured by a fixed and floating charge over the assets of Two Wheel Trading.

14. Creditors: amounts falling due after more than one year

	<i>31 December</i>		
	<i>1997</i> £'000	<i>1998</i> £'000	<i>1999</i> £'000
Bank loan	219	173	127
Other loan	120	120	120
Obligations under hire purchase contracts	47	14	6
Other creditors and deferred income	55	53	35
	<u>441</u>	<u>360</u>	<u>288</u>
Amounts repayable otherwise than by instalments in more than five years	<u>120</u>	<u>120</u>	<u>120</u>
Amounts repayable by instalments:			
Not wholly repayable within five years:			
Repayable within five years	194	10	24
Repayable after five years	80	43	11
	<u>274</u>	<u>53</u>	<u>35</u>
Wholly repayable within five years	47	187	133
	<u>321</u>	<u>240</u>	<u>168</u>

The bank loan bears interest at commercial rates and is secured by a fixed and floating charge over the assets of Two Wheel Trading. The other loan is a loan from the directors' pension fund and is repayable in full at a maximum of 10 years from drawdown in October 1996 or earlier subject to certain conditions. This loan bears interest at 3% above the bank's base rate.

Obligations under finance leases and hire purchase contracts are secured by related assets and bear finance charges at normal commercial rates.

	<i>Bank loans and overdrafts</i>			<i>Other</i> £'000	<i>Total</i> £'000
	£'000				
Analysis of debt maturity: 1999					
Amounts payable:					
In one year or less or on demand	48	16			64
Between one and two years	46	6			52
Between two and five years	81	–			81
In five years or more	–	120			120
	<u>175</u>	<u>142</u>			<u>317</u>
Analysis of debt maturity: 1998					
Amounts payable:					
In one year or less or on demand	64	55			119
Between one and two years	46	11			57
Between two and five years	127	3			130
In five years or more	–	120			120
	<u>237</u>	<u>189</u>			<u>426</u>
Analysis of debt maturity: 1997					
Amounts payable:					
In one year or less on demand	46	57			103
Between one and two years	46	39			85
Between two and five years	138	8			146
In five years or more	35	120			155
	<u>265</u>	<u>224</u>			<u>489</u>

15. Provisions for liabilities and charges

	31 December 1997		31 December 1998		31 December 1999	
	<i>Amount provided</i>	<i>Amount unprovided</i>	<i>Amount provided</i>	<i>Amount unprovided</i>	<i>Amount provided</i>	<i>Amount unprovided</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Deferred taxation: Excess of capital allowances over depreciation	—	—	5	27	5	18
	<u>—</u>	<u>—</u>	<u>5</u>	<u>27</u>	<u>5</u>	<u>18</u>

16. Share capital

	31 December		
	1997	1998	1999
	£'000	£'000	£'000
Authorised:			
Ordinary shares of £1 each	5	5	100
	<u>5</u>	<u>5</u>	<u>100</u>
Allotted issued and fully paid:			
Ordinary shares of £1 each	5	5	50
	<u>5</u>	<u>5</u>	<u>50</u>

During the year, Two Wheel Trading's share capital was strengthened by a capitalisation issue of £45,000 which was facilitated by an increase in the authorised share capital to £100,000.

17. Reconciliation of movements in shareholders' funds

	31 December		
	1997	1998	1999
	£'000	£'000	£'000
Profit/(loss) for the financial year	3	118	(76)
Dividend paid and proposed	—	(30)	—
	<u>3</u>	<u>(30)</u>	<u>—</u>
Net addition to/(reduction) in shareholders' funds	3	88	(76)
Opening shareholders' funds	502	505	593
	<u>502</u>	<u>505</u>	<u>593</u>
Closing shareholders' funds	505	593	517
	<u>505</u>	<u>593</u>	<u>517</u>

18. Pension commitments

Two Wheel Trading operates a defined contribution pension scheme. The assets of the scheme are held separately from those of Two Wheel Trading in an independently administered fund. The pension cost charged represents contributions payable by Two Wheel Trading to the fund on behalf of two directors and amounted to £52,000 (1998: £52,000, 1997: £46,000). At 31 December 1999 there was £Nil due to the fund (1998: £2,000, 1997: £Nil).

19. Other financial commitments

Two Wheel Trading has non-cancellable annual commitments under operating leases which expire:

	<i>Land and buildings</i>			<i>Other</i>		
	1997	1998	1999	1997	1998	1999
	£'000	£'000	£'000	£'000	£'000	£'000
Within 2 to 5 years	—	36	35	—	1	3
After 5 years	114	92	92	—	92	—
	<u>114</u>	<u>92</u>	<u>92</u>	<u>—</u>	<u>92</u>	<u>—</u>

20. Contingent liabilities

	31 December		
	1997	1998	1999
	£'000	£'000	£'000
There were contingent liabilities in respect of:			
HM Customs & Excise guarantee	20	40	40
Letter of credit	–	16	27
	<u>20</u>	<u>56</u>	<u>67</u>

21. Notes to the cash flow statement

(i) Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	31 December		
	1997	1998	1999
	£'000	£'000	£'000
Operating profit/(loss)	58	188	(58)
Depreciation and amortisation charges	110	104	101
Profit on disposal of tangible fixed assets	(15)	(13)	(7)
Decrease/(increase) in stock	12	(72)	80
Decrease/(increase) in debtors	68	(71)	14
Increase/(decrease) in creditors	69	36	(14)
Net cash inflow from operating activities	<u>302</u>	<u>172</u>	<u>116</u>

(ii) Reconciliation of net cash flow to movement in net debt

	31 December		
	1997	1998	1999
	£'000	£'000	£'000
Increase/(decrease) in cash in the year	65	(63)	16
Repayment of bank and other loans	35	46	46
Capital element of finance lease and hire purchase payments	51	66	63
Invoice discounting advances	(9)	(62)	(104)
Change in net debt resulting from cashflows	142	(13)	21
New finance lease and hire purchase agreements	(65)	(32)	(16)
Movement in net debt in the year	77	(45)	5
Net debt brought forward	(679)	(602)	(647)
Net debt carried forward	<u>(602)</u>	<u>(647)</u>	<u>(642)</u>

(iii) Analysis of net debt

	<i>At</i> <i>1 January</i> <i>1997</i> <i>£'000</i>	<i>Cash flow</i> <i>£'000</i>	<i>Non-cash</i> <i>changes</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>1997</i> <i>£'000</i>
Cash in hand	–	46	–	46
Overdraft	(19)	19	–	–
	(19)	65	–	46
Finance lease and hire purchase agreements	(90)	51	(65)	(104)
Bank and other loans	(420)	35	–	(385)
Invoice discounting	(150)	(9)	–	(159)
	(679)	142	(65)	(602)

	<i>At</i> <i>1 January</i> <i>1998</i> <i>£'000</i>	<i>Cash flow</i> <i>£'000</i>	<i>Non-cash</i> <i>changes</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>1998</i> <i>£'000</i>
Cash in hand	46	(46)	–	–
Overdraft	–	(17)	–	(17)
	46	(63)	–	(17)
Finance lease and hire purchase agreements	(104)	67	(32)	(69)
Bank and other loans	(385)	45	–	(340)
Invoice discounting	(159)	(62)	–	(221)
	(602)	(13)	(32)	(647)

	<i>At</i> <i>1 January</i> <i>1999</i> <i>£'000</i>	<i>Cash flow</i> <i>£'000</i>	<i>Non-cash</i> <i>changes</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>1999</i> <i>£'000</i>
Overdraft	(17)	16	–	(1)
Finance lease and hire purchase agreements	(69)	63	(16)	(22)
Bank and other loans	(340)	46	–	(294)
Invoice discounting	(221)	(104)	–	(325)
	(647)	21	(16)	(642)

22. Other matters

The financial information in this report does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. Statutory financial statements in respect of Two Wheel Trading for the two years ended 31 December 1998 have been delivered to the Registrar of Companies. The statutory financial statements in respect of the year ended 31 December 1999 have been approved by the Board, but have not yet been delivered to the Registrar of Companies. The auditors' reports on all of the above accounts were unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors

PART V

PRO FORMA STATEMENT OF COMBINED NET ASSETS OF THE ENLARGED GROUP

The Pro forma Statement of combined net assets of the Enlarged Group is provided for illustrative purposes only to show the effect on the balance sheet of Tandem had the Acquisitions occurred on 31 January 2000. It has been compiled on the basis described below from the consolidated balance sheet of Tandem at 31 January 2000 as set out in the audited financial statements in the Appendix to and which forms a part of this document and the balance sheets of Pot Black and Two Wheel Trading at 31 December 1999 set out in the accountants' reports in Parts III and IV respectively. Due to its nature, the Pro forma Statement of combined net assets of the Enlarged Group may not give a true picture of the financial position or results of the Enlarged Group which would have been reported if the Acquisitions had occurred at 31 January 2000.

	<i>Tandem</i>	<i>Adjustment Pot Black</i>	<i>Adjustment Two Wheel Trading</i>	<i>Adjustments Note 1</i>	<i>Adjustments Note 2</i>	<i>Adjustments Note 3</i>	<i>Adjustments Note 4</i>	<i>Adjustments Note 5</i>	<i>Pro forma</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets									
Intangible assets	–	–	64	–	–	–	–	712	776
Tangible assets	1,103	1,754	417	(1,356)	–	–	–	–	1,918
	<u>1,103</u>	<u>1,754</u>	<u>481</u>	<u>(1,356)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>712</u>	<u>2,694</u>
Current assets									
Stocks	3,806	1,467	885	–	–	–	–	–	6,158
Assets for resale	586	–	–	–	–	–	–	–	586
Debtors	3,015	2,489	492	–	–	–	–	–	5,996
Cash at bank and in hand	–	181	–	–	–	–	–	–	181
	<u>7,407</u>	<u>4,137</u>	<u>1,377</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,921</u>
Creditors: amounts falling due within one year									
Bank overdraft	(9,351)	(1,109)	(48)	–	1,389	4,000	1,703	(1,000)	(4,416)
Other creditors	(3,513)	(3,001)	(1,000)	–	–	(600)	–	–	(8,114)
	<u>(12,864)</u>	<u>(4,110)</u>	<u>(1,048)</u>	<u>–</u>	<u>1,389</u>	<u>3,400</u>	<u>1,703</u>	<u>(1,000)</u>	<u>(12,530)</u>
Net current assets/(liabilities)	(5,457)	27	329	–	1,389	3,400	1,703	(1,000)	391
Creditors: amounts falling due after one year									
Provisions	(22)	(21)	(288)	–	–	–	–	–	(331)
	<u>(446)</u>	<u>–</u>	<u>(5)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(451)</u>
Net assets/(liabilities)	<u>(4,822)</u>	<u>1,760</u>	<u>517</u>	<u>(1,356)</u>	<u>1,389</u>	<u>3,400</u>	<u>1,703</u>	<u>(288)</u>	<u>2,303</u>

Notes:

- The adjustment of £1,356,000 represents property and certain non-trading assets excluded from the acquisition of Pot Black.
- The adjustment of £1,389,000 reflects the net proceeds of the placing of February 2000 of £550,000 and the bank debt write off of £839,000 in Tandem.
- The adjustment of £3,400,000 represents the estimated proceeds of the proposed placing of £4,000,000 less estimated issue costs of £600,000.
- The adjustment of £1,703,000 represents the proposed further write off of current bank debt of deutschmarks 4,121,344 and £48,000 and the conversion of deutschmarks 1,236,403 of bank debt into Ordinary Shares, based on a deutschmark sterling exchange rate at 31 January 2000.
- The aggregate consideration for the proposed Acquisitions is approximately £1,633,000, being the issue of new Ordinary Shares to a value of £633,000 and cash consideration of £1,000,000. The adjustment of £712,000 for goodwill reflects the excess of the consideration over the net assets acquired. No fair value adjustments have been made.

No adjustments have been made to take account of any changes in the financial position of Tandem since 31 January 2000, except as noted above in note 2, or of Pot Black and Two Wheel Trading since 31 December 1999. Due to the seasonality of Pot Black in particular, such changes to the date of Acquisition could be significant.

**Report by BDO Stoy Hayward on the Pro forma Statement of
combined net assets of the Enlarged Group**

BDO BDO Stoy Hayward
Chartered Accountants

The Directors
Tandem Group plc
Bridge Street
Brigg
North Lincolnshire
DN20 8PB

Foxhall Lodge
Gregory Boulevard
Nottingham
NG7 6LH

The Directors
Peel Hunt plc
62 Threadneedle Street
London
EC2R 8HP

29 August 2000

Dear Sirs

We report on the Pro forma Statement of combined net assets of the Enlarged Group set out in Part V of a document incorporating an AIM prospectus (referred to as AIM admission document) dated 29 August which has been prepared, for illustrative purposes only, to provide information about how the Acquisitions (as defined in the AIM admission document) might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors of Tandem Group plc to prepare the Pro forma Statement of combined net assets of the Enlarged Group.

It is our responsibility to form an opinion on the Pro forma Statement of combined net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and the Bulletin 1998/9 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma Statement of combined net assets with the Directors of Tandem Group plc.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of Tandem Group plc; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules.

Yours faithfully

BDO Stoy Hayward
*Chartered Accountants
and Registered Auditors*

PART VI

ADDITIONAL INFORMATION

1. Responsibility statements

The Directors, whose names appear on this page, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 Tandem Group plc was incorporated and registered in England and Wales under the Companies Act 1948 on 15 December 1958 with registered number 616818 as a private company with limited liability under the name of Rankin Dyson Limited. The name of the Company was changed to Economic Forestry Group (Holdings) Limited on 14 June 1982. The Company re-registered as a public limited company and changed its name to Economic Forestry Group plc on 14 June 1982. On 26 February 1990 the Company changed its name to EFG plc and on 1 January 1996 the Company changed its name to Tandem Group plc. The legislation which now applies to the Company is the Act.

2.2 The full names of the Directors of the Company and their ages at the date of this document are:

<i>Name</i>	<i>Age</i>
Graham Waldron (<i>Non-executive Chairman</i>)	70
Mervyn Peter John Keene (<i>Finance Director and Secretary</i>)	50
Albert Paul Vicary (<i>Commercial Director</i>)	48

all of Bridge Street, Brigg, North Lincolnshire DN20 8PB

2.3 The Company's registered office is in the United Kingdom at Bridge Street, Brigg, North Lincolnshire DN20 8PB.

3. Share capital

3.1 The authorised share capital of the Company on incorporation was £100 divided in 100 ordinary shares of £1 each.

3.2 3.2.1 Various ordinary resolutions have increased the authorised share capital until the Company's current authorised share capital was created by an ordinary resolution being passed on 22 November 1995 to increase the authorised share capital of the Company from £3,130,000 to £6,250,000 by the creation of an additional 62,400,000 ordinary shares of 5 pence each.

3.2.2 At the Annual General Meeting of the Company held on 2 September 1999, ordinary and special resolutions were passed, *inter alia*, to:

3.2.2.1 authorise the Directors generally and unconditionally in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant equity securities (as defined in that section) up to a nominal amount of £1,546,512 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or if earlier 2 December 2000; and

3.2.2.2 empower the Directors until the next Annual General Meeting of the Company or if earlier 2 December 2000 to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority referred in paragraph 3.2.2.1 as if Section 89(1) of the Act did not apply to any such allotment

these powers described at clauses 3.2.2.1 and 3.2.2.2 above were limited to (i) the allotment of equity securities in connection with any rights issue in favour of the holders of Ordinary

Shares (ii) the allotment (otherwise than pursuant to sub paragraph (i)) of equity securities up to an aggregate nominal value of £235,174; and

- 3.2.3 At an Extraordinary General Meeting of the Company on 21 February 2000, ordinary and special resolutions were passed, *inter alia*, to:
- 3.2.3.1 authorise the Directors generally and unconditionally in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £402,778 in connection with the placing of the Company described in the circular of the Company dated 21 January 2000; and
- 3.2.3.2 disapply the provisions of section 95 (ii) of the Act and section 89(1) pursuant to the placing of 8,055,555 Ordinary Shares of 5 pence pursuant to the authority conferred in paragraph 3.2.3.1 above such authorities to expire at the conclusion of the Annual General Meeting of the Company to be held in 2000.
- 3.3 The Ordinary Shares are in registered form and are capable of being held in both certificated and uncertificated form.
- 3.4 As at the date of this document, the authorised share capital of the Company is £6,250,000 divided into 125,000,000 Ordinary Shares. The issued share capital is £5,106,265 divided into 102,125,309 Ordinary Shares fully paid.
- 3.5 Except to the extent disapplied pursuant to section 95 of the Act, the provisions of section 89(1) of the Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities as defined in section 94(2) of the Act which are, or are to be, paid up in cash) will apply to the authorised but unissued share capital of the Company.
- 3.6 Following completion of the Proposals the authorised share capital of the Company will be £12,000,000 divided into 268,750,000 Ordinary Shares and 125,000,000 Non-Voting Shares.
- Assuming a deutschmark sterling conversion rate of 3.24 and an issue price for the Consideration Shares of 5 pence the issued share capital will be £9,032,898.41 divided into £8,021,645.32 Ordinary Shares and 1,021,253.09 Non-Voting Shares.
- 3.7 Save as disclosed in paragraph 3.2 of this Part VI, within the three years immediately preceding the date of this document:
- 3.7.1 there has been no change in the amount of the issued share or loan capital of the Company; and
- 3.7.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company.
- 3.8 Except for the allotment of the Consideration Shares and the Debt Restructuring Shares and save pursuant to the Placing and the Open Offer and the Share Option Schemes:
- 3.8.1 no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- 3.8.2 no further issue of Ordinary Shares will be made which will effectively alter the control of the Company without the prior approval of the Company in general meeting; and
- 3.8.3 no material issue of Ordinary Shares (other than to Shareholders *pro rata* to their existing holdings) will be made within one year from the date of this document without the prior approval of the Company in general meeting.

4. Memorandum and Articles of Association

4.1 Memorandum of Association

The Memorandum of Association of the Company provides that the principal object of the Company is, *inter alia*, to carry on business concerned with woodland, agricultural produce or industries, nurserymen, horticulturists, landscape gardeners or contractors. The Resolution will, if passed, *inter alia*, amend the Memorandum of Association to reflect that the Company will be a holding company and provide that its principal object shall include the carrying on of business as a general commercial company. The Company's Memorandum of Association is available for inspection at the addresses specified in paragraph 19 below.

4.2 Existing Articles of Association

The Resolution will, if passed, *inter alia*, adopt new Articles of Association. A summary of the proposed principal changes to the existing Articles of Association is set out in Part VII. Both the existing and proposed Articles of Association are available for inspection at the addresses specified in paragraph 19 below. A summary of the existing Articles of Association is set out below.

References in this paragraph 4.2 to the "Companies Acts" in the Articles of Association of the Company (the "Articles") means every statute from time to time in force concerning companies insofar as the same applies to the Company.

The Articles, which were adopted on 25 June 1987 (with subsequent amendments) contain, *inter alia*, provisions to the following effect:

4.2.1 Rights attaching generally to the shares in the Company

4.2.1.1 Voting rights

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every member who is present in person at a general meeting of the Company shall have one vote and on a poll every member who is present in person or by proxy at a general meeting of the Company will have one vote for every 5 pence nominal amount of share capital.

4.2.1.2 Transfer of Tandem shares

Except as otherwise provided by the Articles, a member may transfer all or any of his shares by an instrument of transfer in any usual form or in any form as may be approved by the Directors. The instrument of transfer must be signed by or on behalf of the transferor (and, in the case of a partly paid share by or on behalf of the transferee). The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Company's register of members in respect thereof. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of any share which is not fully paid. The Directors may decline to recognise any instrument of transfer unless (i) it is lodged with the Company accompanied by the relevant share certificate and such other evidence as the Directors may reasonably require to establish the right of the transferor to make the transfer, (ii) the instrument is in respect of only one class of shares and (iii) in the case of a transfer to joint holders, the number of joint holders to whom the shares are to be transferred does not exceed four.

4.2.1.3 Dividends

The Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests in the profits of the Company available for distribution, but no dividend shall exceed the amount recommended by the Directors. Except insofar as the rights attaching to, or the terms of issue of any share otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid but no amount paid up on a share in advance of any call having been made shall be treated as paid up on that share. No dividend shall bear interest

against the Company and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may pay such interim dividends as appear to them to be justified by the financial position of the Company.

If the Directors act in good faith they will not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights. All dividends unclaimed for a period of twelve years after having been declared shall be forfeited and shall revert to the Company. Any general meeting declaring a dividend may, upon the recommendation of the Board, by ordinary resolution direct payment or satisfaction of the dividend wholly or in part by the distribution of specific assets, and in particular of paid up shares or debentures of any other company, and the Board will give effect to the directions, and where any difficulty arises in regard to the distribution the Board may settle it as they think expedient, and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may ignore fractions altogether and may fix the value for distribution purposes of any specific assets to be distributed and may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to secure equality of distribution and may vest any specific assets to be distributed in trustees as may seem expedient to the Board.

4.2.1.4 Distribution of assets on a winding up

If the Company commences liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the members the whole or any part of the assets of the Company and may set such value as he deems fair upon any property to be so divided and may determine how such division shall be carried out, as between the member or members of different classes and may also vest the whole or part of the assets in trustees on trust for the benefit of all contributories.

4.2.2 Other provisions

4.2.2.1 Variation of share capital and rights

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of larger amounts, and subject to the provisions of the Companies Acts, sub divide its shares into shares of smaller amounts, or cancel any shares which have not been taken or agreed to be taken by any person. Subject to the provisions of the Companies Acts, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

Subject to the provisions of the Companies Acts, all or any of the rights attached to any class of shares may be varied with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares.

4.2.2.2 Directors

- (a) Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate Directors) shall be not less than two nor more than fifteen in number.
- (b) Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all fees so paid to Directors (excluding amounts payable under any other provision of the Articles) shall not exceed £75,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any

Director appointed to hold any employment or executive office with the Company shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide, and either in addition to or in lieu of his remuneration as a Director. In addition, any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine. Each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or general meetings of the Company or any other meeting which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.

- (c) The Board or any committee authorised by the Board may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any Director or former Director or the relations, connections, or dependants of any Director or former Director provided that no benefits (except as may be provided by the Articles) may be granted to or in respect of a Director or former Director who has not been employed by or held an executive or other office or place of profit under, the Company or any body corporate which is or has been its subsidiary or any predecessor in business of the Company or any such body corporate without the approval of an ordinary resolution of the Company.
- (d) The Board may from time to time appoint one or more of its body to hold any employment or executive office with the Company for such period (subject to the provisions of the Companies Acts) and upon such other terms as the Board may decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the Director may have against the Company or the Company may have against the Director for any breach of any contract of service between him and the Company which may be involved in the revocation or termination. A Director so appointed will receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may decide, and either as or in lieu of his remuneration as a Director.
- (e) At every general meeting of the Company one-third of the Directors who are subject to retirement by rotation or, if their number is not three or any multiple of three, then the number nearest to one-third will retire from office but, if there is only one Director who is subject to retirement by rotation he will retire. A person who is the sole Managing Director of the Company shall not whilst holding that office be subject to retirement by rotation or be taken into account in deciding the number of Directors to retire by rotation on any particular occasion. The Directors to retire will be those who have been longest in the office since their last appointment or re-appointment but, as between persons who became or were last re-appointed as Directors on the same day, shall (unless they otherwise agree) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the Directors at the date of the notice convening the annual general meeting and no Director shall be required to retire or be relieved from retiring by reason of any change in the number of identity of the Directors after the date of the notice but before the close of the meeting.
- (f) No person will be disqualified from being a Director or required to vacate that office by reason only of the fact that he has attained the age of 70 or any other age, nor is it necessary by reason only of his age to give special notice under the Companies Acts provided that any Director shall retire at the

annual general meeting of the Company following the date on which he shall attain the age of 70 unless the Company shall by ordinary resolution otherwise resolve. Where the Board convenes any general meeting of the Company at which (to the knowledge of the Board) a Director will be proposed for appointment or re-appointment who at a date at which the meeting is convened will have attained the age of 70 or more, the Board shall give notice of his age in years in the notice convening the meeting or in any document accompanying the notice, but the accidental omission to do so shall not invalidate any proceedings, or any appointment or re-appointment of that Director, at that meeting.

- (g) No shareholding qualification for Directors is required.
- (h) Save as otherwise provided in the Articles, a Director may not vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any contract in which he is to his knowledge materially interested and, if he shall do so, his vote will not be counted. However, this prohibition does not apply to any resolution concerning any of the following matters:
 - (1) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
 - (2) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (3) the subscription or purchase by him of shares, debentures or other securities of the Company pursuant to an offer or invitation to Members or debenture holders of the Company, or any class of them, or to the public or any section of the public;
 - (4) the underwriting by him of any shares, debentures or other securities of the Company or any of its subsidiaries;
 - (5) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
 - (6) any contract concerning any other company (not being a company in which the Director owns one per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise;
 - (7) any contract concerning the adoption, modification or operation of a pension fund or retirement death or disability benefits scheme which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
 - (8) any contract for the benefit of employees of the Company or any of its subsidiaries under which he benefits in a similar manner as the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
 - (9) any contract for the purchase or maintenance for any Director or Directors of insurance against any liability.

The Company may by ordinary resolution suspend or relax this prohibition to any extent or ratify any contract not properly authorised by reason of a contravention of this prohibition.

4.2.2.3 Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the Companies Acts to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure that the aggregate principal amount from time to time outstanding of all borrowings (as defined in the Articles) by the Group (exclusive of borrowings within the Group) shall not at any time without the previous sanction of any ordinary resolution of the Company exceed an amount equal to twice the adjusted capital and reserves (as defined in the Articles). (The current limit on borrowings as authorised by an ordinary resolution of the Company on 22 July 1999 is £19 million).

“borrowings” is defined in the Articles to include, *inter alia*, the principal amount of borrowings of a third party guaranteed by a member of the Group, outstanding amounts raised by acceptance credits, the nominal amount of any issued share capital and the principal amount of any debentures of any member of the Group the beneficial interest in which is owned otherwise than by a member of the Group, the payment or repayment of which is the subject of a guarantee or indemnity by a member of the Group, the principal amount of any preference share capital of any subsidiary owned otherwise than by a member of the Group, and any fixed or minimum payment on final repayment of any borrowing, but does not include, *inter alia*, borrowings incurred by any member of the Group for the purpose of repaying within six months of the borrowing the whole or any part of the borrowing of that or any member of the Group for the time being outstanding, and the borrowings incurred by any member of the Group for the purpose of financing any contract guarantee or insured by the Export Credits Guarantee Department or by any other governmental department or agency fulfilling a similar function up to the amount so guaranteed.

“reserves” for this purpose are derived from the then latest audited balance sheet of the Group, but after making adjustments, *inter alia*, to deduct from the aggregate any debit balance on the profit and loss account existing at the date of that audited balance sheet (except to the extent that a deduction has already been made on that account) and to reflect subsequent variations in share capital and reserves.

4.2.2.4 Indemnity of officers

Subject to the provisions of the Companies Acts, the Company may purchase and maintain for any Director or other officer or auditor insurance against any liability. Subject to these provisions, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company and the auditors shall be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company or as auditor, in defending any proceedings (whether civil or criminal) in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court.

5. Share Option Schemes

5.1 Summary of the principal terms of the Economic Forestry Group 1986 Senior Executives’ Share Option Scheme (“the Senior Executive Scheme”)

5.1.1 General

The Senior Executive Scheme was adopted on 19 March 1986 and received formal approval of the Board of Inland Revenue on 15 June 1986. The Senior Executive Scheme permitted the grant of options within the period of ten years following the date of adoption. No further grants were therefore possible after 19 March 1996.

5.1.2 Eligibility

All full time directors and employees of the Company and participating subsidiaries (therein and throughout this paragraph 5.1 only “the Group”) who were required to devote substantially the whole of their working hours to the business of the Group were eligible to be nominated for participation in the Senior Executive Scheme.

5.1.3 Administration

The Senior Executive Scheme is administered by the Board of Directors of the Company. The Board has discretion in selecting the persons to whom options under the Senior Executive Scheme were granted and (subject to the limits set out below) in determining the number and terms of options to be so granted.

5.1.4 Option Price

The holder of an option under the Senior Executive Scheme is entitled to acquire ordinary shares at a price to be determined by the Board at the time when the option is granted. The option price is not less than the greater of (i) the market value of an ordinary share on the day on which the invitation was issued in respect of the option and (ii) the nominal value of an ordinary share.

5.1.5 Individual limits

Each individual’s participation is limited so that the aggregate option price payable on the exercise of options to subscribe for ordinary shares granted to such an individual in any ten year period under the Senior Executive Scheme or any other share option scheme (not being a savings related scheme) established by the Company will not exceed the greater of four times his annual earnings and £100,000.

5.1.6 Grant periods

No consideration is payable for the grant of an option.

No options may be granted more than ten years after the date of adoption of the Senior Executive Scheme, therefore no options have been granted under the Senior Executive Scheme after 19 March 1996.

5.1.7 Exercise and lapse of options

Options are not transferable and are normally exercisable between the third and tenth anniversaries of the date of grant by a person who remains a director or employee. Options may, however, be exercised for a limited period after the option holder ceases to be employed within the Group in certain special circumstances. Options granted prior to the date on which the shares in the Company were admitted to the Stock Exchange Unlisted Securities Market shall, however, lapse on cessation unless the Board determines otherwise. The special circumstances in which options granted after such admission may become exercisable include the death, retirement, redundancy, ill-health, injury or disability of the option holder or where the option holder’s employing company or business is disposed of outside the Group or at the discretion of the Board in other circumstances. Exercise is also possible in the event of an amalgamation, reconstruction or takeover of the Company. In such circumstances an option holder may be allowed to release his rights under options in consideration of the grant to him of equivalent rights over shares in the acquiring company. Options may also be exercised in the event of a voluntary winding-up of the Company.

Options will normally lapse on the expiry of any of the periods allowed for exercise. The Board has discretion to determine that any such periods for exercise arising on the occurrence of any of the special circumstances referred to above should be extended.

5.1.8 Issue and listing of shares

Ordinary shares should be issued and allotted within 30 days of the exercise of an option. Ordinary shares allotted will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment of such shares. In all other respects the ordinary shares so issued shall be identical and rank *pari passu* with the fully paid registered ordinary shares in issue on the date of such issue and allotment. Application is then to be made to the London Stock Exchange for such ordinary shares to be admitted to the Official List.

5.1.9 Limits applying to the Senior Executive Scheme

After admission of shares in the Company to the Stock Exchange Unlisted Securities Market and subject to any subsequent variation of capital, the maximum number of ordinary shares of 25 pence each in the capital of the Company which could be under option was limited to 1,395,000, which represented approximately 10 per cent. of the ordinary share capital of the Company following such admission.

The following limits apply to the number of ordinary shares which could be acquired by subscription on the exercise of options granted under the Senior Executive Scheme:

5.1.9.1 No option could have been granted if immediately following the grant of such option the aggregate nominal value of ordinary shares issued or then capable of being issued pursuant to options granted under the Senior Executive Scheme within the immediately preceding period of ten years and:

- (a) issued or then capable of being issued pursuant to options granted or rights obtained in such ten year period under any other discretionary share option scheme approved by the Company would exceed 5 per cent. of the nominal amount of ordinary shares in the Company at that time in issue; or
- (b) issued or then capable of being issued pursuant to options granted or rights obtained in such ten year period under any other share option scheme approved by the Company would exceed 10 per cent. of the nominal amount of the ordinary shares the Company at that time in issue.

5.1.9.2 No option could have been granted if immediately following the grant of such option the aggregate nominal value of Ordinary Shares issued or capable of being issued pursuant to options granted (after admission to the Unlisted Securities Market) under any share option scheme of the Company in the immediately preceding period of two years would exceed 3 per cent. of the nominal value of the ordinary share capital of the Company.

5.1.10 Variations

In the event of any variation of or increase in the share capital of the Company, the number of shares subject to options and/or the option price may be adjusted by the Board of Directors in such manner as approved by the Board of Inland Revenue.

5.1.11 Amendments

Although the Board of Directors had the power to amend the provisions of the Senior Executive Scheme they could not be amended to the advantage of participants without the prior approval of shareholders in general meeting. The approval of the Board of Inland Revenue was also required before any amendment became effective.

5.1.12 Details of outstanding options

Other than the options disclosed at paragraph 6.1 of this Part VI there are no outstanding options under the Senior Executive Scheme.

5.2 Summary of the principal terms of The Tandem Group 1996 Inland Revenue Approved Executive Share Option Scheme (“the Approved Scheme”)

5.2.1 General

The Approved Scheme was adopted on 27 June 1996 by the Company in general meeting and gained the formal approval of the Board of Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988 on 5 July 1996.

5.2.2 Eligibility

All full time directors and employees of the Group who are required to devote substantially the whole of their working hours to the business of the Group and who are not expected by the Remuneration Committee of the Board of Directors of the Company (“the Committee”) to retire within two years may be nominated for participation in the Approved Scheme.

5.2.3 Administration

The Approved Scheme is administered by the Committee. The Committee has discretion in selecting the persons to whom options under the Approved Scheme are granted and (subject to the limits set out below) in determining the number and terms of options granted.

5.2.4 Option Price

The holder of an option under the Approved Scheme is entitled to acquire ordinary shares in the Company at a price to be determined by the Committee at the time when the option is granted. The option may relate to new ordinary shares or existing issued ordinary shares. The option price may not be less than the greater of (i) the market value of an ordinary share (being the average of the middle market quotations for such a share during the five dealing days prior to the date of grant) and, in the case of an option to subscribe for ordinary shares, (ii) the nominal value of an ordinary share.

5.2.5 Performance targets

The exercise of options under the Approved Scheme may be made conditional upon the achievement of objective conditions to be determined by the Committee when the options are granted and notified to the option holder when the option certificate is issued by the Committee.

5.2.6 Individual limits

Each individual’s participation is limited so that the aggregate market value (calculated at the respective dates of grant) of shares under option granted under the Approved Scheme and any other scheme approved by the Inland Revenue (other than a savings related scheme) will not exceed £30,000.

Each individual’s participation will also be limited so that the market value of ordinary shares (calculated at the date of grant of an option) together with the market value of shares issued or issuable to that individual in any ten year period under the Approved Scheme or any other share option scheme (other than a savings related scheme) established by the Company will not exceed four times the current basic annual remuneration of the individual.

5.2.7 Grant periods

The rules provide that options could be granted within 42 days following the date the Approved Scheme was adopted and may be granted within 42 days following the

respective dates of the preliminary announcement of the Group's annual or interim financial results in any year.

No consideration is payable for the grant of an option.

No options may be granted more than ten years after the date of adoption of the Approved Scheme.

5.2.8 Exercise and lapse of options

Options are personal to the option holder and may not be assigned. Any purported dealing with an option will cause the option to lapse. Options may normally only be exercised between the third and tenth anniversaries of the date of grant by a person who remains a director or employee. Options may, however, be exercised for a limited period after the option holder ceases to be employed within the Group in certain special circumstances, including the death, retirement, redundancy, ill-health or disability of the option holder or where the option holder's employing company is disposed of outside the Group. An option holder who has ceased to be an employee or director for any other reason may however exercise his or her option at the discretion of the Committee. Exercise is also possible in the event of an amalgamation, reconstruction or takeover of the Company. In such circumstances an option holder may be allowed to release his rights under options in consideration of the grant to him of equivalent rights over shares in the acquiring company. Options may also be exercised in the event of a voluntary winding-up of the Company.

The performance target imposed on the grant of options and referred to in paragraph 5.2.5 above does not normally apply where an option holder exercises his option or releases his rights under options in the special circumstances described in this paragraph 5.2.8.

5.2.9 Issue and listing of shares

Ordinary shares are to be allotted or transferred within 28 days of the date of exercise of an option. Ordinary shares allotted will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment of such shares. In all other respects the ordinary shares so issued are identical and rank *pari passu* with the fully paid registered ordinary shares in issue on the date of such exercise. Application should be made by the Company at its own expense to the London Stock Exchange for such ordinary shares to be admitted to the Official List.

5.2.10 Limits applying to the Approved Scheme

The following limits apply to the number of ordinary shares which may be acquired by subscription on the exercise of options granted under the Approved Scheme:

5.2.10.1 No option may be granted if immediately following the grant of such option the aggregate nominal value of ordinary shares issued or then capable of being issued pursuant to options granted under the Approved Scheme within the immediately preceding period of ten years and:

- (a) issued or then capable of being issued pursuant to options granted or rights obtained in such ten year period under any other option scheme approved by the Company (other than all employee schemes or schemes where all employees will be eligible to participate having fulfilled conditions as to length of service) would exceed 5 per cent. of the nominal value of the ordinary share capital of the Company at that time in issue; or

- (b) issued or then capable of being issued pursuant to options granted or rights obtained in such ten year period under any other share option scheme or issued under any profit sharing scheme approved by the Company would exceed 10 per cent. of the nominal value of the ordinary share capital of the Company at that time in issue.

5.2.10.2 No option may be granted if immediately following the grant of such option the aggregate nominal value of ordinary shares issued or then capable of being issued pursuant to options granted in such three year period under the Approved Scheme and any other option scheme or profit sharing scheme approved by the Company in general meeting would exceed 3 per cent. of the nominal value of the ordinary share capital of the Company.

5.2.11 Variations

In the event of any variation or reorganisation of the share capital of the Company, the number of shares subject to options and/or the option price may be adjusted in such manner as the Committee may determine but subject to the prior approval of the Board of Inland Revenue and the confirmation in writing from the Auditors of the Company that such adjustments are in their opinion fair and reasonable. The option price cannot however be adjusted to less than the nominal value of a share.

5.2.12 Amendments

Although the Committee will have the power to amend the provisions of the Approved Scheme they cannot be amended to the advantage of participants without the prior approval of shareholders in general meeting, except for amendments to maintain the approval of the Inland Revenue to the Approved Scheme. No alterations can be made which would be to the disadvantage of option holders without such option holders' prior written consent.

The approval of the Board of Inland Revenue is required to any alterations to the Approved Scheme before they can become effective.

5.2.13 Details of outstanding options

There are no outstanding options under the Approved Scheme.

5.3 Summary of the principal terms of The Tandem Group 1996 Unapproved Executive Share Option Scheme ("the Unapproved Scheme")

The provisions of the rules of the Unapproved Scheme are the same as for the Approved Scheme apart from the following:

5.3.1 The Unapproved Scheme was adopted by the Company in general meeting on 27 June 1996. The Unapproved Scheme is not designed to be capable of approval by the Board of Inland Revenue.

5.3.2 The aggregate market value of ordinary shares issued or issuable as at the date of grant of an option is not limited under the Unapproved Scheme to £30,000.

5.3.3 Options granted under the Unapproved Scheme may not be exercised later than the day before the seventh anniversary of the relevant date on which the option is granted.

5.3.4 In the event of any variation or reorganisation of the share capital of the Company options granted under the Unapproved Scheme do not require the prior approval of the Board of Inland Revenue before any adjustments can become effective.

- 5.3.5 The approval of the Board of Inland Revenue is not required to any alteration to be made to the Unapproved Scheme before becoming effective.
- 5.3.6 Details of outstanding options
Other than as disclosed at paragraph 6.1 of this Part VI there are no outstanding options under the Unapproved Scheme.
- 5.4 Summary of the principal terms of The Tandem Group 1996 SAYE Share Option Scheme (“the SAYE Scheme”)
- 5.4.1 General
The SAYE Scheme was adopted by the Company in general meeting on 27 June 1996 and received the formal approval of the Board of Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988 (“the Taxes Act”) on 11 July 1996. The SAYE Scheme is administered by the Committee.
- 5.4.2 Eligibility
Those persons eligible to participate in the SAYE Scheme are full-time directors and employees of the Group who have been employed for a continuous period of not less than one year by a member of the Group and who are liable to pay UK income tax. In addition, other employees may be permitted to participate in the SAYE Scheme at the discretion of the Board.
- 5.4.3 Save As You Earn Contract
- 5.4.3.1 An eligible employee who wishes to participate must enter into a save as you earn (“SAYE”) contract with the building society or bank selected by the Company to save and deposit a regular sum each month of not less than £5 or more than £250 (or such greater amount as may from time to time be permitted by the Taxes Act) by means of monthly deductions from wages or salary for such number of years as agreed with the Company and savings contract provider.
- 5.4.3.2 Options to acquire ordinary shares are granted to eligible employees who enter into SAYE contracts. The number of ordinary shares subject to such options will be that number of shares which have an aggregate option price not exceeding the expected repayment under the SAYE contract.
- 5.4.3.3 The option price per ordinary share subject to options granted will not be less than the greater of 80 per cent. (or such lesser percentage as may from time to time be permitted by the Taxes Act) of the market value of an ordinary share on the day on which invitations to apply for options are issued and the nominal value of an ordinary share. Market value is the average of the middle market quotations of an ordinary share as derived from the Official List for the five dealing days immediately preceding the date of invitation.
- 5.4.4 Invitations to apply for options
- 5.4.4.1 Invitations are issued by the Committee to eligible employees to apply for the grant of an option. Invitations can be issued in the four weeks following the respective dates of the preliminary announcement of the Group’s annual or interim financial results or in the event that the Committee determines that circumstances are exceptional so as to justify the issue of invitations.
- 5.4.4.2 Invitations may not be made more than ten years after the date of adoption of the SAYE Scheme.

5.4.5 Adjustments to applications

If the Company receives valid applications for options in excess of the limits referred to in paragraph 5.4.10 below then steps will be taken to eliminate such excess. Accordingly, each application will be treated as having been adjusted and modified to such extent as is necessary to ensure that that these limits are not exceeded.

5.4.6 Grant of options

Options may be granted within the period of 30 days following the date invitations are made to eligible employees (or 42 days where adjustments to applications are required as described in paragraph 5.4.5 above). Options may in general (except where the Committee has determined that exceptional circumstances exist as referred to in paragraph 5.4.4.1 above) only be granted within the period of 42 days commencing on the date on which the SAYE scheme was adopted or on the respective dates of announcement of the annual or interim results of the Group in any year.

5.4.7 Exercise and lapse of options

5.4.7.1 Options and invitations are personal to the eligible employee in question and are not transferable. Except in the circumstances described below an option may normally only be exercised within a period of six months following the maturity of the relevant SAYE contract by a person who remains a director or employee.

5.4.7.2 Where an option holder dies before the maturity of the SAYE contract, the employee's personal representatives may exercise the option within a period of twelve months from the date of his death. Where an option holder dies within a period of six months following the expiry of the SAYE contract without having exercised the option, the employee's personal representatives may exercise his option within a period of twelve months from the date of expiry of the SAYE contract.

5.4.7.3 An option holder may exercise his option within a period of six months of ceasing to be an employee of the Group where the cessation occurs as a result of:

- (a) injury, disability, redundancy or retirement on reaching the age of 60 or at any other age at which the option holder is bound to retire in accordance with the relevant contract of employment; or
- (b) the employee's employing company or business being disposed of outside the Group; or
- (c) any reason other than death or an event specified in paragraphs 5.4.7.3(a) and 5.4.7.3(b) above.

5.4.7.4 Where an option holder reaches the age of 60 and continues in employment, he may exercise the option within a period of six months after reaching such age.

5.4.7.5 An option holder may exercise the option within a limited period following a takeover of the Company or a reconstruction, amalgamation or voluntary winding up of the Company.

5.4.7.6 In certain circumstances option holders may release their rights under options in consideration of the grant to them of equivalent rights over shares in an acquiring company which gains control of the Company.

5.4.7.7 Options will lapse at the expiry of any of the periods allowed for exercise and normally upon cessation of employment of the option holder in any other circumstances not referred to above and in the event of the employee being adjudged bankrupt.

5.4.7.8 The number of ordinary shares to be acquired on exercise will in any event be limited by reference to the proceeds accrued under the SAYE contract up to the date of exercise.

5.4.8 Issue and listing of shares

Ordinary shares are to be allotted or transferred not later than within 30 days after the exercise of an option. Ordinary shares allotted rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment of such shares. In all other respects, the ordinary shares so issued shall rank *pari passu* with the fully paid registered ordinary shares in issue on the date of such allotment. Application is required to be made by the Company at its own expense to the London Stock Exchange for such ordinary shares to be admitted to the Official List.

5.4.9 Variation of capital

In the event of any variation or reorganisation of the share capital of the Company the number of ordinary shares subject to options and/or the option price may be adjusted by the Committee in such manner as approved by the Board of Inland Revenue and as confirmed in writing by the Auditors of the Company to be fair and reasonable. In no circumstances may the option price per share be reduced below the nominal value of such a share.

5.4.10 Limitations

The following limits apply to the number of ordinary shares which may be acquired by subscription on the exercise of options granted under the SAYE Scheme:

5.4.10.1 Following the first year of the date of adoption of the SAYE Scheme (for which period the limitation contained in paragraph 5.4.10.3 applied) no option may be granted if immediately following the grant of such option the aggregate nominal value of ordinary shares issued or then capable of being issued pursuant to options granted under the SAYE Scheme within the immediately preceding period of three years and issued or then capable of being issued pursuant to options granted or rights obtained in such three year period under any other share option scheme or issued under any profit sharing scheme approved by the Company would exceed 3 per cent. of the nominal value of the ordinary share capital of the Company at that time in issue.

5.4.10.2 No option may be granted if immediately following the grant of such option the aggregate nominal value of ordinary shares issued or then capable of being issued pursuant to options granted under the SAYE Scheme and issued or then capable of being issued pursuant to options granted under any other share option scheme or issued under any profit sharing scheme within the immediately preceding period of ten years would exceed 10 per cent. of the nominal value of the ordinary share capital of the Company at that time in issue.

5.4.10.3 During the period of one year following the adoption of the SAYE Scheme (and in respect of that first year only) no option could be granted if immediately following the grant of such option the aggregate nominal value of Ordinary shares granted under the SAYE Scheme and issued or capable of being issued pursuant to options granted in the immediately preceding period of five years under any other share option scheme or issued pursuant to any profit sharing scheme approved by the Company would exceed 5 per cent. of the nominal value of the ordinary share capital of the Company at that time in issue.

5.4.11 Amendment

Although the Committee will have power to amend the provisions of the SAYE Scheme, all amendments will require the approval of the Board of Inland Revenue. In addition the

approval by the Company in general meeting will be required for any amendments which would be to the advantage of option holders except for minor amendments to benefit the administration of the SAYE Scheme or to obtain or maintain favourable tax, exchange control or regulatory treatment or to take account of any proposed or existing legislation or to take advantage of a change in legislation. No amendment may be made which would be to the disadvantage of any participant in the SAYE Scheme unless the participant provides his or her prior written consent.

5.4.12 Details of outstanding options

Employees of Tandem have 233,537 Ordinary Shares under option at an option price of 13 pence. The option period is from 10 September 1999 expiring 10 March 2004.

5.5 Summary of the principal terms of the 1986 EFG Sharesave Scheme (“the 1986 Savings Related Scheme”)

5.5.1 General

The 1986 Savings Related Scheme was adopted by the Company in general meeting on 22 September 1988 and received the formal approval of the Board of Inland Revenue under Schedule 9 to the Taxes Act on 19 October 1988. The Rules of the 1986 Savings Related Scheme specify that no options could be granted more than ten years after the date it was approved by the Revenue. Therefore no further options can be granted under the 1986 Savings Related Scheme. Details of subsisting options are included at paragraph 5.5.9 below.

5.5.2 Eligibility

Those persons eligible to participate in the 1986 Savings Related Scheme were directors and employees of the Group who devoted at least 16 hours each week and who had been employed for a continuous period of not less than one year and were liable to pay UK income tax. In addition, other employees who devoted at least 16 hours each week could be permitted to participate in the 1986 Savings Related Scheme at the discretion of the Board.

5.5.3 Save As You Earn Contract

5.5.3.1 Each eligible employee who participates has entered into an SAYE contract with the building society or bank selected by the Company to save and deposit a regular sum each month for a period of five years up to a maximum of £100 per month.

5.5.3.2 Options to acquire ordinary shares have been granted to eligible employees who enter into SAYE contracts. The number of ordinary shares subject to such options is the number of shares which have an aggregate option price not exceeding the expected repayment under the SAYE contract.

5.5.3.3 The option price per ordinary share may not be less than the greater of 90 per cent. of the market value of an ordinary share on the day on which invitations to apply for options were issued and the nominal value of an ordinary share. Market value is the price determined in accordance with Part VII of the Taxation of Chargeable Gains Act 1992 as agreed with the Shares Valuation Division of the Inland Revenue in advance.

5.5.4 Exercise and lapse of options

5.5.4.1 Options are personal to the eligible employee in question, are non-transferable and cannot be charged. Except in the circumstances described below an option may normally only be exercised within a period of six months following the maturity of the relevant SAYE contract by a person who remains a director or employee.

- 5.5.4.2 Where an option holder dies before the maturity of the SAYE contract, the employee's legal personal representatives may exercise the option within a period of twelve months from the date of his death. Where an option holder dies within a period of six months following the expiry of the SAYE contract without having exercised the option, the employee's legal personal representatives may exercise his option within a period of twelve months from the date of expiry of the SAYE contract.
- 5.5.4.3 An option holder may exercise his option within a period of six months of ceasing to be an employee of the Group where the cessation occurs as a result of:
- (a) injury, disability, redundancy or retirement on reaching pensionable age, any other age at which the option holder is bound to retire in accordance with the relevant contract of employment or retirement for any other reason more than three years after the grant of an option; or
 - (b) the employee's employing company or business being disposed of outside the Group; or
 - (c) the employee's voluntary resignation more than three years after the date of grant.
- 5.5.4.4 Where an option holder reaches pensionable age and continues in employment, he may exercise the option within a period of six months after reaching such age but not later than six months after the expiry of the relevant SAYE contract.
- 5.5.4.5 An option holder may exercise the option within a limited period following a takeover of the Company or a reconstruction, amalgamation or voluntary winding up of the Company.
- 5.5.4.6 In certain circumstances option holders may release their rights under options in consideration of the grant to them of equivalent rights over shares in an acquiring company which gains control of the Company.
- 5.5.4.7 Options will lapse at the expiry of any of the periods allowed for exercise and normally upon cessation of employment of the option holder in any other circumstances not referred to above.
- 5.5.4.8 The number of ordinary shares to be acquired on exercise will in any event be limited by reference to the proceeds accrued under the SAYE contract up to the date of exercise.

5.5.5 Issue and listing of shares

Ordinary shares are to be allotted or transferred not later than within 30 days after the exercise of an option. Ordinary shares allotted rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment of such shares. In all other respects, the ordinary shares so issued shall rank *pari passu* with the fully paid registered ordinary shares in issue on the date of such allotment. Application is required to be made by the Company at its own expense to the London Stock Exchange.

5.5.6 Variation of capital

In the event of any variation or reorganisation of the share capital of the Company the number of ordinary shares subject to options and/or the option price may be adjusted by the Board in such manner as approved by the Board of Inland Revenue and as confirmed in writing by the Auditors of the Company to be fair and reasonable. In no circumstances may the option price per share be reduced below the nominal value of such a share. The Company is required to notify the option holders of any adjustments.

5.5.7 Limitations

The maximum number of ordinary shares which may be issued in respect of options granted under the 1986 Savings Related Scheme is 2,000,000 which represented approximately 14.25 per cent. of the ordinary share capital of the Company in issue as at 1 September 1988 (subject to adjustments to take account of any changes in share capital).

The following limits apply to the number of ordinary shares which may be acquired by subscription on the exercise of options granted under the 1986 Savings Related Scheme (subject to adjustment to take account of changes in share capital):

5.5.7.1 No option may be granted if immediately following the grant of such option the aggregate nominal value of ordinary shares issued or then capable of being issued pursuant to options granted under the 1986 Savings Related Scheme within the immediately preceding period of ten years and issued or then capable of being issued pursuant to options granted or rights obtained in such ten year period under any other share option scheme or issued under any profit sharing scheme approved by the Company would exceed 10 per cent. of the nominal value of the ordinary share capital of the Company at that time in issue; and

5.5.7.2 No option may be granted if immediately following the grant of such option the aggregate nominal value of ordinary shares issued or then capable of being issued pursuant to options granted under the 1986 Savings Related Scheme and issued or then capable of being issued pursuant to options granted under any other share option scheme or issued under any profit sharing scheme within the immediately preceding period of two years would exceed 3 per cent. of the nominal value of the ordinary share capital of the Company at that time in issue, save that during the first four years of the first date of grant under the 1986 Savings Related Scheme the relevant percentage was 4 per cent. of the nominal value of such ordinary shares.

5.5.8 Amendment

Although the Board (which administers the 1986 Savings Related Scheme) will have power to amend the provisions of the 1986 Savings Related Scheme, all amendments will require the approval of the Board of Inland Revenue and no amendment may be made which would adversely affect the rights of existing option holders. In addition, the approval by the Company in general meeting will be required for any amendments which would be to the advantage of employees or option holders in specific circumstances. Amendments may be made so as to maintain the approval of the Board of Inland Revenue.

5.5.9 Details of outstanding options

Employees of Tandem have 13,218 Ordinary Shares under option at an option price of 13.05 pence per share. The option period is from 1 July 2000 expiring on 1 January 2001.

6. Directors and other interests and dealings

6.1 As at 24 August 2000 (the last practicable date prior to publication of this document):

6.1.1 the interests of the Directors (all of which are beneficial unless otherwise stated) in the issued share capital of the Company which:

6.1.1.1 have been notified by each Director pursuant to section 324 or section 328 of the Act;

6.1.1.2 are required to be entered into the register of Directors' interests maintained under section 325 of the Act; or

6.1.1.3 are interests of persons connected with the Directors which would, if the connected person were a Director, be required to be disclosed under paragraph 6.1.1.1 or 6.1.1.2 above and the existence of which are known or with reasonable diligence could be ascertained by the Directors; and

6.1.2 the proposed holdings of Ordinary Shares and Non-Voting Shares to be held by the Directors following the Capital Reorganisation and after the Placing and Open Offer in each case are as follows:

Ordinary Shares – Not Under Option (all held beneficially)

<i>Name</i>	<i>Number of Ordinary Shares currently held</i>	<i>Current percentage of issued Ordinary Share capital</i>	<i>Proposed number of New Ordinary Shares held on Admission</i>	<i>Proposed number of Non-Voting Shares held on Admission</i>
G Waldron	8,155,034	8.0	9,786,040	8,155,034
M P J Keene	8,025,000	7.9	9,630,000	8,025,000
A P Vicary	8,000,548	7.8	9,600,657	8,000,548

The interests stated above relating to the number of Ordinary Shares held currently and on Admission include a holding of 7,500,000 Ordinary Shares and 9,000,000 Ordinary Shares, respectively in which Messrs. Waldron, Keene and Vicary have a joint interest. The above holdings do not take account of any requirement for the Directors to apply for any of the 3,000,000 Ordinary Shares which have been placed with the Directors subject to recall in respect of valid applications under the Open Offer.

Ordinary Shares – Under Option (all of which were granted for nil consideration)

<i>Name</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise price (pence)</i>	<i>Exercise period</i>
<i>Senior executive share option scheme 1986</i>			
M P J Keene	140,000	14.5	25 May 1997 – 25 May 2004
<i>1996 Unapproved Executive share option scheme</i>			
M P J Keene	79,000	7.6	9 June 2000 – 9 June 2007

Save as disclosed above, none of the Directors has any interest, beneficial or otherwise, in the issued ordinary share capital of the Company or any of its subsidiaries.

6.2 In addition to the holdings noted under paragraph 6.1 of this Part VI, as at 24 August 2000 (the last practicable date prior to publication of this document), the Company was aware of the following parties interested, directly or indirectly, in three per cent. or more of the issued ordinary share capital of the Company:

	<i>Number of Ordinary Shares held</i>	<i>Current percentage of issued ordinary share capital</i>	<i>Proposed number of New Ordinary Shares held on Admission*</i>
G J W Brassier	4,798,206	4.7	5,757,847
Venaglass Ltd	8,902,671	8.7	10,683,205
Jupiter Asset Management	7,450,000	7.3	8,940,000

*Assumes take up of all New Ordinary Shares to which they are entitled.

Save as disclosed above, the Company has not been notified, nor is it aware, that any person has, directly or indirectly, an interest in three per cent. or more of the issued share capital of the Company.

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

- 6.5 There are no outstanding loans granted by the Company to the Directors nor are there any guarantees provided by the Company for their benefit.
- 6.6 The Directors do not have and have not had any interest in transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by the Group (i) during the current or immediately preceding financial year; or (ii) during an earlier financial year and remain in any respect outstanding or unperformed.
- 6.7 Save as set out below, none of the Directors has dealt for value in Ordinary Shares in the period commencing on 29 August 1999 (being the date twelve months prior to publication of this document) and ending on 24 August 2000 (being the last practicable date prior to publication of this document).

<i>Name</i>	<i>Date of Acquisition</i>	<i>Number of Ordinary Shares</i>	<i>Price per Ordinary Share (pence)</i>	<i>Percentage of issued Ordinary Shares</i>
M P J Keene	2 September 1999	100,000	5.00	0.1%
A P Vicary	2 September 1999	100,000	5.00	0.1%

- 6.8 Other than the directorships of the Company, the Directors' other current directorships and directorships held during the previous five years are set out below:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
G Waldron	Casket plc Headlam Group plc Ryland Group plc Headlam Floorcovering Distributors (Holdings) Ltd Headlam (Floorcover Distributors) Ltd Foray 584 Ltd MCD (UK) Ltd	None
M P J Keene	All those Companies listed in paragraphs 8.1, 8.2 and 8.3 below	None
A P Vicary	All those Companies listed in paragraphs 8.1, 8.2 and 8.3 below The Bicycle Association of Great Britain Ltd	None

- 6.9 None of the Directors:
- 6.9.1 is currently in a partnership or has been a partner within the five years immediately preceding the date of this document;
- 6.9.2 has any unspent convictions in relation to any indictable offences;
- 6.9.3 has been declared bankrupt or has made any voluntary arrangement with his creditors;
- 6.9.4 has been a director of a company at the time or within twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration or voluntary arrangement of that company or any composition or arrangement with that company's creditors generally or any class of creditors;
- 6.9.5 has been a partner in a partnership at the time of or within twelve months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership;
- 6.9.6 has had any assets which have been subject to a receivership or has been a partner in a partnership at the time of or within twelve months preceding an asset of the partnership being subject to a receivership; or
- 6.9.7 has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a court from acting as a director of, or in the management or conduct of the affairs of any company.

6.10 Directors and certain proposed shareholders have agreed restrictions on dealings in Ordinary Shares following implementation of the Proposals.

6.10.1 The Directors have agreed not to dispose of any of their respective holdings of Ordinary Shares held on Admission for a period of 12 months from date of the Placing Agreement subject to certain exceptions relating, *inter alia*, to takeover offers and sale of rights under rights issues.

6.10.2 As part of the Debt Restructuring, DG Bank Genossenschaftsbank AG have agreed not to dispose of the Debt Restructuring Shares for a period of 18 months from the date of issue of such shares subject to an exemption relating to takeover offers or other schemes of arrangement or reconstruction.

6.10.3 The sellers under the Acquisitions have agreed not to dispose of any of the Consideration Shares for the periods set out below subject to certain exemptions in relation to sales required to satisfy claims under the Acquisition Agreements. The relevant periods are from completion of the Acquisitions to:

6.10.3.1 the date of announcement of Tandem's results for the year ending 31 January 2001 in the case of the Pot Black Acquisition;

6.10.3.2 the earlier of 30 April 2001 and the date of announcement of Tandem's results for the year ending 31 January 2001 in the case of the Two Wheel Acquisition.

7. Directors' service agreements and emoluments

7.1 Mr Keene entered into a service contract with the Company dated 21 February 1997 which is terminable on 12 months' notice by either party. The Company may, in its absolute discretion, pay Mr Keene in lieu of the notice or any part thereof. In certain circumstances, including a change of control of the Company, Mr Keene would be entitled to a termination payment equal to twice his annual salary. Mr Keene is a member of the Tandem Pension Plan, which is a contributory defined benefits pension scheme. He is entitled to a fully expensed motor car and private medical and health insurance. The remuneration under the contract is reviewed annually and is currently £98,000 per annum. Mr Keene is entitled to bonuses at the discretion of the Remuneration Committee. No bonuses have been paid since the commencement of the service agreement. Mr Keene is not entitled to any commission and has no interest in any profit sharing arrangements.

7.2 Mr Vicary entered into a service contract with Falcon on 18 November 1994. The termination clause was amended on 12 March 1998 and 22 August 2000 by memorandums of variation. The contract is now terminable on 12 months' notice by either party. The Company may, in its absolute discretion, pay Mr Vicary in lieu of the notice or any part thereof. In certain circumstances, including a change of control of the Company, Mr Vicary would be entitled to a termination payment equal to the aggregate of one year's salary, a sum equivalent to the annual monetary value of his benefits and £70,000. Mr Vicary is a member of the Casket plc Retirement and Death Benefits Scheme, which is a contributory defined contribution pension scheme. He is entitled to a fully expensed motor car and private medical and health insurances. The remuneration under the contract is reviewed annually and is currently £98,000 per annum. Mr Vicary is entitled to bonuses at the discretion of the Remuneration Committee. No bonuses have been paid since he joined the Board on 11 February 1999. Mr Vicary is not entitled to any commission and has no interest in any profit sharing arrangements.

7.3 Mr Waldron was appointed to the Board on 13 December 1995. His appointment has not been reduced into writing. His current salary is £50,000 per annum with no additional benefits in kind or pension contributions payable by the Company. The appointment is terminable without compensation by either party without notice. Mr Waldron is not entitled to any commission and has no interest in any profit sharing arrangements.

- 7.4 The aggregate remuneration, including benefits in kind and pension scheme contributions, payable to the Directors by the Company for the last financial year was approximately £289,000. The total emoluments receivable by the Directors will not be varied as a consequence of the Acquisitions and it is therefore estimated that the aggregate remuneration, including benefits in kind and pension scheme contributions, payable to the Directors by the Company for the current financial year will be approximately £298,000.
- 7.5 As at the date of this document, save as set out in this paragraph 7, there are no existing or proposed service agreements between any of the Directors and any member of the Group or any existing or proposed consultancy agreement pursuant to which the services of any Director are to be provided and which are not terminable by the Company of the Group, without payment of compensation (other than statutory compensation) within one year.

No persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) have received, directly or indirectly from the Company within the twelve months preceding the Company's application for Admission, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- 7.5.1 fees totalling £10,000 or more;
- 7.5.2 securities in the Company with a value of £10,000 or more calculated by reference to the price of the Ordinary Shares at the time of Admission; or
- 7.5.3 any other benefit with a value of £10,000 or more at the end of Admission.

8. Tandem and its subsidiaries

- 8.1 Tandem is the holding company of the following companies incorporated and registered in England and Wales all of which have their registered office situated at Bridge Street, Brigg, North Lincolnshire DN20 8PB:

<i>Company Name</i>	<i>Company No.</i>	<i>Date of Incorporation</i>
Casket Leisure Products Limited	01704676	8 March 1983
Falcon Cycles Limited	00951180	31 March 1969
Townsend Cycles Limited	01030739	11 November 1971
British Eagle Cycle Company Limited	02403204	11 July 1989
Townsend Accessories Limited	00507968	16 May 1952
S Casket Limited	00182923	5 July 1922
K & F Leisurewear Limited	00911227	21 July 1967
J Fox Limited	02622899	21 June 1991
Leovault Limited	01026939	11 October 1971
Celigna Limited	00456192	26 June 1948
Casket Dormants Limited	00971814	6 February 1970
Casket Group Pension Trustee Limited	02787479	8 February 1993
Casket Nominees Limited	00705104	6 October 1961
Kingsley & Forester (Scotland) Limited	01589495	6 October 1981
Kucamakap Limited	00469374	8 June 1949
Yates (Leicestrella) Limited	00470943	18 July 1949
F Coupe & Son Limited	00158274	27 August 1919
E.F.G. (Estates) Limited	00762223	27 May 1963
Tuftarch Limited	01904098	11 April 1985

- 8.2 Tandem owns the entire issued share capital of the following companies incorporated and registered outside England and Wales

Companies registered outside England & Wales

Richcrop Limited (registered in Northern Ireland under Company No. NI021193)

- 8.3 Tandem owns the entire issued ordinary share capital of the following companies incorporated and registered in England and Wales both of which have their registered offices situated at Bridge Street, Brigg, North Lincolnshire DN20 8PB:

<i>Company Name</i>	<i>Company No</i>	<i>Date of Incorporation</i>
Kingsley & Forester Group plc	00203149	15 January 1952
Casket plc	00801594	20 April 1964

There are non-equity minority interests of 407,378 3.85 per cent. cumulative preference shares of £1 each in Kingsley & Forester Group plc and 483,000 10.25 per cent. cumulative preference shares of £1 each in Casket plc together with an accrued dividend of £295,000. The rights as regards voting and participation in the profits and assets are set out below.

8.3.1 Kingsley & Forester Group plc (“K&F”)

8.3.1.1 *Rights to dividends*

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

8.3.1.2 *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 K&F 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 K&F Preference Shares shall not be entitled to any further or other right of participation in the assets of K&F. The K&F Preference Shares shall rank on a return of capital or liquidation or otherwise in priority to any other shares.

8.3.1.3 *Voting rights*

The K&F 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 K&F Preference Shares are entitled to vote, each such holder shall have one vote for each K&F Preference Share of £1 each.

8.3.2 Casket plc (“Casket”)

8.3.2.1 *Rights to dividends*

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

8.3.2.2 *Capital*

On a return of assets on a winding up or otherwise, the assets of Casket available for distribution to the holders of the Casket Preference Shares shall be applied in repaying the holders of the Casket 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 Casket Preference Shares shall not be entitled to any further or other right of participation in the assets of Casket. The Casket Preference Shares shall rank on a return of capital on liquidation or otherwise in priority to any other shares.

8.3.2.3 *Voting rights*

The Casket 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 Casket Preference Shares are entitled to vote, each such holder shall have four votes for each Casket Preference Share of £1 each.

9. **Principal establishments**

9.1 The Enlarged Group's principal establishments will be as follows:

<i>Premises</i>	<i>Term of lease (years)</i>	<i>Commencement Date</i>	<i>Annual rent</i>
Bridge Street Brigg North Lincolnshire DN20 8PB	25	14 February 1989	£92,500
Unit 1 Queensway Industrial Estate Scunthorpe North Lincolnshire	20	31 March 1994	£100,000
¹ 46 First Avenue Flixborough North Lincolnshire DN15 8SE	1	14 December 1998	£58,100
² Unit 8 Island Carr Industrial Estate Brigg North Lincolnshire	14 months	20 October 1997	£4,500
Northgate Pinchbeck Spalding Lincolnshire PE11 3YF	25	25 March 1990	£100,000
Unit 3 Focus Park Cranwell Boulevard Solihull	25	24 June 1996	£90,625
Units 1, 2 and 3 Brabazon Court Bormen Lichfield Road Industrial Estate Tamworth Birmingham	3	5 January 1999	£36,333
Handy Cross Bideford Abbotsham Devon EX39 5AF	3	Completion of the Pot Black Acquisition	£125,000

¹The Company is currently renegotiating this lease with the landlord of the premises.

²This lease is continuing on a one year on-going basis.

10. Other information

- 10.1 The expenses of the Placing and Open Offer and Admission are estimated at £600,000, excluding VAT, and are payable by the Company.
- 10.2 The minimum amount which, in the opinion of the Directors, must be raised under the Placing and Open Offer in order to provide the sums required in respect of the matters specified in paragraph 21(a) of Schedule 1 of the POS Regulations is £3.4 million which will be applied as follows:
- 10.2.1 the cash consideration in respect of the Acquisitions which is to be defrayed out of the proceeds of the issue - in aggregate £1,000,000;
- 10.2.2 any preliminary expenses payable by the Company and any commission so payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscriptions for, any New Ordinary Shares – £120,000 (excluding VAT);
- 10.2.3 the repayment of any money borrowed by the Company in respect of any of the matters referred to in 10.2.1 or 10.2.2 above – £NIL; and
- 10.2.4 working capital - £2,280,000.

11. Placing Agreement

- 11.1 By an agreement dated 29 August 2000 between (1) Peel Hunt and (2) the Company, Peel Hunt has agreed, as agent of the Company, subject, *inter alia*, to the conditions set out in paragraph 11.5 to use its reasonable endeavours to procure persons to subscribe for the 78,163,884 Placing Shares at the Issue Price. 59,574,538 of the Placing Shares have been conditionally placed firm and the balance have been conditionally placed, subject to a right of recall, to satisfy applications under the Open Offer.
- 11.2 The Company has given unlimited warranties and indemnities to Peel Hunt.
- 11.3 The Company has agreed to pay an advisory fee of £50,000 to Peel Hunt, along with a commission of 3 per cent. of the aggregate value at the Issue Price of the Placing Shares and the Open Offer Shares. The Company has further agreed to bear Peel Hunt's expenses of or incidental to the Placing and the Open Offer.
- 11.4 The Placing Agreement also contains provisions whereby Peel Hunt has certain rights to terminate the Placing Agreement prior to Admission in the event of a material breach of the warranties contained in the Placing Agreement and in the event of certain specified events and events of *force majeure*.
- 11.5 The Placing Agreement is conditional, *inter alia*, upon the Acquisition Agreements having completed in escrow (subject only to the issue and Admission of the Issue Shares and to Admission of the Consideration Shares), the passing of the Resolution, and the Admission of the existing Ordinary Shares and the Issue Shares, such Admission becoming effective at or before 9.00 a.m. on 27 September 2000 or such later date as Peel Hunt and the Company agree, but in any event not later than 9.00 a.m. on 11 October 2000.

12. Market values

- 12.1 The middle market price of Ordinary Shares as derived from the London Stock Exchange Daily Official List at the close of business on each of the first dealing days of the six months prior to the issue of this document, and on 24 August 2000, being the last practicable day prior to the publication of this document, was as follows:

<i>Date</i>	<i>Price per Ordinary Share (pence)</i>
1 March 2000	7.50
3 April 2000	6.50
2 May 2000	5.75
1 June 2000	5.00
3 July 2000	5.00
1 August 2000	5.25
24 August 2000	5.25

13. Material contracts

- 13.1 Save for the Acquisition Agreements details of which are set out in paragraph 15 below, the agreements details of which are set out in paragraph 14 below and the Placing Agreement, there are no material contracts relating to the Group or the Enlarged Group (other than contracts entered into in the ordinary course of business) which (i) have been entered into by any member of the Group or the Enlarged Group within the two years immediately preceding the date of this document which are, or may be, material or (ii) have been entered into by the Group or the Enlarged Group at any time and contain any provision under which there is any obligation or entitlement which is, or may be, material at the date of this document.
- 13.2 Save for the Pot Black Agreement, and for five agreements pursuant to which Pot Black has purchased non-voting shares in the capital of Pot Black (entered into on 5 August 1998 with Mr S Robson for the purchase of 80,000 shares for a consideration of £40,000, on 17 March 1999 with Mr R F Ley for the purchase of 65,000 shares for a consideration of £32,500, on 30 July 1999 with Mr K J Rockell for the purchase of 10,000 shares for a consideration of £5,000, on 21 August 2000 with Mr D C Hall for the purchase of 50,000 shares for a consideration of £25,000 and on 25 August 2000 with Mr B R G Blowers for the purchase of 20,000 shares for a consideration of £10,000), there are no material contracts relating to Pot Black (other than contracts entered into in the ordinary course of business) which (i) have been entered into within the two years immediately preceding the date of this document which are or may be, material or (ii) have been entered into by Pot Black at any time and contain any provisions under which there is any obligation or entitlement which is, or may be, material at the date of this document.
- 13.3 Save for the Two Wheel Trading Agreement there are no material contracts relating to Two Wheel Trading (other than contracts entered into in the ordinary course of business) which (i) have been entered into within the two years immediately preceding the date of this document which are or may be, material or (ii) have been entered into by Two Wheel Trading at any time and contain any provisions under which there is an obligation or entitlement which is, or may be, material at the date of this document.

14. The Tandem Material Contracts

- 14.1 On 5 July 1999 the Company entered two agreements, one between the Company (1) and Casket plc (2) and the other between the Company (1) Casket plc (2) and the Trustees of the Laltex Pension Fund (3) in relation to the disposal of the freehold property at Greenfold Way, Leigh Commerce Park, Leigh, Lancashire to Laltex and Co. Limited (“Laltex”). The Agreements provided for Casket plc, a company of which Tandem owns the entire issued ordinary share capital, to sell freehold land and buildings at Greenfold Way, Leigh in two parts, one part to Laltex, the other part to the Laltex Pension Fund. Under the terms of the agreements £4,357,500 was payable in cash by Laltex to Casket plc upon completion and all such consideration has now been paid in full.
- 14.2 On 23 September 1999 the Company entered into an agreement dated 23 September 1999 between the Company (i) and Richmoor Seery Limited (2) in relation to the sale of freehold property at Godney Moor, Somerset. The Agreement remains conditional upon title to the property being registered at HM Land Registry. Under the terms of the agreement £320,000 is payable in cash by Richmoor Seerys Limited to the Company upon completion.
- 14.3 On 26 July 2000 the Company and its subsidiaries entered into a subscription agreement relating to the Debt Restructuring. The agreement is made between the Company and its subsidiaries (1) DG Bank Deutsche Genossenschaftsbank AG (“DG Bank”) (2). Pursuant to the agreement DG Bank agree:
- 14.3.1 to subscribe for New Ordinary Shares by applying deutschmarks 1,236,403 of the sums owing by the Company to DG Bank in payment up of such shares at 7.2 pence per share (converting that amount into sterling by applying the closing mid point of the deutschemark per pound sterling exchange rate for the fifth business day prior to completion of such subscription as published in the Financial Times); and

14.3.2 to write off deutschmarks 4,121,344 of the sum owing by the Company to DG Bank against payment by the Company of the balance of such indebtedness of deutschmarks 2,884,940.

The agreement is conditional upon completion of the Placing and Open Offer.

15. The Acquisition Agreements

15.1 The Pot Black Agreement

15.1.1 By the Pot Black Agreement dated 25 August 2000 between (1) Samuel Gilbert Aubrey Loze (“Mr Loze”) and others, (2) Tandem and (3) Mr Loze, Tandem has agreed to purchase the entire issued share capital of Pot Black.

15.1.2 The purchase consideration payable on completion of the Pot Black Agreement is £800,000 in cash and £132,500 in Consideration Shares issued at a discount of 10 per cent. to the average middle market price of the Ordinary Shares for the five dealing days ending on the sixth dealing day prior to the date of completion of the Pot Black Agreement subject to a minimum issue price of 4 pence per share.

15.1.3 The Pot Black Agreement contains:

15.1.3.1 certain warranties given by Mr Loze in favour of Tandem relating, *inter alia*, to the conduct of the business of Pot Black in the period since 31 December 1999; and

15.1.3.2 a taxation covenant in favour of Tandem in relation to taxation matters affecting Pot Black and its business. The maximum liability of Mr Loze in respect of such warranties and covenant is limited to the aggregate of £117,500 and whichever is the greater of £265,000 and the market value of the Consideration Shares at the date of settlement of a claim (or, in the case of any Consideration Shares which have been sold at the date of settlement, the amount realised on the sale).

15.1.4 The Pot Black Agreement is conditional on, *inter alia*, the passing of the Resolution, the allotment, issue and Admission of the Issue Shares and the Consideration Shares and the Placing Agreement becoming unconditional in all respects save for any condition relating to escrow completion of the Pot Black Agreement or for Admission of the Issue Shares in each case by no later than 7 October 2000 or such later date as the Company and the Pot Black shareholders may agree. It also includes provision enabling the Company to rescind the Pot Black Agreement if the Company becomes aware of any breach of warranty prior to completion.

15.1.5 The Pot Black Agreement provides for Pot Black’s freehold property and racehorses to be paid by way of dividend *in specie* to Mr Loze, and for the Company to provide Pot Black with such cash or other assets (immediately following completion) as will increase its distributable profits to a level which will make such distribution lawful. The part of the freehold property from which Pot Black conducts its business is to be leased by Mr Loze to the Company.

15.2 The Two Wheel Trading Agreement

15.2.1 By the Two Wheel Trading Agreement dated 25 August 2000 between (1) Stephen Michael Wassell and Andrew William Wassell and (2) Tandem, Tandem has agreed to purchase the entire issued share capital of Two Wheel Trading.

15.2.2 The purchase consideration payable on completion of the Two Wheel Trading Agreement is £200,000 in cash and £500,000 in Consideration Shares issued at a discount of 10 per cent. of the average middle market price of the Ordinary Shares for the five dealing days ending on the dealing day prior to the date of the Two Wheel Trading Agreement subject to a minimum issue price of 4 pence per share.

15.2.3 The Two Wheel Trading Agreement contains:

- 15.2.3.1 certain warranties given by Stephen Michael Wassell and Andrew William Wassell in favour of Tandem relating, *inter alia*, to the conduct of the business of Two Wheel Trading in the period since 31 December 1999;
- 15.2.3.2 a taxation covenant in relation to taxation matters affecting Two Wheel Trading and its business.
- 15.2.4 The Two Wheel Trading Agreement is conditional, *inter alia*, on the passing of the Resolution, the allotment, issue and Admission of the Issue Shares and the Consideration Shares and the Placing Agreement becoming unconditional in all respect save for any condition relating to escrow completion of the Two Wheel Trading Agreement or for Admission of the Issue Shares in each case by not later than 7 October 2000 or such later date as the Company may agree.
- 15.2.5 Pursuant to the terms of the Two Wheel Trading Agreement the vendors of the shares in Two Wheel Trading are entitled to make Additional Disclosures (as defined in the Two Wheel Trading Agreement) between exchange and completion of the Two Wheel Trading Acquisition. If, in the reasonable opinion of Tandem, such Additional Disclosures represent a potential or actual diminution in the value of Two Wheel Trading in excess of £20,000 then Tandem have the opportunity to rescind the Two Wheel Trading Agreement and not complete the Two Wheel Trading Acquisition. If the Additional Disclosures do not represent a potential or actual diminution in the value of Two Wheel Trading in excess of £20,000 then Tandem may not rescind the Two Wheel Trading Agreement but may make a warranty claim in relation to such diminution.
- 15.3 The aggregate consideration for the Acquisitions is £1,632,500 to be satisfied by a mixture of cash and the Consideration Shares.

16. Working capital

The Company is of the opinion that, after taking into account the bank facilities available to the Enlarged Group, the Debt Restructuring and the net proceeds of the Placing and the Open Offer of £3.4 million, on Admission of the Issue Shares the Company will have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document. If the net proceeds of the Placing and Open Offer do not amount to a minimum of £3.4 million then the Acquisitions will not proceed and Admission will not take place.

17. Litigation

- 17.1 The Group is not engaged in nor has been engaged in, nor (so far as the Group is aware) has pending or threatened by or against any member of the Group, any legal or arbitration proceedings which have or might have had during the twelve months immediately preceding the date of this document, a significant effect on the financial position of the Group.
- 17.2 Pot Black is not engaged in nor has been engaged in, nor has pending or threatened by or against Pot Black, any legal or arbitration proceedings which have or might have had during the twelve months immediately preceding the date of this document, a significant effect on the financial position of Pot Black.
- 17.3 Two Wheel Trading is not engaged in nor has been engaged in, nor has pending or threatened by or against Two Wheel Trading, any legal or arbitration proceedings which have or might have had during the twelve months immediately preceding the date of this document, a significant effect on the financial position of Two Wheel Trading.

18. Miscellaneous

- 18.1 (i) Save as disclosed in the paragraphs 1 and 3 in Part I there has been no significant change in the financial or trading position of the Group since 31 January 2000, the date to which the last statutory accounts of the Group were drawn up.

- (ii) Taking into account the seasonality of the Pot Black business, there has been no significant change in the financial or trading position of Pot Black since 31 December 1999, the date of which the last statutory accounts of Pot Black were drawn up.
 - (iii) There has been no significant change in the financial or trading position of Two Wheel Trading since 31 December 1999, the date to which the last statutory accounts of Two Wheel Trading were drawn up.
- 18.2 The Directors confirm that the audited accounts of the Company for each of the three years ended 31 January 2000 set out in the Appendix and which form part of this document have been prepared in accordance with the law and the Directors accept responsibility for the contents of the Appendix.
- 18.3 Save for the agreements referred to in paragraph 15 of this Part VI, no member of the Enlarged Group is dependent on any patents, intellectual property rights, licences or contracts which are of fundamental importance to their respective businesses.
- 18.4 Save for the Acquisitions, there are no significant investments under active consideration by any member of the Group.
- 18.5 Peel Hunt has given and has not withdrawn its written consent to the issue of this document with the inclusion of its letter in Part II of this document and to its name and references thereto in the form and context in which they are included. Peel Hunt is registered in England and Wales under number 2320252 and has its registered office at 62 Threadneedle Street, London EC2R 8HP. Peel Hunt is a member of the London Stock Exchange and is regulated by The Securities and Futures Authority Limited.
- 18.6 BDO Stoy Hayward have given and not withdrawn their written consent to the inclusion of their report and accounts of Tandem for the year ending 31 January 2000 in this document and the references to their name in the form and context in which it is included. They have not become aware since the date of that report, of any matter affecting the validity of that report at that date. BDO Stoy Hayward have further authorised the contents of their reports set out in Parts III, IV and V for the purposes of section 152(1)(e) Financial Services Act 1986. BDO Stoy Hayward accept responsibility for their reports set out in Parts III, IV and V and they have not become aware of any matter affecting the validity of these reports.
- 18.7 Deloitte & Touche of 1 Woodborough Road, Nottingham NG1 3FG, the auditors of Tandem for the two years ending 31 January 1999, consent to the inclusion of their audit reports for the two years ending 31 January 1999 (the "Accounts") in this document and they accept responsibility for such Accounts. They are unable to state whether, since the date of any such Accounts, there is any matter affecting the validity of each of the Accounts at the date of the relevant Accounts as they are no longer auditors of the Company.
- 18.8 Copies of this document are available for collection for a period of not less than 14 days from the date of Admission from the registered office of the Company, the offices of Peel Hunt and through www.peelhunt.com.

19. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Peel Hunt for a period of 14 days from the date of this document and at the place of the Extraordinary General Meeting for one hour prior to and during the meeting:

- 19.1 the existing memorandum and articles of association of the Company;
- 19.2 the proposed memorandum and articles of association of the Company;
- 19.3 the audited consolidated accounts of the Company for the three financial years ended 31 January 2000;
- 19.4 the accountants' report on Pot Black set out in Part III;

- 19.5 the statement of adjustments on Pot Black pursuant to the accountants' report;
- 19.6 the accountants' report on Two Wheel Trading set out in Part IV;
- 19.7 the letter from BDO Stoy Hayward on the Pro-forma Statement of combined net assets of the Enlarged Group set out in Part V;
- 19.8 the service contracts and, in the case of Mr Waldron, a memorandum of his appointment giving full particulars referred to in paragraph 7 above;
- 19.9 the material contracts referred to in paragraphs 14 and 15 inclusive above;
- 19.10 the letters of consent referred to in paragraphs 18.5 and 18.6 above;
- 19.11 the Acquisition Agreements; and
- 19.12 the Placing Agreement.

Dated 29 August 2000

PART VII

SUMMARY OF THE PROPOSED PRINCIPAL CHANGES TO THE EXISTING ARTICLES OF ASSOCIATION

References to article numbers are to the articles in the proposed new articles of association of the Company and references to the Act to the Companies Act 1985

Article No.	Comment
<i>5 – Share Capital</i>	This Article has been amended to reflect the share capital of the Company as at the date of the adoption of the new Articles of Association.
<i>6 – Non-Voting Shares</i>	<p>A new Article has been inserted to set out the rights of the Non-Voting Shares. The Non-Voting Shares have no right to receive notice of or to attend or vote at any general meeting of the Company and have limited rights to dividends and a return of capital.</p> <p>The Company may, subject to compliance with the Act, serve notice at any time to purchase the Non-Voting Shares at a price of 1 pence per share. If, after becoming bound, a holder of Non-Voting Shares fails to sell the shares to the Company, the Article makes provision for a Director or the Company Secretary to act as the relevant shareholder's agent and execute documents on that shareholder's behalf.</p>
<i>9 – Shares with Preferential Rights</i>	Wording has been added to the end of this article to provide that any lawful purchase by the Company of its own shares of any class shall be deemed not to be a variation of the rights of the holders of that or any other class of share in the capital of the Company unless otherwise provided.
<i>11 – Status of New Shares</i>	This Article simply states that any capital raised by the creation of new shares is to be considered as part of the original capital of the Company and as consisting of ordinary shares which are to be subject to the same provisions as the Articles of Association as if it had been part of the original capital.
<i>15 – Prohibition on Financial Assistance with Purchase of own Shares</i>	This Article sets out the position with regard to the general prohibition on financial assistance for the purchase by a Company of its own shares contained in the Act but subject to the provisions of the Act such assistance may be given.
<i>18 – Power to Allot Shares</i>	This Article reflects the general position with regard to the allotment of shares as set out in the Act in particular that the Company may by ordinary resolution authorise directors to allot shares, that the amount which may be allotted shall be the sum specified in the ordinary resolution or if no sum is stated the amount of the unissued ordinary share capital of the Company at that time and that any such authority shall expire on the fifth anniversary of the passing of the resolution.
<i>19 – Exclusion of Pre-Emption Rights</i>	This Article reflects the provisions set out in the Act with regard to the exclusion of pre-emption rights and that the Company may do so by special resolution up to an amount set out in the resolution and in order to overcome any practical difficulties with actual entitlements or legal or practical difficulties arising under the laws of other territories, regulatory

	bodies or stock exchanges where the Company would otherwise wish to allot shares on a pre-emptive basis to shareholders. Any such exclusion of pre-emption rights shall expire at the conclusion of the next Annual General Meeting of the Company.
20 – <i>Renunciation of Allotments</i>	This Article provides that directors may recognise the renunciation of an allotment of shares prior to a person being entered into the register of members of the holder of such share, in favour of another person.
21 – <i>Non-recognition of Trusts</i>	This Article re-states the general position at law that any person should be recognised by a Company as holding any shares upon any trusts and that the Company is not bound by or compelled to recognise any kind of interest in a share except an absolute right to the entirety thereof in the registered holder.
42 – <i>Cancellation of Forfeiture</i>	The current Articles of Association contain provisions relating to the forfeiture of shares. This Article provides that the directors may at any time before a forfeited share has been sold, re-allotted or otherwise disposed of or cancelled permit the forfeiture to be annulled upon payment of all calls and interest due upon that share and any costs charges and expenses incurred in respect of the same.
44 – <i>Effective Forfeiture</i>	This Article states clearly that the forfeiture of a share will involve the extinction at the time of forfeiture of all interests in and all claims and demands against the Company in respect of that share and all other rights and liabilities incidental thereto except as otherwise provided.
48 – <i>Suspension of Registration of Transfers</i>	This Article gives directors a discretion, subject to relevant legislation, to suspend registration of transfers of shares. However, the register is not to be closed for more than thirty days in any year and notice of closure must be given by advertisement.
49 – <i>Director’s Power to Decline to Register Transfers</i>	A new Article has been included which enables directors to decline to register transfers of shares. This is in line with current market practice and generally is a right to refuse to register a transfer in the following circumstances: <ul style="list-style-type: none"> ● if the share is not fully paid and the Company has a lien on the share; ● where in certain circumstances there has been a failure on the part of a person to comply with section 212(1) of the Act relating to the provision of information in respect of a shareholding; or ● if a transfer is of a share or shares in favour of more than four persons jointly.
50 – <i>Further Discretion not to Recognise an Instrument of Transfer</i>	This Article gives further discretion to directors to decline to recognise an instrument of transfer unless it is in respect of one class only, is deposited at the correct location accompanied by the relevant share certificate(s) and any other evidence that the directors may reasonably require to show the right of the transfer or to make the transfer.

57-59 – <i>Conversion of Shares into Stock</i>	These Articles give the Company power from time to time by ordinary resolution to convert all or any of its fully paid up shares into stock of the same class and re-convert the same into fully paid up shares of the same class and of any denomination. The Articles then go on to make provision with regard to transfers of stock and the rights of stockholders.
64 – <i>Contents of Notice</i>	This Article reflects the current position at law as to the requirements for the contents of a notice of meeting.
65 – <i>Meaning of Ordinary Business</i>	This Article again reflects the general position at law and identifies what is meant by ordinary business to be conducted at a meeting.
66 – <i>Circulation of Resolutions on Requisition of Members</i>	This complements the provisions under the Act that in the event that a member requisitions a meeting the directors must give notice to the members entitled to receive the same with details of the resolution and that it is intended to be moved at the next Annual General Meeting and must circulate to members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution for the business to be dealt with at that meeting.
68 – <i>Adjournment if Quorum not Present</i>	The period during which a quorum must not be present prior to a meeting being adjourned has been changed from 5 minutes to 15 minutes.
69 – <i>General Power of Adjournment</i>	<p>A new Article has been inserted giving the chairman general powers of adjournment as follows:</p> <ul style="list-style-type: none"> ● with the consent of the meeting; ● if it appears that members wishing to attend cannot be conveniently accommodated; ● the conduct of persons present prevents or is likely to prevent the orderly continuation of business; and ● it is necessary so that the business of the meeting can be properly conducted.
85 – <i>Power to Appoint an Attorney</i>	This Article states that any member residing out of or absent from the United Kingdom may by power of attorney appoint any person to be his attorney for the purpose of voting at any meeting or give a general power extending to all meetings at which the member is entitled to vote. The power of attorney must be notarily authenticated and must be left at the appropriate place for at least 48 hours before being acted upon.
87-90 – <i>Disfranchisement</i>	<p>New provisions have been included to set out the circumstances in which shares may be disfranchised and the consequences. These circumstances are as follows:</p> <ul style="list-style-type: none"> ● if there is any call or other sum due in respect of the share which remains unpaid; or ● if a request for disclosure of interests in shares has not been complied with in respect of shares held by a relevant person or any additional shares allotted after service of any notice.

96 – *Representation of Corporate Members*

This Article provides that any corporation which is a member of the company may by resolution of its directors or other governing body authorise any person to act as its representative at any meeting of the company. The directors may require evidence of the authority of the person purporting to act.

102.2 – *Directors*

This Article provides that any director may act by himself or his firm in a professional capacity for the Company and may therefore be entitled to remuneration for the professional services provided. However, no director nor his firm may act as an auditor of the Company.

108.8-108.11 – *Vacation of Office*

Additional circumstances in which the office of a director must be vacated have been included. These cover the following:

- conviction of an indictable offence;
- conduct subject to investigation by an inspector appointed by the Secretary of State or by the Serious Fraud Office;
- if the executive office or the employment held by the director is terminated; or
- if resignation is requested by all of the other directors being not less than three in number.

111.1 – *Resolution for Appointment of Director*

This Article provides that a resolution for the appointment of two or more directors as directors by single resolution is not to be put to any general meeting unless agreed unanimously by the meeting.

113 – *Removal of Directors*

The existing Articles provide that in addition to removal by ordinary resolution of which special notice had been given, a director may be removed by special resolution. This Article has replaced the requirement for a special resolution with an extraordinary resolution. The same majority is required in order to pass an extraordinary resolution as a special resolution, that is not less than three-fourths of such members voting, but only 14 days notice rather than 21 days of the meeting need be given.

116.3 – *Alternate Directors*

This Article clarifies the status of an alternate director and in particular:

- he is entitled to receive notices of all meetings;
- he is entitled to attend and vote at any meeting at which the director appointing him is not personally present;
- that all the relevant provisions of the Articles of Association relating to proceedings at meetings shall apply to the alternate director as if he were a director, and
- save as otherwise provided that alternate director shall not have power to act as a director nor will he be deemed to be a director for the purposes of the Articles.

117.3 – *Conduct of Board Meetings*

This enables the directors to participate in meetings by way of conference, telephone or similar communications equipment provided that each can hear the other.

120.2 – *Directors Interests*

Some exceptions have been included to the general proposition that a director should not vote on any contract or matter in which he has an interest. These are as follows:

- in respect of the giving of any security guarantee or an indemnity relating to money lent or obligations incurred by the director;
- the giving of any security guarantee or indemnity in respect of a debt or obligation of the Company or any subsidiary for which the director himself has assumed responsibility;
- where there is an offer of shares or debentures or other securities of or by the Company or a subsidiary or subscription or purchase in which offer he is or would be entitled to participate as a holder of securities;
- where it relates to another company in which he or someone connected with him is interested directly or indirectly provided that such interest does not exceed 1 per cent. or more of any class of equity share capital of the Company or in the voting rights;
- any arrangement for the benefit of employees of the Company or its subsidiaries which does not award him any privilege or benefit which is not generally awarded to all employees to whom the arrangement relates; and

the purchase or maintenance of any insurance policy for the benefit of directors.

128 and 129 – *Borrowing Powers*

The provisions relating to the borrowing powers of directors have been substantially simplified. The aggregate amount owing by the Company and its subsidiaries in respect of monies borrowed (other than on an inter-group basis) is not to exceed a sum of £19 million without the previous sanction by ordinary resolution of the Company in general meeting. Debentures and other securities issued or to be issued by the Company are under the control of the directors who may issue them upon terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

140 – *Power to carry profits to reserve*

An Article has been incorporated to provide that subject to the relevant legislation, the directors may from time to time set aside out of the profits of the Company and carry to reserves such sums as they think proper which shall be applicable for any purpose to which the profits of the Company may be properly applied.

144 – *Share Premium Account*

A new Article has been inserted to reflect the general legal position that where the Company issues shares at a premium directors are obliged to transfer a sum equal to the aggregate amount or value of the premiums to a share premium account.

147 – *Retention of Dividends*

A new Article has been inserted to provide that directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same toward satisfaction of the same.

148-149 – *Retention of Dividends – Non-compliance with Section 212 of the Act*

This Article provides for further retention of dividends where there has been non-compliance with Section 212 of the Act and when any right of retention ceases.

156 – *Power to Offer Shares in Lieu of Dividends*

A new Article has been inserted to permit the directors, with the sanction of an ordinary resolution of the Company, to offer shareholders the right to elect to receive additional shares in lieu of a cash dividend.

182 – *Information*

This Article provides that members shall not be entitled to certain information where the board considers that it would be inexpedient in the interests of the Company to communicate such information to the public.

Tandem Group plc

(registered in England and Wales No 616818)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Tandem Group plc (the "Company") will be held at the offices of Eversheds, 1 Royal Standard Place, Nottingham NG1 6FZ on 22 September 2000 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

(i) the Memorandum of Association of the Company be amended as follows:

(a) by the insertion of a new clause 4 (a) as follows:

"To carry on the business of a holding company in all its branches and to co-ordinate the policy and administration of any subsidiary of the Company; to carry out all or any of the businesses of general merchants and traders, cash and credit traders, manufacturers' agents and representatives, insurance brokers and consultants, estate and advertising agents, mortgage brokers, financial agents, advisers, managers and administrators, hire purchase and general financiers, brokers and agents, commission agents, importers and exporters, manufacturers, retailers, wholesalers, buyers, sellers, distributors and shippers of, and dealers in all products goods, wares, merchandise and produce of every description, to participate in, undertake, perform and carry on all kinds of commercial industrial, trading and financial operations and enterprises; to carry on all or any of the businesses of marketing and business consultants, advertising agents and contractors, general storekeepers, warehousemen, discount traders, mail order specialists, railway, shipping and forwarding agents, shippers, traders, capitalists and financiers either on the Company's own account or otherwise, printers and publishers, haulage and transport contractors, garage proprietors, operators, hirers and letters on hire of, and dealers in motor and other vehicles, craft, plant, machinery, tools and equipment of all kinds; and to purchase or otherwise acquire and take over any businesses or undertakings which may be deemed expedient, or to become interested in, and to carry on or dispose of, remove or put an end to the same or otherwise deal with any such businesses or undertakings as may be thought desirable";

(b) by the re-numbering of existing clause 4 (a) as 4 (b); and

(c) by the deletion of existing clause 4 (b);

(ii) the Pot Black Acquisition as defined and described in the circular to shareholders dated 29 August 2000 of which this notice of meeting forms a part ("the Circular") be and is hereby approved and that the Directors of the Company (or any duly authorised committee appointed by them) be and are hereby authorised to do all such acts, matters and things as may be necessary or desirable to complete the same on the terms thereof or as the same may be varied with the approval of the Directors (or any duly authorised committee appointed by them) provided that any such variation shall not be a material variation;

(iii) the Two Wheel Trading Acquisition as defined and described in the Circular be and is hereby approved and that the Directors of the Company (or any duly authorised committee appointed by them) be and are hereby authorised to do all such acts, matters and things as may be necessary or desirable to complete the same on the terms thereof or as the same may be varied with the approval of the directors of the Company (or any duly authorised committee appointed by them) provided that any such variation shall not be a material variation;

- (iv) the share capital of the Company be and is hereby reorganised as follows:
- (a) each of the existing issued and unissued ordinary shares of 5 pence each in the capital of the Company be and is hereby sub-divided and converted into four ordinary shares of 1 pence each and one non-voting ordinary share of 1 pence each (“Non-Voting Share”);
 - (b) every four resulting ordinary shares of 1 pence each be consolidated into one new ordinary share of 4 pence each (“New Ordinary Shares”); and
 - (c) the New Ordinary Shares and the Non-Voting Shares shall have the rights, privileges and restrictions set out in the new Articles of Association of the Company to be adopted pursuant to this Resolution;
- (v) the authorised share capital of the Company be and is hereby increased from £6,250,000 to £12,000,000 by the creation of an additional 143,750,000 new ordinary shares of 4 pence each in the capital of the Company, such shares to rank *pari passu* in all respects with the ordinary share capital of the Company in existence following the passing of this Resolution;
- (vi) the Directors be and are generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the “Act”) to allot relevant securities (as defined in section 80(2) of the Act) (in substitution for and to the exclusion of any other power previously granted to the Directors of the Company pursuant to section 80 of the Act) for cash up to an aggregate nominal amount of 6,610,514.72 such authority to expire five years from the date of passing of this Resolution 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 Directors may allot relevant securities pursuant to such an offer or agreement as if the authority granted by this sub-paragraph (vi) had not expired;
- (vii) the Directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act), which are to be paid up in cash pursuant to the authority conferred by this Resolution as if section 89(1) of the Act did not apply to such allotment, provided this power shall be limited to:
- (a) the allotment of equity securities with a nominal value of up to £3,412,002.76 in connection with the Placing, the Open Offer and the Debt Restructuring described in the Circular;
 - (b) the allotment of equity securities in connection with an offer by way of rights or other pre-emptive offer (including, without limitation, an open offer) in favour of the holders of ordinary shares and others entitled to participate in such offer where the equity securities respectively attributable to the interests of ordinary shareholders and others so entitled are proportionate (as nearly as may be) to the respective number of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the Directors deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirement of any regulatory body or stock exchange, or any other matter whatsoever; and
 - (c) to the allotment (otherwise than pursuant to paragraphs (a) and (b) of this sub-paragraph (vii)) of equity securities with an aggregate nominal value of up to £195,900.14,

such power to be in substitution for and to the exclusion of any other power previously granted to the Directors of the Company pursuant to section 95 of the Act, provided that nothing in this sub-paragraph (vii) shall render unauthorised or otherwise affect any act done or allotment of equity securities or any offer or agreement which would or might require equity securities to be allotted, made prior to the passing of this sub-paragraph (vii) pursuant to any prior power (and any such prior power shall remain in full force and effect in relation to any allotment pursuant to or arising out of any offer or agreement as aforesaid) and the power conferred by this sub-paragraph (vii) (unless previously varied or revoked by a

Special Resolution of the Company) shall expire on the fifth anniversary of the date of passing of this Resolution but so that the power conferred by this sub-paragraph (vii) shall allow the Company to make before the expiry of this power offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements; and

- (viii) the regulations contained in the document produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be and the same are approved and adopted as the new Articles of Association of the Company in substitution for the existing Articles of Association of the Company.

By Order of the Board
Mervyn Keene
Secretary

Registered office:
Bridge Street
Brigg
North Lincolnshire
DN20 8PB

29 August 2000

Notes:

- (1) A member entitled to attend and vote at the above-mentioned Extraordinary 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.
- (2) A prepaid Form of Proxy is enclosed. To be valid, the Form of Proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be lodged with Connaught St. Michaels Limited of Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU not later than 11.00 a.m. on 20 September 2000. Deposit of the Form of Proxy will not preclude a member from attending and voting in person at the meeting or any adjournment thereof.
- (3) The Company, pursuant to regulation 34 of The Uncertificated Securities Regulations 1995, 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 Extraordinary General Meeting shall be entitled to attend or vote at the Extraordinary 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 that time will be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting.

APPENDIX

**REPORT AND ACCOUNTS OF TANDEM GROUP PLC
FOR EACH OF THE THREE YEARS ENDED 31 JANUARY 2000**

**THIS APPENDIX FORMS PART OF THE
PROSPECTUS FOR TANDEM GROUP PLC
DATED 29 AUGUST 2000**

DIRECTOR REPORT

The Directors under the fiduciary duty annual report with the annual financial statements for the year ended 31 August 2019.

Principal activities

The principal activity of the Group during the year was the operation of the business of the Group.

The Directors are pleased to present to you the annual financial statements for the year ended 31 August 2019.

Results and dividend

The results for the year ended 31 August 2019 are set out in the financial statements and the financial statements for the year ended 31 August 2019 are set out in the financial statements.

Dividend and share buy-back

As at 31 July 2019 the Directors have resolved to pay a dividend of 100 million Hong Kong dollars to the shareholders of the Company on 15 September 2019.

	2019	2018
Revenue	2,172,000	2,172,000
Profit before tax	2,172,000	2,172,000
Profit after tax	2,172,000	2,172,000

Dividends

The proposed dividends are set out in page 10.

The Directors of the Company are pleased to announce that the Company has received a dividend of 100 million Hong Kong dollars from the shareholders of the Company on 15 September 2019.

Financial stability and liquidity

	2019	2018
Current assets	2,172,000	2,172,000
Current liabilities	2,172,000	2,172,000
Net current assets	0	0

The Directors of the Company are pleased to announce that the Company has received a dividend of 100 million Hong Kong dollars from the shareholders of the Company on 15 September 2019.

Share options

	2019	2018
Current assets	2,172,000	2,172,000
Current liabilities	2,172,000	2,172,000
Net current assets	0	0

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Directors' Report and Corporate Governance Report

The Directors under the fiduciary duty annual report with the annual financial statements for the year ended 31 August 2019.

Principal activities

The principal activity of the Group during the year was the operation of the business of the Group.

The Directors are pleased to present to you the annual financial statements for the year ended 31 August 2019.

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	2019	2018
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Net current assets	0	0

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REPORT ON REMUNERATION

The remuneration and other benefits of the Directors and senior management are disclosed in the Remuneration Report of the Company on page 10.

The Directors of the Company are pleased to announce that the Company has received a dividend of 100 million Hong Kong dollars from the shareholders of the Company on 15 September 2019.

Approved on behalf of the Directors on 15 September 2019
 Chairman
 15 September 2019

GOVERNANCE

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Directors

The Company is controlled through the Board of Directors which presently comprises five directors and one independent non-executive director.

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The Board is a committee of the Board of Directors which is responsible for the overall management and supervision of the Company and the implementation of the business strategy of the Company.

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Directors' responsibilities

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Independent non-executive directors

The independent non-executive directors are responsible for the overall management and supervision of the Company and the implementation of the business strategy of the Company.

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Independent non-executive directors

The independent non-executive directors are responsible for the overall management and supervision of the Company and the implementation of the business strategy of the Company.

STATEMENT OF DIRECTOR'S DISPOSITIONS

Company's financial statements are prepared in accordance with the financial reporting standards of the United States of America. The financial statements are prepared in accordance with the financial reporting standards of the United States of America. The financial statements are prepared in accordance with the financial reporting standards of the United States of America.

- + independent directors are not subject to the same standards of independence as the independent directors.
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The Director's are responsible for the preparation, review, and approval of the financial statements and for the presentation and distribution of financial statements of the Company.

AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF DIRECTORS

We have audited the financial statements of the Company for the year ended 31st March 2014, which are set out in pages 12 and 13.

Our report is required by the Companies Act 2006 and is subject to the provisions of that Act.

The financial statements are prepared in accordance with the financial reporting standards of the United States of America. The financial statements are prepared in accordance with the financial reporting standards of the United States of America.

We report to you as required by the financial reporting standards of the United States of America. Our report is required by the financial reporting standards of the United States of America. Our report is required by the financial reporting standards of the United States of America.

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Notes to the financial statements

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Other information

The financial statements are prepared in accordance with the financial reporting standards of the United States of America. The financial statements are prepared in accordance with the financial reporting standards of the United States of America.

For and on behalf of the auditor:
 Name of Auditor and Designation of Auditor
 Date of Report

Name of Auditor
 Designation of Auditor
 Address of Auditor
 Date of Report

Class of Shares

	2013	2012	2011	2010	2009
Issued					
Ordinary shares	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Preference shares	—	—	—	—	—
Unissued					
Ordinary shares	—	—	—	—	—
Preference shares	—	—	—	—	—
Total					
Ordinary shares	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Preference shares	—	—	—	—	—
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Class of Shares

	2013	2012	2011	2010	2009
Issued					
Ordinary shares	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Preference shares	—	—	—	—	—
Unissued					
Ordinary shares	—	—	—	—	—
Preference shares	—	—	—	—	—
Total					
Ordinary shares	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Preference shares	—	—	—	—	—
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

TELEDEM GROUP plc

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTYEIGHTH ANNUAL GENERAL MEETING OF THE COMPANY shall be held at the Grosvenor Hotel, Grosvenor Gardens, London SW1W 0EX on 11 September 2019 at 11.00 am (London Local time) to discuss:

Ordinary business

1. To receive and adopt the report of the Directors and the auditors and to elect auditors for the year ended 31 August 2019.
2. To re-elect a Director of the Company (Mr P. Hines) whose term of office as a Director will expire on the day of the General Meeting.
3. To re-appoint Mr P. Hines as a Director of the Company until the date of the next Annual General Meeting of the Company (Article 10 of the Memorandum of Association and Article 10 of the Articles of Association).

Special business

To consider and, if thought fit, pass the following resolutions which, in the case of resolution 4 and 5 will be proposed as ordinary resolutions and in the case of resolution 6 will be proposed as a special resolution:

4. That £10 million be granted to the Company as a dividend in the form of a cash bonus to the eligible employees of the Company.
5. That the Directors be and are hereby authorised, and are hereby empowered, to do all such things as they may think fit to do in connection with the implementation of the provisions of the Company for the grant of the cash bonus to the eligible employees of the Company as set out in the resolution and to do all such things as they may think fit to do in connection with the implementation of the provisions of the Company for the grant of the cash bonus to the eligible employees of the Company as set out in the resolution.
6. That, until the end of the period of resolution 7 above, the Board be and the Company be authorised to issue the £10 million of the Company's ordinary shares of 1p each (the "Shares") in such a manner as to ensure that the total number of Shares issued is £10 million and that the total number of Shares issued is not more than the number of Shares which the Company is authorised to issue under its Articles of Association.

As a result of the grant of the cash bonus to the eligible employees of the Company as set out in the resolution, the Company may be required to issue Shares to the eligible employees of the Company as set out in the resolution and the Company may be required to issue Shares to the eligible employees of the Company as set out in the resolution.

By Order of the Board

Mr P. Hines

Director

11 July 2019

7. Any dividend or other sum payable to the eligible employees of the Company shall be paid in such a manner as to ensure that the total amount payable to the eligible employees of the Company is not more than £10 million.
8. A Group of employees of the Company shall be eligible to be included in the Company's Share Incentive Plan (SIP) for the year ending 31 August 2019.
9. Any person named in the register of members of the Company as of 11.00 am on 11 September 2019 to hold the Shares of the Company shall be eligible to be included in the Company's SIP for the year ending 31 August 2019.

Copies of the report and accounts and the financial statements of the Company for the year ended 31 August 2019 will be available for inspection at the Company's registered office at the Grosvenor Hotel, Grosvenor Gardens, London SW1W 0EX on 11 September 2019.

Consolidated Balance Sheet
As at 31 January 2019

	2019 \$M	2018 \$M
Assets		
Plant assets		
• Tangible assets	2,796	2,474
• Intangible assets	12,400	11,446
• Goodwill	1,427	1,276
• Prepaid and long-term receivables	76	62
	16,700	15,260
Liabilities and equity		
• Bank overdrafts	1,799	1,799
• Trade payables	2,771	2,419
• Other payables	1,810	2,274
• Other liabilities	1,428	1,141
	7,808	7,633
Net current assets	8,892	7,627
Total assets less current liabilities	8,892	7,627
Equity		
• Amounts falling due after more than one year	8	21
• Prepaid and long-term receivables	704	570
Net long-term assets	712	591
Capital and reserves		
• Call up share capital	4719	4719
• Share premium account	4219	4219
• Capital reserves	49	49
• Other reserves	-	(2,210)
• Profit and Loss account	(1,244)	(2,244)
Equity shareholders' funds	4,234	4,234
• Non-current liabilities	110	127
	4,344	4,361

This consolidated balance sheet was approved by the Board on 1 July 2019 and is signed on the behalf of:

• **Malcolm** **MD - Finance**

Company Balance Sheet
As at 31 January 2019

	2019 \$M	2018 \$M
Assets		
Plant assets		
• Tangible assets	11	62
• Intangible assets	152	171
• Goodwill	101	107
• Prepaid and long-term receivables	76	62
• Cash and bank balances	-	100
	340	502
Liabilities and equity		
• Bank overdrafts	1,470	-
• Trade payables	-	7
• Other liabilities	199	400
	1,669	407
Net current assets	174	95
Total assets less current liabilities	174	95
Equity		
• Amounts falling due after more than one year	174	95
• Prepaid and long-term receivables	6,250	6,250
Capital and reserves		
• Call up share capital	4719	4719
• Share premium account	4219	4219
• Capital reserves	49	49
• Profit and Loss account	(1,244)	(2,244)
Equity shareholders' funds	8,234	8,234

This consolidated balance sheet was approved by the Board on 1 July 2019 and is signed on the behalf of:

• **Malcolm** **MD - Finance**

Reconciliation of movement in equity
To work under F 1 January 2019

	Other Transactions \$M	Dividends \$M	Special Dividends \$M	Profit and Loss account \$M	Total \$M
The Group					
Balance at 31 March 2018	12,719	(2,210)	49	10,558	10,558
Transferred to profit and loss account	-	1,274	-	(1,274)	-
Losses retained for the period	-	-	-	(1,244)	(1,244)
Balance at 31 January 2019	12,719	-	49	9,040	11,818
The Company					
Balance at 31 March 2018	12,719	-	49	12,768	12,768
Losses retained for the period	-	-	-	(1,244)	(1,244)
Balance at 31 January 2019	12,719	-	49	11,524	11,524

Reconciliation of movement in equity of the listed entity
To work under F 1 January 2019

	2019 \$M	2018 \$M
The Group		
Losses for the period	(1,244)	(2,244)
Transferred to non-current liabilities	(7)	(7)
Equity shareholders' funds	8,234	8,234
Change equity shareholders' funds	8,234	8,234

Consolidated Cash Flow Statement
To work under F 1 January 2019

	2019 \$M	2018 \$M
Net cash flow from operating activities	10	118
Interest on bank overdrafts and revolving credit facilities	(1,244)	(1,244)
Interest on bank overdrafts and revolving credit facilities	(1)	(7)
Net cash flow from operating activities	(1,235)	(1,333)
Finance		
• Small profits	-	(7)
Capital expenditure		
• Purchase of Tangible fixed assets	(7)	(20)
• Purchase of Intangible fixed assets	19	49
Net cash flow from investing activities	12	29
Acquisition and disposal		
• Purchase of Goodwill from purchase of listed entity	-	17
Net cash flow from financing activities	-	17
Net cash flow from all activities	(1,223)	(1,297)
Finance		
• Capital expenditure	(7)	(20)
• Purchase of Intangible fixed assets	(19)	(49)
Net cash flow from all activities	(26)	(76)
Equity shareholders' funds	(1,249)	(1,373)

Equity shareholders' funds

Consolidated Cash Flow Statement
For the year ended 31 February 2010

	2010	2009
	US\$M	US\$M
Net cash flow/(outflow) from operating activities	318	(1,205)
Changes in level of net working capital		
Inventories	20	29
Trade receivables	(1,240)	(6,220)
Trade payables	(22)	(22)
Net cash flow/(outflow) from operating activities	(1,242)	(6,290)
Finance		
Tax on profit	(9)	(12)
Capital expenditure		
Purchase of Langley forest assets	(20)	(10)
Sale of Langley forest assets	49	20
Net cash flow/(outflow) from finance	18	18
Acquisition of assets and disposal		
Disposal of assets	0	0
Purchase of assets of the former subsidiary		
Level 2 assets		84
Other level 2 assets		10
Net cash flow/(outflow) from acquisition and disposal	0	94
Net Cash to Fund (including) before financing	114	(5,196)
Finance		
Issue of ordinary shares		11
Capital raised from other sources	810	(820)
Net Cash to Fund (including) before financing	810	(809)
(1)		
(2)		
Interest/(dividend) on Cash	28	(1,240)

Net Cash and Net Debt

	2010	2009
	US\$M	US\$M
Operating activities	(1,242)	(6,290)
Finance activities	18	18
Purchase of Langley forest assets	(20)	(10)
Sale of Langley forest assets	49	20
Net cash flow/(outflow) from finance	18	18
Acquisition of assets and disposal		
Disposal of assets		84
Other level 2 assets		10
Net cash flow/(outflow) from acquisition and disposal		94
Issue of ordinary shares		11
Capital raised from other sources	810	(820)
Net cash flow/(outflow) from financing	810	(809)
(1)		
(2)		
Interest/(dividend) on Cash	28	(1,240)
(1)		
(2)		
Purchase of assets and disposal		
Disposal of assets		84
Other level 2 assets		10
Net cash flow/(outflow) from acquisition and disposal		94
Issue of ordinary shares		11
Capital raised from other sources	810	(820)
Net cash flow/(outflow) from financing	810	(809)
(1)		
(2)		
Interest/(dividend) on Cash	28	(1,240)

Net Cash and Net Debt (continued)

	2010	2009	2008	2007
	US\$M	US\$M	US\$M	US\$M
Operating activities	(1,242)	39	10	(1,296)
Finance activities	(20)	411	-	(21)
(1)				
(2)				
Interest/(dividend) on Cash	28	(1,240)		

Net Cash and Net Debt

	2010	2009
	US\$M	US\$M
Operating activities	(1,242)	(6,290)
Finance activities	18	18
Purchase of Langley forest assets	(20)	(10)
Sale of Langley forest assets	49	20
Net cash flow/(outflow) from finance	18	18
Acquisition of assets and disposal		
Disposal of assets		84
Other level 2 assets		10
Net cash flow/(outflow) from acquisition and disposal		94
Issue of ordinary shares		11
Capital raised from other sources	810	(820)
Net cash flow/(outflow) from financing	810	(809)
(1)		
(2)		
Interest/(dividend) on Cash	28	(1,240)

11. **Stocks**

	2017		2016	
	MMT	MMT	MMT	MMT
	2016	2016	2016	2016
Mark to market	-	30	-	30
Loss payment to related as of 12/31/16	-	30	-	30
	-	30	-	30
Pay to related as	10,11	10,11	11	11
Pay to related	893	893	893	893
Pay to related for results	3,149	3,149	-	-
	11,449	13,711	893	893

In the caption of this table there is some detail of the two to be taken into account. The Modified Contract of the two is a work in progress and is not in the table.

12. **Debt**

	2017		2016	
	MMT	MMT	MMT	MMT
	2016	2016	2016	2016
As at end of the year as a year				
Two to related	31,49	31,79	31	31
As at end of the year as a year	-	-	31,49	31,49
Other to related	49	34	39	-
Proprietary and other to related	300	301	-	30
	67,97	67,13	67,79	67,79
As at end of the year as a year				
Other to related	34	30	34	30
	67,97	67,13	67,79	67,79

13. **Bank account**

The bank account of the company is held in the name of the company and is held in the name of the company.

14. **Other assets**

	2017		2016	
	MMT	MMT	MMT	MMT
	2016	2016	2016	2016
As at end of the year as a year				
Two to related	10	10	-	-
Other to related	10	10	10	10
Proprietary and other to related	10	10	10	10
Other to related	10	10	10	10
Proprietary and other to related	10	10	10	10
	3,149	3,149	30	30

As at end of the year as a year

	2017		2016	
	MMT	MMT	MMT	MMT
	2016	2016	2016	2016
Two to related	10	10	-	-
Other to related	10	10	10	10
	10	10	-	-
Two to related	10	10	-	-
Other to related	10	10	10	10
	10	10	-	-

The other assets in the table are held in the name of the company.

15. **Pay to related as of 12/31/16**

	2017		2016	
	MMT	MMT	MMT	MMT
	2016	2016	2016	2016
Two to related	10	10	10	10
Other to related	10	10	10	10
	10	10	10	10

	2017		2016	
	MMT	MMT	MMT	MMT
	2016	2016	2016	2016
Two to related	10	10	10	10
Other to related	10	10	10	10
	10	10	10	10

There is no report that is related to the table.

Capital account of the company is held in the name of the company and is held in the name of the company.

16. **Call of shares capital**

	2017		2016	
	MMT	MMT	MMT	MMT
	2016	2016	2016	2016
As at end of the year as a year				
Two to related	10,11	10,11	10,11	10,11
Other to related	10,11	10,11	10,11	10,11
	10,11	10,11	10,11	10,11

The call of shares capital is held in the name of the company and is held in the name of the company.

	2017		2016	
	MMT	MMT	MMT	MMT
	2016	2016	2016	2016
Two to related	10,11	10,11	10,11	10,11
Other to related	10,11	10,11	10,11	10,11
	10,11	10,11	10,11	10,11

The call of shares capital is held in the name of the company and is held in the name of the company.

17. **Call of shares capital (continued)**

The call of shares capital is held in the name of the company and is held in the name of the company.

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