Tandem Group plc

Annual Report and Accounts 2003

Contents and Introduction

Tandem Group plc are manufacturers and distributors of sports and leisure equipment.



Highlights

- Turnover up 6% to £37,317,000 (2002 — £35,320,000)
- Profit before interest, goodwill amortisation and taxation of £988,000 (2002 — £1,372,000)
- Net assets increased from £3,092,000 to £5,431,000
- Acquisition of Ben Sayers golf business — February 2002
- Acquisition of MV Sports Group Plc — April 2003

The Companies at Tandem

Introducing the brands that have strengthened **Tandem Group's** position as a market leader in leisure products.

Directors and advisers

Directors

G Waldron	Chairman
M P J Keene	Finance Director
A P Vicary	Commercial Director

Secretary and registered office
M P J Keene
9a South Street, Crowland, Peterborough,
PE6 0AH

Registration
Registered in England No. 616818

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

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

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

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

Financial calendar

Annual General Meeting	3 June 2003
Interim results for 6 months to 31 July 2003	September 2003
Annual results for year ending 31 January 2004	April 2004

Chairman's statement

This has been a year of considerable activity including the acquisitions of the Ben Sayers golf equipment business and the AIM quoted MV Sports Group Plc ("MV Sports"), a company that distributes sports and leisure products and toys. The MV Sports acquisition should be completed on 8 April 2003.

As previously reported, competition in the lower specification bicycle market in the important months of November and December adversely affected Christmas sales volumes and full year profits from this part of the business were below expectations. The indoor and outdoor play equipment business traded in line with budget for the year.

The results for the year ended 31 January 2003 show a profit on ordinary activities before interest, goodwill amortisation and taxation of £988,000 compared to £1,372,000 last year. Interest payable was £553,000 (2002 — £657,000) and goodwill amortisation was £201,000 (2002 — £147,000).

Falcon

Sales of the high specification models in the upper price points, particularly the Claud Butler range, increased over the previous year. Lower specification products were affected by cheap imports and national grocery retailers taking market share from our traditional customer base. This reduced Falcon's operating profit and reversed the trend seen in the previous year.

DAWES CYCLES

In a highly competitive market Falcon, with its well-established brand names of Falcon, Claud Butler, Townsend and British Eagle, continues to maintain an excellent reputation for product quality and service. Operational changes have been introduced which will improve the profitability of the Falcon business. The product range has been rationalised allowing sales of lower priced products to be generated at acceptable margins and also leading to significant savings of fixed costs. The 2003 product range has been well received by key customers and increased listings have been achieved, not only in lower value products, but also in higher value models. Market share in the bicycle market is therefore expected to increase during 2003.

Dawes Cycles

Dawes is a long-established brand, with products in the mid to upper price points, and has strong awareness in the cycling market and with the general public. It operates independently of Falcon in its marketing and selling strategy with the differential in brand profile enabling the Group to grow its overall market share in both volume and value.

Although Dawes showed an improvement over the previous year, its results for the year to 31 January 2003, the first full year since acquisition, were below our target. Much effort is being made to increase and improve distribution among independent cycle dealers which, coupled with a lowering of fixed costs, should enable the business to make a satisfactory contribution to the Group’s results.

Chairman’s statement continued

Two Wheel Trading

In the interim statement we reported that our cycle accessory business suffered from supply chain problems. These were resolved leading to a much improved second half of the year.

Efforts are being concentrated on improving the utilisation of working capital and controlling fixed costs.

Pot Black

I am pleased to report another year of growth at Pot Black, which is now a major contributor to the Group’s profitability. New products contributed to an increase in turnover and with further improvements to operational efficiency, a satisfactory return on sales was achieved.

There was significant growth in the sales of outdoor play equipment during the year, establishing Pot Black as a major supplier in this sector.

Further opportunities to develop the cue sport business of Pot Black have been identified and resources have been directed in that area. It is expected that this will increase turnover with favourable margins. In line with this, seven times world champion Stephen Hendry MBE, the most successful snooker player of all time, has signed a new three-year endorsement deal with Pot Black. He will wear the Pot Black logo on his waistcoat at all ranking tournaments worldwide and will feature widely in Pot Black's publicity material. In addition, he will also help to design and promote a completely new range of higher value slate bed tables, cues and other accessories for both snooker and English pool.

Pot Black will be moving into new premises in the summer, which should produce more efficiencies and pave the way for further expansion.

Ben Sayers

On 25 February 2002, the Group widened its presence in sporting goods with the acquisition of the business and certain assets of Ben Sayers, one of the oldest independent golf club manufacturers in the world with over 120 years of trading. Ben Sayers manufactures and distributes golf clubs, bags and other accessories.

Significant expenditure has been invested in repositioning the Ben Sayers brand since its acquisition. New products have been introduced and more recently, in November 2002, we announced our appointment as exclusive distributor, for the UK and certain European countries, of the Joey Rodolfo and Resort 2 golf clothing brands with the aim of further strengthening and widening the customer base of our golf business. Already, sales of the Spring 2003 ranges are encouraging.

Chairman's statement continued

With increased sales and marketing expenditure, the golf business showed an operating loss of £134,000 for the period since acquisition. The benefit of the additional sales and marketing costs and savings in product and fixed costs should enable our golf business to return to profit in the current year.

Employees

There have been reorganisations in the past year and the completion of the MV acquisition will bring further changes in the next few months. We would like to thank all staff for their enthusiastic commitment in dealing with the issues that arise in a fast growing and rapidly changing group.

Acquisitions

On 18 March 2003, shareholders approved resolutions at an Extraordinary General Meeting which will enable the acquisition of MV Sports to be completed on 8 April 2003. The acquisition is by way of a scheme of arrangement under section 425 of the Companies Act 1985, which was sanctioned by the High Court on 7 April 2003. Our shareholders also approved a share capital reorganisation to consolidate the voting ordinary shares in the Company on the basis of one new ordinary share for every ten voting ordinary shares existing before the consolidation. Shareholders in MV Sports will receive 2 new ordinary shares in Tandem for every 430 MV Sports shares.

Your Board believes that the MV Sports business is complementary to our current businesses. The product range features famous brands such as Barbie, Bob the Builder, Groovy Chick and many others. The increase in the number of products and customers will provide opportunities for all of the Group's businesses. The core turnover of MV Sports increases the Group's turnover by more than 40% and with a lower cost base this acquisition should become a major profit contributor.

Savings in central overheads (not least of which is the cost of two companies maintaining a public quotation) are also anticipated. We are aware that investor interest in smaller companies is not always strong but that interest tends to improve as companies become larger. The increase in the Group's market capitalisation as a result of the acquisition of MV Sports, while in no way guaranteeing instant wider institutional investor interest, will, in the opinion of the Directors, improve the likelihood that such interest will be generated.

Current trading

Trading is in line with expectations and the action that has been taken at the businesses in the Group should lead to improved results for the current year.

Strategy and future prospects

Efforts will continue to expand sales, control costs and increase profitability and cash flow at all businesses.

There will be significant opportunities following the acquisition of MV Sports and resources are being deployed to ensure its successful integration into the Group.

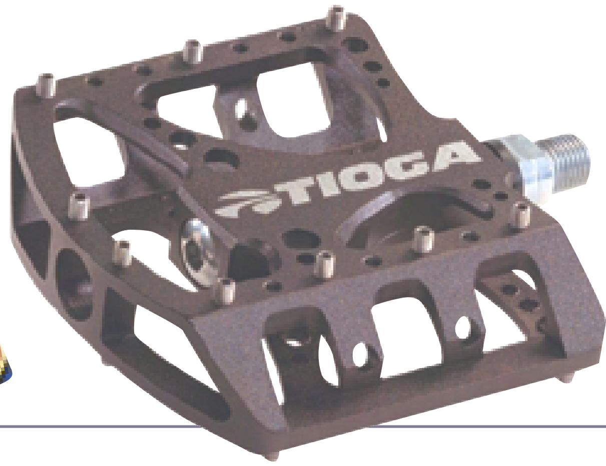
Chairman's statement continued

The balance sheet was significantly strengthened during the year with net assets rising from £3,092,000 to £5,431,000, reducing gearing to its lowest level for 8 years. New bank facility agreements with HSBC Bank plc were signed on 30 January 2003. As part of the agreements, HSBC Bank plc are providing a £2.5 million three-year loan together with overdraft facilities of up to £3 million. This replaces the previous facility, which was repayable on demand. Net current assets at 31 January 2003 were £2,653,000, which is an improvement of over £12 million since 1999. Completion of the MV Sports acquisition will further strengthen the Group's balance sheet. The last audited accounts for MV Sports as at 30 June 2002 showed net assets of £5,116,000, including borrowings of only £800,000.

Following the work carried out in the last few years the Group now has a solid balance sheet and a firm base for further consolidation and future expansion. Your Board looks forward to another year of progress and improvement in shareholder value.

Graham Waldron
Chairman
7 April 2003

TWO WHEEL TRADING CO. LIMITED

Directors' report

The Directors submit their thirty-ninth annual report with the audited financial statements for the year ended 31 January 2003.

Principal activities

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

The Chairman's Statement on pages 4 to 10 should be read in conjunction with this report.

Results and dividend

The results for the year ended 31 January 2003 are set out on page 20. The Directors do not recommend the payment of a dividend (2002 — £nil). Movements on reserves are set out on page 23.

Acquisition

On 25 February 2002, the Group acquired the Ben Sayers business and certain assets. The results of the acquisition have been included in the Group financial statements from that date.

Further information is given in note 22 on page 46.

Post-31 January 2003 events

Resolutions to enable the Company to acquire the entire issued share capital of MV Sports Group Plc ("MV Sports") by way of a share for share offer were approved at Extraordinary General Meetings of both the Company and MV Sports held on 18 March 2003. A resolution to consolidate the voting ordinary shares of the Company on the basis of one new ordinary share for ten voting ordinary shares existing before the consolidation was also approved by shareholders. The acquisition is taking place by way of a scheme of arrangement under section 425 of the Companies Act 1985. Shareholders in MV Sports will receive 2 new ordinary shares of the Company for every 430 MV Sports shares. The scheme was sanctioned by the High Court on 7 April 2003. Completion of the acquisition is expected on 8 April 2003.

Share Capital

Changes in the authorised and issued share capital of the Group are set out in note 17 on page 39.

Significant shareholders

As at 7 April 2003, the Directors have been notified of the following interests, other than those of Directors, and after the share consolidation referred to above, representing 3% or more of the issued ordinary share capital.

	Ordinary Shares of 4p	%
Jupiter Asset Management Ltd	3,700,000	14.6
Venaglass Limited	3,170,267	12.5
Close Investments Ltd	2,620,000	10.3

Directors' report continued

Directors

The present Directors are listed on page 3.

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

Held beneficially and fully paid

	31 January 2003		1 February 2002	
	4p ordinary shares	1p non-voting "A" ordinary shares	4p ordinary shares	1p non-voting "A" ordinary shares
G Waldron	9,386,040	8,155,034	9,386,040	8,155,034
M P J Keene	9,530,000	8,025,000	9,530,000	8,025,000
A P Vicary	9,503,057	8,000,548	9,503,057	8,000,548

The interests stated above include holdings of 8,600,000 4p ordinary shares and 7,500,000 1p non-voting "A" ordinary shares at 31 January 2003 and 1 February 2002 in which Messrs Waldron, Keene and Vicary had a joint interest.

Shareholders approved the buyback of the "A" shares at an Extraordinary General Meeting of the company held on 18 March 2003 and consequently the above "A" shares have been cancelled.

The joint holding of Messrs. Waldron, Keene and Vicary was divided on 4 March 2003. Directors' beneficial holdings as at 7 April 2003 following this division and the share consolidation referred to earlier are shown below:

G Waldron	365,270
M P J Keene	389,666
A P Vicary	386,972

Share options

Directors' share options before the consolidation referred to earlier are shown below:

	31 January 2003 4p ordinary shares	1 February 2002 4p ordinary shares
G Waldron	—	—
M P J Keene	1,219,000	1,219,000
A P Vicary	1,000,000	1,000,000

There have been no changes to the Directors' share options since the end of the financial year other than the consolidation.

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

Donations

No donations were made during the year (2002 — £nil).

Environmental policies

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

The Group has a Corporate Social Responsibility Committee to ensure that all Group members operate the businesses within ecological and environmental guidelines. A report from the Committee is given on page 17.

Policy on payment of suppliers

Payment terms with suppliers are agreed before contracts are placed. Many of these are covered by confirmed letters of credit with fixed payment dates. It is the Group's code to abide by agreed payment terms with suppliers. The trade creditors and accepted letters of credit of the Company at 31 January 2003 represent 43 days (2002 — 66 days) as a proportion of the total amount invoiced by suppliers during the year.

Euro compliance

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

Directors' report continued

Employment policies

It is the policy of the Group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. All employees are given equal opportunities for career development and promotion. Health and safety committee meetings are held within the operating businesses.

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

Interest rate risk

The group finances its operations by a mixture of bank borrowings and loans at contracted rates of interest.

Liquidity risk

The group successfully renegotiated its banking facilities on 30 January 2003 and consider there is adequate headroom going forward. Short-term flexibility is achieved by overdraft facilities.

Foreign currency risk

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

Corporate Governance

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

The Company is controlled through the Board of Directors which presently comprises two executive Directors and one independent non-executive Director. The two executive Directors have service contracts of less than one year. The remuneration and other emoluments of executive Directors and senior managers are determined by the Remuneration Committee, of which G Waldron is currently the only member. Executive remuneration packages are subject to an annual review and are designed to attract, motivate and retain Directors and senior managers of a high calibre.

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

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

The Group encourages two-way communication with both its institutional and private investors and responds quickly to all queries received verbally or in writing. The executive Directors attended regular meetings with institutional shareholders in the year ended 31 January 2003.

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

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

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

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

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

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

The Group meets its day-to-day working capital requirements through certain overdraft facilities. The Group expects to operate within the facilities currently agreed. In these circumstances, and based on plans for 2003 and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities

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

Directors' report continued

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements.

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

Auditors

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

Annual General Meeting

The notice of the Annual General Meeting includes three proposals as special business (items 4, 5 and 6).

Resolution No. 4 to be proposed at the Annual General Meeting is to renew for five years the existing authority of the Directors to allot unissued shares and securities convertible into or rights to subscribe for shares of the Company up to a nominal value of £500,675 which represents one-third of the Company's issued 4p ordinary share capital following completion of the acquisition of MV Sports Group Plc.

Resolution No. 5 to be proposed at the Annual General Meeting empowers the Directors for a period of five years to allot shares for cash without first offering those shares pro rata to existing shareholders up to an aggregate nominal amount of £75,101 which represents 5% of the Company's issued 4p ordinary share capital following completion of the acquisition of MV Sports Group Plc.

The amount and duration of the authorities requested in resolutions 4 and 5 are in line with institutional guidelines.

The Company has no present intention of making market purchases of its own ordinary shares, but would like to have the flexibility to consider such purchases in the coming year. Resolution No. 6 seeks the authority from shareholders for the Company to purchase its own shares. The Company would only exercise the authority if the effect of doing so would be to increase earnings per share of the remaining shareholders and be in the best interests of shareholders generally. In addition, in exercising such authority, the Company would comply with the current guidelines of the ABI and the UK Listing Authority.

By Order of the Board

M P J Keene
7 April 2003

Corporate Social Responsibility Committee report

The Corporate Social Responsibility Committee (CSRC) was formed in June 2001 to implement standards of social responsibility within all companies in the Tandem Group. This includes environmental issues, labour practices and all aspects of ethical trading. The committee comprises one representative from each business in the Group. This encourages a flow of information to and from the committee and all the Group's employees.

We support the Ethical Trading Initiative (ETI) that has been set up by an alliance of companies, non-governmental organisations and trade unions to ensure that the working conditions of workers producing for the UK market meet or exceed international standards. This organisation has set out a code of labour practice called the 'Base Code'. This includes basic freedoms and safety, child labour, discrimination and inhumane treatment of employees. (You can find more information on the ETI at the website www.eti.com)

Every business has some sort of impact on the environment. We are fortunate to produce many products that can have positive impacts on the environment. However, we must be aware of the processes that both we and our suppliers use to produce these products so that we can control them and strive to reduce any adverse impacts on the environment. This includes understanding the resources used in the manufacture of our products and the waste materials that are produced as a result.

The terms of reference of the CSRC were quickly established and the team set out the milestones that it needed to achieve in the development of the wider policy during the next year.

These milestones included several stages:

1. Establishing policy
2. Communication
3. Development of audit documentation and audit programme
4. Energy and waste monitoring

The CSRC started by developing the Tandem Group Policy Pack, which was completed and issued in March 2002. This document ensures that each company in the Group operates to the same broad guidelines defined by the CSRC. It deals with health and safety, employee induction, contracts of employment including equal opportunities and the environment and social responsibility.

A key element of the Policy Pack is the Supplier Code of Conduct and the Supplier Audit. The assessment of suppliers began during 2001, while the pack was being developed. The CSRC set an objective for each company within the Group to audit the top 75% suppliers by value of total purchases. Audit progress has been good and within one year the first cycle of the audit programme was nearing completion. The CSRC confidently expects all initial audits to be complete by May 2003. The follow-up audit programme is also now under way and the CSRC has set the objective that all key suppliers will receive a further audit by July 2003. These audits will both validate the initial results and follow up any non-compliances that were identified. Every new prospective supplier must now satisfactorily complete a self-assessment audit before being validated as a Tandem Group Supplier.

Corporate Social Responsibility Committee report continued

Far from being a negative, the audit programme has been used as the basis of discussion during the original contact and auditors have found most companies proud to be able to show compliance with the elements of the ETI Base Code used within the Supplier Code of Conduct that is issued with the audit.

With the supplier audit programme running well the CSRC has recently begun to look at the Group's waste output, water usage and energy monitoring. Each company in the Group is now required to submit data quarterly to the CSRC, which is used to measure their efficiency in dealing with waste, and manufacturing efficiently. This data is expected to show both immediate areas of direct cost saving and opportunities to operate each business more efficiently.

Steven Bell
Chairman
Corporate Social Responsibility Committee

Independent Auditors’ report to the shareholders of Tandem Group plc

We have audited the financial statements of Tandem Group plc for the year ended 31 January 2003 which comprise the profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of movements on reserves, the reconciliation of movement in consolidated shareholders’ funds, the statement of total recognised gains and losses, notes to the consolidated cash flow statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

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

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

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

Basis of opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 January 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants
Nottingham
7 April 2003

Consolidated profit and loss account

Year ended 31 January 2003

	Notes	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Turnover					
Continuing operations			**35,330**		35,288
Acquisitions			**1,987**		—
			37,317		35,288
Discontinued operations			**—**		32
	1,2		**37,317**		35,320
Cost of sales			**(26,382)**		(25,324)
Gross profit			**10,935**		9,996
Net operating expenses			**(10,148)**		(8,771)
Operating profit					
Continuing operations		**917**		1,196	
Acquisitions		**(134)**		—	
		783		1,196	
Discontinued operations		**(24)**		(3)	
— utilisation of prior year provision		**28**		32	
Profit on ordinary activities before interest			**787**		1,225
Net interest payable	4		**(553)**		(657)
Profit on ordinary activities before taxation			**234**		568
Tax on profit on ordinary activities	6		**9**		(4)
Profit on ordinary activities after taxation			**243**		564
Non equity minority interests	18		**151**		(54)
Profit for the financial year transferred to reserves			**394**		510
Earnings per share	8		**Pence**		Pence
Basic and diluted			**0.16**		0.25
Adjusted, before goodwill amortisation					
Basic and diluted			**0.24**		0.32

Consolidated balance sheet

At 31 January 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	9	**3,692**	3,056
Negative goodwill	9	**(197)**	(71)
		3,495	2,985
Tangible assets	10	**1,153**	1,354
		4,648	4,339
Current assets			
Stocks	11	**7,133**	6,347
Debtors	12	**6,433**	5,619
		13,566	11,966
Creditors — amounts falling due within one year			
Bank overdraft	13	**1,374**	4,137
Other creditors	14	**9,539**	8,946
		10,913	13,083
Net current assets/(liabilities)		**2,653**	(1,117)
Total assets less current liabilities		**7,301**	3,222
Creditors — amounts falling due after more than one year	14	**1,801**	33
Provisions for liabilities and charges	15	**69**	97
Net assets		**5,431**	3,092
Capital and reserves			
Called up share capital	17	**11,174**	9,214
Share premium account		**5,442**	5,040
Capital reserve		**406**	406
Merger reserve		**63**	63
Profit and loss account		**(12,376)**	(12,770)
Equity shareholders' funds		**4,709**	1,953
Non-equity minority interests	18	**722**	1,139
		5,431	3,092

The financial statements were approved by the Board on 7 April 2003 and signed on its behalf by:

G Waldron
Director

M P J Keene
Director

Company balance sheet

At 31 January 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	9	**2,277**	2,320
Negative goodwill	9	**(197)**	(71)
		2,080	2,249
Investments	9	**2,533**	1,058
Tangible assets	10	**451**	577
		5,064	3,884
Current assets			
Stocks	11	**1,764**	1,459
Debtors	12	**14,738**	13,136
		16,502	14,595
Creditors — amounts falling due within one year			
Bank overdraft	13	**3,563**	5,117
Other creditors	14	**4,093**	3,367
		7,656	8,484
Net current assets		**8,846**	6,111
Total assets less current liabilities		**13,910**	9,995
Creditors — amounts falling due after more than one year	14	**1,763**	25
Provisions for liabilities and charges	15	**65**	93
Net assets		**12,082**	9,877
Capital and reserves			
Called up share capital	17	**11,174**	9,214
Share premium account		**5,442**	5,040
Capital reserve		**406**	406
Merger reserve		**63**	63
Profit and loss account		**(5,003)**	(4,846)
Equity shareholders' funds		**12,082**	9,877

The financial statements were approved by the Board on 7 April 2003 and signed on its behalf by:

G Waldron
Director

M P J Keene
Director

Statement of movements on reserves

Year ended 31 January 2003

	Share premium account £'000	Capital reserve £'000	Merger reserve £'000	Profit and loss account £'000	**Total £'000**
The Group					
Balance at 1 February 2002	5,040	406	63	(12,770)	(7,261)
Profit retained for the year	—	—	—	394	394
Arising on issue of shares (net of expenses)	402	—	—	—	402
Balance at 31 January 2003	**5,442**	**406**	**63**	**(12,376)**	**(6,465)**
The Company					
Balance at 1 February 2002	5,040	406	63	(4,846)	663
Loss accumulated for the year	—	—	—	(157)	(157)
Arising on issue of shares (net of expenses)	402	—	—	—	402
Balance at 31 January 2003	**5,442**	**406**	**63**	**(5,003)**	**908**

Reconciliation of movements in shareholders' funds

Year ended 31 January 2003

	2003 £'000	2002 £'000
The Group		
Profit for the year	**394**	510
Issue of share capital	**2,362**	231
Net addition to shareholders' funds	**2,756**	741
Opening shareholders' funds	**1,953**	1,212
Closing shareholders' funds	**4,709**	1,953

Statement of total recognised gains and losses

Year ended 31 January 2003

	2003 £'000	2002 £'000
Profit for the year being the total recognised gains and losses for the period	**394**	510
Prior year adjustment	**—**	459
Total recognised gains and losses since the last annual report	**394**	969

Consolidated cash flow statement

Year ended 31 January 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	A	**9**	1,237
Returns on investments and servicing of finance			
Interest paid		**(544)**	(655)
Interest element of hire purchase rentals		**(9)**	(2)
Bank fees paid		**—**	(31)
Net cash outflow from returns on investments and servicing of finance		**(553)**	(688)
Taxation		**—**	—
Capital expenditure			
Purchase of tangible fixed assets		**(214)**	(335)
Sale of tangible fixed assets		**48**	27
Net cash outflow from capital expenditure		**(166)**	(308)
Acquisitions			
Purchase of subsidiary undertakings	B	**(1,170)**	(145)
Additional costs of prior year acquisition		**—**	(9)
Purchase of subsidiary company preference shares		**(140)**	(19)
Net cash outflow from acquisitions		**(1,310)**	(173)
Net cash (outflow)/inflow before financing		**(2,020)**	68
Financing			
Ordinary shares issued		**2,450**	—
Expenses incurred in issue of ordinary shares		**(88)**	—
New loans		**2,500**	—
Capital element of hire purchase rentals		**(79)**	(30)
Net cash inflow/(outflow) from financing		**4,783**	(30)
Increase in cash	C & D	**2,763**	38

Notes to consolidated cash flow statement

A. Reconciliation of operating profit to net cash inflow from operating activities	2003 £'000	2002 £'000
Operating profit	**787**	1,225
Depreciation charges	**384**	390
Amortisation of goodwill	**201**	147
Profit on sale of tangible fixed assets	**(13)**	(3)
(Increase)/decrease in stocks	**(457)**	662
(Increase)/decrease in debtors	**(800)**	10
Decrease in creditors	**(65)**	(1,162)
Utilisation of provisions on discontinued activities	**(28)**	(32)
Net cash inflow from operating activities	**9**	1,237

B. Purchase of subsidiary undertaking	2003 £'000	2002 £'000
Net assets acquired		
Tangible fixed assets	**5**	—
Stocks	**487**	1,081
Debtors	**—**	988
Creditors	**—**	(2,061)
Loans and finance leases	**—**	(8)
	492	—
Goodwill	**678**	736
	1,170	736
Satisfied by		
Shares allotted	**—**	231
Cash consideration	**982**	—
Deferred cash consideration	**—**	360
Acquisition costs capitalised	**188**	145
	1,170	736

Notes to consolidated cash flow statement
continued

C. Reconciliation of net cash inflow to movement in net debt	2003 £'000	2002 £'000
Increase in cash	**2,763**	38
Cash to repay finance leases and hire purchase contracts	**79**	30
Changes in net debt resulting from cash flows	**2,842**	68
Bank loan	**(2,500)**	—
New finance leases	**(231)**	—
Lease and hire purchase obligations acquired with purchase of businesses	**—**	(8)
Movement in net debt in the year	**111**	60
Net debt at 1 February 2002	**(4,155)**	(4,215)
Net debt at 31 January 2003	**(4,044)**	(4,155)

D. Analysis of net debt	At 31 January 2002 £'000	Cash flow £'000	Non-cash flow £'000	At 31 January 2003 £'000
Bank overdraft	(4,137)	2,763	—	(1,374)
Bank loan due within 1 year	—	(800)	—	(800)
Bank loan due after 1 year	—	(1,700)	—	(1,700)
Hire purchase creditors	(18)	79	(231)	(170)
	(4,155)	**342**	**(231)**	**(4,044)**

Statement of accounting policies

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

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

Consolidation
The consolidated financial statements incorporate the accounts of Tandem Group plc and its subsidiaries for the year ended 31 January 2003. All internal sales and unrealised intra-Group profits have been eliminated on consolidation.

Goodwill
Prior to 31 January 1998, goodwill arising on consolidation was written off against reserves as a matter of accounting policy and would be charged or credited in the profit and loss account on subsequent disposal of the business to which it related. The amount of goodwill previously written off against reserves is £3,514,000 (2002 — £3,514,000). Since 1 February 1998, goodwill arising on acquisitions, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets acquired, is capitalised within fixed assets and amortised on a straight line basis over its useful economic life over a period of up to 20 years. Negative goodwill is released to the profit and loss account over the periods expected to benefit.

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

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

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

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

Statement of accounting policies continued

Leases

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

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

Stocks and work in progress

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

Foreign exchange

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

Financial instruments

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

For further information see note 16 on page 37.

Pension costs

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

The transitional disclosure requirements of FRS 17 — Retirement Benefits have been applied to these financial statements.

For further pension information see note 20 on page 42.

Notes to the financial statements

1. Turnover, profits and net asset analysis

Group turnover, profits and net assets were all attributable to operations in the United Kingdom and are analysed as follows:

	Turnover		Operating profit	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Continuing operations				
Sports and leisure equipment	**37,317**	35,288	**783**	1,196
Discontinued operations				
Horticulture	**—**	32	**(28)**	—
Clothing	**—**	—	**4**	(3)
Utilisation/release of provisions	**—**	—	**28**	32
Total discontinued	**—**	32	**4**	29
Net interest payable and similar charges			**(553)**	(657)
Profit before taxation			**234**	568

Geographical analysis of turnover by destination

	Turnover	
	2003 £'000	2002 £'000
United Kingdom	**35,593**	33,468
Europe	**1,724**	1,821
Rest of the world	**—**	31
	37,317	35,320

	Net assets	
	2003 £'000	2002 £'000
Sports and leisure equipment	**6,900**	7,356
Horticulture	**(69)**	(97)
Clothing	**(26)**	(30)
Net operating assets	**6,805**	7,229
Bank overdraft	**(1,374)**	(4,137)
	5,431	3,092

All turnover and operating profit arose in the United Kingdom.

2. Analyses of continuing and discontinued operations

	2003			
	Continuing £'000	**Acquisitions £'000**	**Discontinued £'000**	**Total £'000**
Turnover	**35,330**	**1,987**	**—**	**37,317**
Cost of sales	**(25,003)**	**(1,379)**	**—**	**(26,382)**
Gross profit	**10,327**	**608**	**—**	**10,935**
Operating expenses				
Administration expenses				
Goodwill amortisation	**(201)**	**—**	**—**	**(201)**
Other	**(4,951)**	**(351)**	**(28)**	**(5,330)**
	(5,152)	**(351)**	**(28)**	**(5,531)**
Distribution costs	**(4,265)**	**(426)**	**—**	**(4,691)**
Other operating income	**7**	**35**	**4**	**46**
Net operating expenses before provision movements	**(9,410)**	**(742)**	**(24)**	**(10,176)**
Utilisation/release of provisions	**—**	**—**	**28**	**28**
Operating profit/(loss)	**917**	**(134)**	**4**	**787**

2. Analyses of continuing and discontinued operations continued

	2002 Continuing £'000	Acquisitions £'000	Discontinued £'000	Total £'000
Turnover	35,288	—	32	35,320
Cost of sales	(25,324)	—	—	(25,324)
Gross profit	9,964	—	32	9,996
Operating expenses				
Administration expenses				
Goodwill amortisation	(147)	—	—	(147)
Other	(4,798)	—	(35)	(4,833)
	(4,945)	—	(35)	(5,718)
Distribution costs	(3,830)	—	—	(3,830)
Other operating income	7	—	—	7
Net operating expenses before provision movements	(8,768)	—	(35)	(8,803)
Utilisation/release of provisions	—	—	32	32
Operating profit	1,196	—	29	1,225

3. Analysis of net operating expenses and net operating profit

	2003 £'000	2002 £'000
Analysis of operating expenses		
Distribution costs	**4,691**	3,830
Administration expenses	**5,256**	4,794
Goodwill amortisation	**201**	147
	10,148	8,771

Net operating profit is after charging/(crediting):	**2003 £'000**	2002 £'000
Depreciation and other amounts written off tangible fixed assets		
Owned assets	**329**	357
Leased assets	**55**	33
Profit on disposal of tangible fixed assets	**(13)**	(3)
Rentals under operating leases		
Hire of plant and machinery	**155**	159
Other operating leases	**551**	590
Auditors' remuneration		
Audit fees	**49**	42
Other services	**12**	12
Goodwill amortisation	**201**	147

In addition to the auditors' remuneration for other services shown above, £8,000 (2002 — £13,000) was capitalised. The audit fee for the Company was £32,000 (2002 — £31,000).

4. Net interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable on loans and overdrafts	**544**	655
Interest payable on hire purchase creditors	**9**	2
	553	657

5. Information regarding Directors and employees

	2003 £'000	2002 £'000
Staff costs incurred during the year		
Wages and salaries	**5,686**	5,802
Social security	**483**	379
Pensions — defined contributions schemes	**238**	183
Pensions — defined benefit scheme	**12**	12
	6,419	6,376
	Number	Number
The average number of persons employed by the Group in the year		
Production	**250**	272
Sales and distribution	**73**	63
Administration	**50**	42
	373	377
	£'000	£'000
Directors' remuneration		
Salaries and fees	**334**	258
Benefits	**36**	28
Pension scheme contributions	**32**	31
	402	317

The Group contributes to a personal pension plan for one Director, a defined benefits pension scheme for another Director and a defined contributions pension scheme for the other Director. The same profile existed in the previous year. The highest paid Director received emoluments of £160,000 (2002 — £118,000) and contributions of £17,000 (2002 — £15,000) were made to a pension scheme on his behalf.

6. Tax on profit on ordinary activities

	2003 £'000	2002 £'000
Current taxation	**—**	—
Deferred taxation	**(9)**	4
Tax on profit on ordinary activities	**(9)**	4

The tax charge is disproportionate to the profits before tax due to the utilisation of losses brought forward.

6. Tax on profit on ordinary activities continued

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current year and the previous year are lower than the standard rate for the reasons set out in the following reconciliation:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	**234**	568
Tax on ordinary activities at the standard rate	**70**	170
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	**95**	59
Movement in general provisions	**(3)**	(7)
Capital allowances in excess of depreciation	**47**	115
Utilisation of losses brought forward	**(250)**	(568)
Carried forward losses	**41**	231
Current tax on profit on ordinary activities	**—**	—

At 31 January 2003 there are trading losses of approximately £7,813,000 (2002 — £8,263,000) available for carry forward against future profits of the same trade.

7. Profit attributable to Tandem Group plc

As permitted by Section 230 of the Companies Act 1985, no statement of profit and loss of the parent company is presented. Of the profit attributable to the Group a loss of £157,000 (2002 — profit of £11,520,000) is dealt with in the accounts of Tandem Group plc. This loss includes a release of £nil (2002 — £11,783,000) relating to a provision against amounts due from subsidiaries.

8. Earnings per share

	2003 £'000	2002 £'000
Profit figure used for earnings per share calculation		
Profit for the year	**394**	510
Profit for the year adjusted, before goodwill amortisation	**595**	657
	Number	Number
Weighted average number of ordinary shares in issue during the year used for basic earnings per share calculation	**250,465,916**	203,096,053
Weighted average number of shares under option	**—**	—
Number of ordinary shares that would have to be issued at fair value	**—**	—
Weighted average number of ordinary shares in issue during the year used for diluted earnings per share calculation	**250,465,916**	203,096,053
	pence	pence
Earnings per share		
Basic and diluted	**0.16**	0.25
Adjusted, before goodwill amortisation		
Basic and diluted	**0.24**	0.32

The adjusted earnings per share, which excludes goodwill amortisation of £201,000 (2002 — £147,000), is calculated to allow shareholders to gain a clear understanding of the trading performance of the Group.

Earnings per share for 2003 and 2002 have been restated to take account of the cancellation of the non-voting "A" ordinary shares which was approved by shareholders on 18 March 2003.

9. Intangible fixed assets

	Goodwill £'000	Negative goodwill £'000	Total £'000
The Group			
Cost			
At 1 February 2002	6,319	(71)	6,248
Acquisitions	678	—	678
Revision to prior year fair value provisions	159	—	159
Discount on non-equity shares purchased	—	(126)	(126)
At 31 January 2003	**7,156**	**(197)**	**6,959**
Accumulated amortisation			
At 1 February 2002	3,263	—	3,263
Provided in the year	201	—	201
At 31 January 2003	**3,464**	**—**	**3,464**
Net book value			
At 31 January 2003	**3,692**	**(197)**	**3,495**
Net book value			
At 31 January 2002	3,056	(71)	2,985

	Unlisted investments in subsidiary undertakings £'000	Goodwill £'000	Negative goodwill £'000	Total £'000
The Company				
Cost				
At 1 February 2002	4,135	2,506	(71)	6,570
Acquisitions	1,475	—	—	1,475
Revision to prior year fair value provisions	—	158	—	158
Discount on non-equity shares purchased	—	—	(126)	(126)
At 31 January 2003	**5,610**	**2,664**	**(197)**	**8,077**
Accumulated amortisation				
At 1 February 2002	3,077	186	—	3,263
Provided in the year	—	201	—	201
At 31 January 2003	**3,077**	**387**	**—**	**3,464**
Net book value				
At 31 January 2003	**2,533**	**2,277**	**(197)**	**4,613**
Net book value				
At 31 January 2002	1,058	2,320	(71)	3,307

During the year the Company acquired the business and certain assets of Ben Sayers, further details of which are given in note 22. The Company also revised the fair values attributed to the acquisition of Dawes Cycles Limited, reducing stock levels by £159,000.

The principal subsidiary undertakings of the Group at the year end were Casket Leisure Products Limited, Dawes Cycles Limited and Ben Sayers Limited, wholly owned manufacturers, importers and distributors of bicycles, bicycle accessories and golf equipment and accessories respectively. The companies were incorporated in Great Britain and operate within the United Kingdom. Particulars of the remaining companies, none of which are material in relation to these financial statements, will be submitted with the annual return.

10. Tangible fixed assets

	Short leasehold land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Total £'000
The Group				
Cost				
At 1 February 2002	263	3,858	184	4,305
Additions	49	169	—	218
Disposals	—	(12)	(135)	(147)
At 31 January 2003	**312**	**4,015**	**49**	**4,376**
Depreciation				
At 1 February 2002	134	2,706	111	2,951
Provided in the year	17	346	21	384
Disposals	—	(12)	(100)	(112)
At 31 January 2003	**151**	**3,040**	**32**	**3,223**
Written down value				
At 31 January 2003	**161**	**975**	**17**	**1,153**
At 31 January 2002	129	1,152	73	1,354
The Company				
Cost				
At 1 February 2002		1,556	162	1,718
Additions		32	—	32
Disposals		(5)	(135)	(140)
At 31 January 2003		**1,583**	**27**	**1,610**
Depreciation				
At 1 February 2002		1,044	97	1,141
Provided in the year		105	18	123
Disposals		(5)	(100)	(105)
At 31 January 2003		**1,144**	**15**	**1,159**
Written down value				
At 31 January 2003		**439**	**12**	**451**
At 31 January 2002		512	65	577

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

	2003 £'000	2002 £'000
Plant and machinery	**107**	12
Vehicles	**5**	19
	112	31

11. Stocks

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Raw materials	**2,447**	3,434	**440**	696
Work in progress	**354**	622	**—**	—
Finished goods for resale	**4,332**	2,291	**1,324**	763
	7,133	6,347	**1,764**	1,459

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

12. Debtors

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Amounts due within one year				
Trade debtors	**5,355**	4,655	**1,557**	1,123
Amounts due from subsidiary undertakings	**—**	—	**12,905**	11,783
Other debtors	**178**	113	**68**	32
Deferred tax	**463**	454	**21**	—
Prepayments and accrued income	**437**	397	**187**	198
	6,433	5,619	**14,738**	13,136

13. Bank overdraft

The bank overdraft is secured by a fixed and floating charge over the Group's assets.

14. Other creditors

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Bank loan	**800**	—	**800**	—
Hire purchase and finance lease obligations	**78**	9	**48**	5
Trade creditors	**4,156**	5,400	**1,239**	1,566
Bills of exchange payable	**—**	655	**—**	15
Amounts owed to subsidiary undertakings	**—**	—	**—**	216
Taxation and social security costs	**840**	567	**316**	418
Other creditors	**3,239**	1,667	**1,494**	880
Accruals	**426**	648	**196**	267
	9,539	8,946	**4,093**	3,367
Amounts falling due after more than one year				
Bank loan	**1,700**	—	**1,700**	—
Hire purchase and finance lease obligations	**92**	9	**54**	3
Accruals and deferred income	**9**	24	**9**	22
	1,801	33	**1,763**	25

Included in other creditors is an amount of £2,741,000 (2002 — £1,087,000) which is secured by a charge on the trade debtors of Falcon Cycles Limited, Pot Black Limited, Two Wheel Trading Company Limited, Dawes Cycles Limited and Ben Sayers Limited.

Notes to the financial statements continued

14. Other creditors continued

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

Amounts falling due on demand or less than one year

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Bank overdraft	**1,374**	4,137	**3,563**	5,117
Bank loan	**800**	—	**800**	—
Hire purchase and finance lease obligations	**78**	9	**48**	5
	2,252	4,146	**4,411**	5,122

Amounts falling due after more than one year

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Bank loans				
In more than one year but not more than two years	**800**	—	**800**	—
In more than two years but not more than five years	**900**	—	**900**	—
	1,700	—	**1,700**	—

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

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Obligations under hire purchase and finance lease agreements				
In more than one year but not more than two years	**72**	7	**48**	3
In more than two years but not more than five years	**20**	2	**6**	—
	92	9	**54**	3

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

15. Provisions for liabilities and charges

	At 1 February 2002 £'000	Released/ utilised/ transferred £'000	**At 31 January 2003 £'000**
The Group			
Disposal costs of businesses	97	28	**69**
The Company			
Disposal costs of businesses	93	28	**65**

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

The movements in deferred taxation as calculated on the liability method at 30% (2002 — 30%) are set out below.

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
At 1 February	**(454)**	(458)	**—**	—
Current year (credit)/charge	**(9)**	4	**(21)**	—
At 31 January	**(463)**	(454)	**(21)**	—

15. Provisions for liabilities and charges continued

Deferred taxation

	Provided 2003 £'000	Not Provided 2003 £'000	Provided 2002 £'000	Not Provided 2002 £'000
The Group				
Accelerated capital allowances	—	**(370)**	—	(273)
Short-term timing differences	**11**	**(2)**	—	(139)
Losses	**(474)**	**(1,963)**	(454)	(2,091)
Excess management expenses	—	**(741)**	—	—
Capital losses	—	**(2,245)**	—	(2,245)
ACT	—	**(841)**	—	(814)
	(463)	**(6,162)**	(454)	(4,705)

	Provided 2003 £'000	Not Provided 2003 £'000	Provided 2002 £'000	Not Provided 2002 £'000
The Company				
Accelerated capital allowances	**(6)**	—	—	(24)
Short-term timing differences	**18**	—	—	(137)
Losses	**(33)**	**(47)**	—	(46)
Excess management expenses	—	**(741)**	—	—
Capital losses	—	**(883)**	—	(883)
ACT	—	**(66)**	—	(66)
	(21)	**(1,737)**	—	(1,156)

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

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

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

16. Financial instruments

The Group's policies as regards financial instruments are set out in the Directors' Report on page 14 and the accounting policies on page 27. Short-term debtors and creditors have been omitted from all disclosures.

Interest rate and currency of net borrowings

The currency exposure of the Group's net borrowings is shown below:

	2003 £'000	2002 £'000
Sterling	**3,652**	4,199
US Dollars	**219**	(3)
Japanese Yen	**119**	1
Others	**54**	(42)
	4,044	4,155

16. Financial instruments continued

Included within borrowings are obligations under hire purchase and finance lease agreements of £170,000 (2002 — £18,000) and bank loans of £2,500,000 (2002 — £nil). The obligations under hire purchase and finance leases carry a weighted average interest rate of 8% (2002 — 8%) which is fixed for a weighted average time of 2 years (2002 — 2 years). The bank loan bears interest at 2% above bank base rate.

The remaining floating rate borrowings comprise net bank overdraft and bank loan, which bears interest as follows:

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

Maturity profile

The total undrawn committed bank facilities, which comprise bank overdraft and bank loan at the financial year end, amounted to £1,858,000 (2002 — £1,450,000). All borrowings are repayable on demand with the exception of obligations under a bank loan, hire purchase contracts and finance lease agreements, which are analysed in note 14 on page 35. The bank overdraft is due for review in January 2004. Of the bank loan, £600,000 has a maturity date of January 2004 and £1,900,000 has a maturity date of January 2006.

Currency exposure

Foreign currency exposure on borrowings is not hedged.

The Group hedges a proportion of its transactional exposures by taking out forward exchange contracts of up to 6 months forward against anticipated and known sales and purchases, as described in the treasury section included in the Directors' report on page 14. The decision to hedge is influenced by the size of the exposure, the certainty of it arising and the current exchange rate.

At the year end it is estimated that of the aggregate anticipated and known transactional exposures totalling £2,527,387 (2002 — £1,779,000), the Group has hedged forward net purchases totalling £1,797,000 (2002 — £1,079,000). There were no material unrealised gains or losses on forward foreign currency contracts covering US dollars and euro. None of these were recognised at the balance sheet date.

Fair values

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

17. Called up share capital

		Number of shares	£'000
Authorised			
Ordinary shares of 4p each			
At 1 February 2002		268,750,000	10,750
Increase in authorised share capital		75,000,000	3,000
At 31 January 2003		343,750,000	13,750
Non-voting "A" ordinary shares of 1p each			
At 1 February 2002 and 31 January 2003		125,000,000	1,250
Total authorised share capital at 31 January 2003		**468,750,000**	**15,000**
Allotted, called up and fully paid			
Ordinary shares of 4p each			
1 February 2002	In issue at start of the year	204,822,000	8,193
25 February 2002	Placing of new shares	49,000,000	1,960
		253,822,000	10,153
Non-voting "A" ordinary shares of 1p each			
1 February 2002	In issue at start of the year	102,125,309	1,021
Total issued share capital at 31 January 2003		**355,947,309**	**11,174**

17. Called up share capital continued

The authorised share Capital of the Company was increased from £10,750,000 to £13,750,000 by the creation of an additional 75,000,000 new ordinary shares at 4p each. The allotted, called up and fully paid share capital of the Company increased from £8,193,000 to £10,153,000 with the placing of 49,000,000 new ordinary shares at their nominal value of 4p each. The consideration for the shares was £2,450,000 which was satisfied by cash.

At an Extraordinary General Meeting held on 18 March 2003 shareholders approved an increase in the authorised share capital, the buyback of the non-voting "A" shares and the consolidation of the ordinary shares of 4p each on a basis of one new share for every ten shares existing before consolidation. Following this reorganisation, the called up share capital will be:

	Number of shares ('000)	£'000
Authorised ordinary shares of 4p each	51,875	2,075
Issued ordinary shares of 4p each	25,382	1,015

Share options

The following options were held at 31 January 2003 under the Company's Share Option Schemes, before the share consolidation took place on 19 March 2003:

	Number of shares						
	1 February 2002	Granted during year	Exercised during year	Lapsed or cancelled during year	31 January 2003	Option price per 4p ordinary share	Exercise period
Senior executive share option scheme 1986							
M P J Keene	140,000	—	—	—	140,000	14.50p	25/05/97 – 25/05/04
1996 Approved share option scheme							
M P J Keene	460,000	—	—	—	460,000	5.25p	08/12/03 – 08/12/10
A P Vicary	600,000	—	—	—	600,000	5.25p	08/12/03 – 08/12/10
Other employees	3,400,000	—	—	150,000	3,250,000	5.25p	08/12/03 – 25/05/11
1996 Unapproved share option scheme							
M P J Keene	79,000	—	—	—	79,000	7.60p	09/06/00 – 09/06/07
M P J Keene	540,000	—	—	—	540,000	5.25p	08/12/03 – 08/12/07
A P Vicary	400,000	—	—	—	400,000	5.25p	08/12/03 – 08/12/07
1996 Savings related share option scheme							
Other employees	222,922	—	—	—	229,922	13.00p	10/09/99 – 10/03/04

The ordinary share mid-market price on 31 January 2003 was 3.5p. During the year, the highest mid-market price was 5.5p and the lowest was 3.5p.

18. Non-equity minority interests

Non-equity minority interests comprise 407,378 3.85% cumulative preference shares of £1 each in Kingsley & Forester Group plc ("K&F") (a dormant subsidiary company), and 111,460 10.25% cumulative preference shares of £1 each in Casket plc ("Casket") together with an accrued dividend of £203,476. The Group purchased 266,336 Casket 10.25% cumulative preference shares of £1 during the year at a cost of £140,000, which created £126,000 of negative goodwill. The rights as regards voting and participation in the profits and assets are set out below.

Notes to the financial statements continued

18. Non-equity minority interests continued

Kingsley & Forester Group plc

Rights to dividends

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

Capital

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

Voting rights

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

Casket plc

Rights to dividends

The holders of the preference shares are entitled to a fixed cumulative preferential dividend at the rate of 10.25% per annum on the amounts paid up thereon, to be paid, if and so far as in the opinion of the Directors the profits of Casket justify such payments, half yearly on 30 June and 31 December. The preferential dividend has been waived on shares owned by the Group in 2003.

Capital

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

18. Non-equity minority interests continued

Voting rights

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

19. Commitments

There was no capital expenditure contracted for but not provided for in the financial statements of the Group (2002 — £nil).

Operating lease commitments

	2003		2002	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Annual commitments under operating leases expiring				
Within 1 year	**92**	**58**	13	7
1 to 5 years	**296**	**143**	348	152
More than 5 years	**293**	**13**	384	12
	681	**214**	745	171

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

20. Pension arrangements

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

The Tandem Group Pension Plan

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

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

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

The 2001 valuation of the final salary section showed that the market value of the Plan's assets at that date was £8,061,000 and that the actuarial valuation of those assets based on a Minimum Funding Requirement (MFR) basis represented 95% of the benefits that had accrued to members, after allowing for future increases in earnings and pensions. The Group has agreed to make a payment of £18,000 in October 2002 and monthly payments thereafter of £6,000 from November 2002 to September 2011 in order to meet the defined benefits.

As required by SSAP 24, the figures included in the accounts in respect of the Company pension scheme are based on an actuarial valuation carried out at October 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP 24 triennial valuation as at October 2004 based upon which subsequent pension costs will be determined until the adoption of FRS 17.

The paragraphs below set out the additional disclosures required by Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17"):

The valuation used for FRS 17 disclosures has been based on the Projected Unit Method and membership data as provided for the 1 October 2001 valuation, updated by Alexander Forbes to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 January 2003. Scheme assets are stated at their fair value at 31 January 2003. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

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

20. Pension arrangements continued

The Tandem Group Pension Plan continued

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

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

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

20. Pension arrangements continued

The Casket Group Retirement and Death Benefits Scheme

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

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

As required by SSAP 24, the figures included in the accounts in respect of the Company pension scheme are based on an actuarial valuation carried out at April 2001. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP 24 triennial valuation as at April 2004 based upon which subsequent pension costs will be determined until the adoption of FRS 17.

The paragraphs below set out the additional disclosures required by Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17"):

The valuation used for FRS 17 disclosures has been based on the Projected Unit Method and takes account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 January 2003. Scheme assets are stated at their fair value at 31 January 2003. As the Casket Group Retirement and Death Benefit Scheme is a closed scheme, under the projected unit method, the current service cost will increase as the members of the scheme approach retirement. The financial assumptions used to calculate scheme liabilities under FRS 17 are:

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

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

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

	2003 £'000
Analysis of the amount that would be charged to operating profit	
Current service cost	—
Analysis of the amount that would be credited to other finance income	
Expected return on pension scheme assets	**(62)**
Interest on pension scheme liabilities	**102**
Net charge	**40**

20. Pension arrangements continued

The Casket Group Retirement and Death Benefits Scheme continued	**2003** **£'000**
Analysis of amount that would be recognised in the statement of total recognised gains and losses (STRGL)	
Actual return less expected return on pension scheme assets	**201**
Experience losses arising on liabilities	**58**
Loss due to changes in assumptions underlying the present value of scheme liabilities	**148**
Actuarial loss that would be recognised in the STRGL	**407**
Movement in deficit during the year	
Deficit at the beginning of the year	**685**
Movement in year:	
Current service cost	**—**
Contributions	**—**
Other financial income	**40**
Actuarial loss	**407**
Deficit at the end of the year	**1,132**
History of experience gains and losses	
Difference between the expected and actual return on scheme assets	
Amount (£'000)	**201**
Percentage of scheme assets	**26.5%**
Experience gains and losses on scheme liabilities	
Amount (£'000)	**58**
Percentage of scheme liabilities	**3.1%**
Total amount recognised in statement of total recognised gains and losses	
Amount (£'000)	**407**
Percentage of the present value of the scheme liabilities	**21.5%**

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

	2003 **£'000**
Net Assets	
Excluding pension deficit	**5,431**
Net pension deficit	**(2,418)**
Related deferred tax asset	**725**
Including pension deficit	**3,738**
Profit and loss reserves	
Excluding pension deficit	**(12,376)**
Net pension deficit	**(2,418)**
Related deferred tax asset	**725**
Including pension deficit	**(14,069)**

21. Contingent liabilities

The Company has guaranteed the bank borrowings of its subsidiary undertakings. At the year end the net liabilities covered by these guarantees totalled £nil (2002 — £nil).

22. Acquisitions

On 25 February 2002, the Group acquired the business and certain assets of Ben Sayers. The acquisition has been accounted for using acquisition accounting principles. The net assets acquired have been adjusted to their provisional fair values, which reflect stock variances. The fair value of net assets acquired are provisional awaiting further assessment of stock and unrecorded liabilities. Details of the acquisition are as follows:

	Book value on acquisition £'000	Fair value adjustments £'000	Value brought into Group £'000
Tangible fixed assets	5	—	5
Stocks	525	(38)	487
Net assets acquired	530	(38)	492
Goodwill arising on acquisition			678
Total consideration paid			**1,170**
Satisfied by			
Cash			982
Acquisition costs capitalised			188
			1,170

The disclosures in accordance with FRS 6, that require pre-acquisition details of the trading results of the acquisition, cannot be given, as being part of a company no separate trading results in respect of the business acquired were prepared. The impact on the Group's cash flows of Ben Sayers from acquisition to 31 January 2003 was as follows:

	£'000
Net outflow from operating activities	(397)
Net outflow from returns on investments and servicing of finance	(17)
Net outflow from capital expenditure	(110)
Net inflow from financing	62

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the THIRTY-NINTH ANNUAL GENERAL MEETING of TANDEM GROUP plc will be held at Eversheds, 1 Royal Standard Place, Nottingham, NG1 6FZ on 3 June 2003 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive, consider and adopt the report of the Directors, the audited financial statements and the Auditors' report for the year ended 31 January 2003.

2. To re-elect as a Director of the Company M P J Keene who retires in accordance with the Articles of Association and is eligible for re-election.

3. To reappoint Deloitte & Touche as auditors of the Company until the conclusion of the next Annual General Meeting of the Company at which the requirement of Section 241(1) of the Companies Act 1985 is complied with and to authorise the Directors to fix their remuneration.

Special business

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

4. That the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £500,675 for a period of 5 years from the date of the 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 in pursuance of such an offer or agreement as if the authority conferred hereby had not expired, this authority to replace any previous authority under Section 80 of the said Act which is hereby revoked with immediate effect.

5. That, subject to the passing of resolution 4 above, the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 4 above as if subsection (1) of Section 89 of the said Act did not apply to any such allotment, provided that such power shall be limited to:

   (i) the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of 4p ordinary shares held by them (but subject to such exclusions or other arrangements as the Directors may deem appropriate, necessary or expedient in relation to fractional entitlements or legal or practical difficulties under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and

   (ii) the allotment (otherwise than pursuant to subparagraph (i) above) of equity securities up to an aggregate nominal value of £75,101;

   and provided that this power shall expire 5 years from the date of the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

6. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 4p each in the capital of the Company ("ordinary shares") provided that:

   (i) the maximum number of ordinary shares hereby authorised to be purchased is 5,632,592 (representing approximately 15 per cent of the Company's issued ordinary share capital following completion of the acquisition of MV Sports Group Plc);

   (ii) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 1p;

   (iii) the maximum price, exclusive of any expenses, which may be paid for any such share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;

   (iv) the authority hereby conferred shall expire on the earlier of 3 December 2004 or the close of the next annual general meeting of the company; and

   (v) the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

By Order of the Board

M P J Keene
9a South Street, Crowland, Peterborough, PE6 0AH
7 April 2003

1. Any holder of 4p ordinary shares entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting in person at the meeting should he or she so wish.
2. A form of proxy is enclosed. To be valid, the form of proxy must be lodged with Northern Registrars Limited not later than 11.00 a.m. on 1 June 2003. Completion and return of a form of proxy will not preclude a member from attending or voting in person at the Annual General Meeting.
3. Any person entered on the register of members of the Company at 11.00 a.m. on 1 June 2003 is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the register of members after the above time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting.

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


Ben Sayers
BETA TI FORGED
405CC
10.5°