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TURNPYKE GROUP plc
(Formerly W B Industries plc)

ANNUAL REPORT
1993



TURNPYKE GROUP plc

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TURNPYKE GROUP plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighty-ninth annual general meeting of Turnpyke Group plc will be held at The Great Eastern Hotel, Liverpool Street, London EC2 on 12 August 1994 at 12 noon for the following purposes:

As ordinary business:

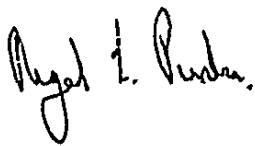
1. To receive and adopt the accounts for the year ended 31 December 1993 together with the reports of the directors and auditors.
2. To re-elect Ernst & Young as auditors and to authorise the directors to determine their remuneration.

As special business:

3. That the directors of the Company be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities for cash pursuant to the general authority conferred upon them under paragraph 1(b) of the Ordinary Resolution passed at the Extraordinary General Meeting of the Company on 7 October 1993 as if Section 89(1) of the Act did not apply to any such allotment and so that the power conferred by this paragraph shall enable the Company to make any offer or agreement before the expiry of the period of authority which would or might require equity securities to be allotted after the expiry of such period and so that notwithstanding such expiry the directors may allot equity securities pursuant to any such offer or agreement previously made by the company as if the power conferred hereby had not expired PROVIDED, however, that the power shall be limited:
 - (i) to the allotment of equity securities in connection with or pursuant to any arrangements whereby the holders of shares at a record date adopted for the purposes of the arrangement are entitled to acquire shares of the Company issued for cash pursuant to such arrangement, in the proportion (as nearly as may be) to such holders' holdings of shares (or, as appropriate, to the numbers of such shares which such holders are for the purpose deemed to hold) subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements, statutory restrictions or legal or practical problems under or resulting from the apparent application of the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; and
 - (ii) to the allotment (otherwise than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal value of £45,946 being approximately 5 per cent of the nominal value of the issued ordinary share capital of the Company as it will be following conversion of the loan in full and subscription for the warrants in full and shall expire at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution except to the extent that the same is renewed or extended on or before that date.

By Order of the Board

N. L. Purden, FCA
Secretary



16 June 1994

Registered Office:
George Street
West Bromwich B70 6NA

TURNPYKE GROUP plc

NOTICE OF ANNUAL GENERAL MEETING

continued

Notes:

1. (a) A member who is entitled to attend and vote at the meeting is entitled to 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.
(b) In the case of joint holders the signature of one holder on the form of proxy will be accepted but the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of any other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of such joint holding.
(c) In the case of a corporation the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation.
(d) To be effective the form of proxy together with any power of attorney or other authority under which it is executed or a notarially certified copy thereof must be sent to the registered office of the company, George Street, West Bromwich so as to arrive not later than 48 hours before the start of the meeting.
(e) Any alteration made to the form of proxy should be initialled.
(f) Completion of the form of proxy will not affect the right of a member to attend and vote at the meeting.
2. The register of directors' share interests will be available for inspection at the meeting convened by this notice. No director has a service contract of greater than 12 months duration.

TURNPYKE GROUP plc

FIVE YEAR SUMMARY

	1993 £000	1992 £000	1991 £000	1990 £000	1989 £000
Turnover	<u>2,454</u>	<u>6,987</u>	<u>9,667</u>	<u>14,154</u>	<u>5,703</u>
Profit/(loss) before interest	46	(436)	(1,255)	(1,055)	(691)
Interest	<u>(114)</u>	<u>(359)</u>	<u>(605)</u>	<u>(535)</u>	<u>(198)</u>
Profit/(loss) before taxation	<u>(68)</u>	<u>(795)</u>	<u>(1,860)</u>	<u>(1,590)</u>	<u>(889)</u>
Taxation (charge)/credit	<u>(10)</u>	<u>—</u>	<u>567</u>	<u>—</u>	<u>13</u>
Loss after taxation	<u>(78)</u>	<u>(795)</u>	<u>(1,293)</u>	<u>(1,590)</u>	<u>(876)</u>
Minority interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>
Loss before extraordinary items	<u>(78)</u>	<u>(795)</u>	<u>(1,293)</u>	<u>(1,590)</u>	<u>(873)</u>
Extraordinary items	<u>—</u>	<u>—</u>	<u>(3,646)</u>	<u>(2,326)</u>	<u>(1,906)</u>
Retained loss for year	<u>(78)</u>	<u>(795)</u>	<u>(4,939)</u>	<u>(3,916)</u>	<u>(2,779)</u>
Assets employed	<u>383</u>	<u>468</u>	<u>1,343</u>	<u>1,334</u>	<u>6,155</u>

The results for 1991 and prior years have not been restated for FRS3.

TURNPYKE GROUP plc

DIRECTORS, OFFICERS AND ADVISERS

Directors

E J Cater, *Chairman*

C A R Gillams, *Chief Executive*

Secretary

N L Purden, FCA

Registered Office

George Street
West Bromwich B70 6NA

Auditors

Ernst & Young
Chartered Accountants
Windsor House
3 Temple Row
Birmingham B2 5LA

Financial Advisers & Stockbrokers

Peel, Hunt & Company Limited
4A Queen Street
Leeds LS1 2TW

Solicitors

Edge & Ellison
Rutland House
Edmund Street
Birmingham B3 2JR

Bankers

Midland Bank plc
Poultry & Princes Street
London EC2P 2BX

Registrars

Lloyds Bank Plc
Registrar's Department
Goring-by-Sea
Worthing
West Sussex BN1Z 6DA

TURNPYKE GROUP plc

CHAIRMAN'S STATEMENT

Group profit for the year ended 31 December 1993, before tax and finance charges, was £46,000 (1992: loss of £436,000), but finance costs convert this to a loss of £78,000, after a tax charge of £10,000. This was considerably better than the 1992 retained loss of £795,000 and, indeed, the best result for seven years. My interim statement reported a half year loss of £185,000 which means that a much improved second half produced a profit of £107,000. We cannot, of course, yet recommend a dividend.

Our remaining engineering subsidiary, The West Bromwich Spring Ltd, has been a strong contributor to this improvement. The actions we took to reduce costs and improve efficiency are bearing fruit, with the new management team proving effective. The second half of 1993 was profitable, in part arising from a £33,000 profit on sales of redundant plant, converting the reported operating loss at the half year of £78,000 to a profit of £37,000 for the full year. This was after bearing some £100,000 redundancy and termination costs. Employee attitudes have improved, customer service is now recognised as a priority and delivery dates are being met. We have reduced lead times to competitive levels and are seeking to improve further.

The budget set for The West Bromwich Spring in 1994, based on a small increase in turnover, predicts a profit after interest. After a slow start to the year, the first five months show profits slightly better than budgeted levels. The market is still difficult but I am confident of continued improvement as the measures already taken enhance performance and we strengthen our selling effort. We will take whatever actions are necessary to ensure the improvements achieved are sustained.

Cash has been one of our major concerns and although the year end position is little changed, it conceals our success in paying-off arrears of old debts, ending phased payment deals and meeting suppliers' agreed terms as well as paying some re-organisation costs. In the current year we have made a small investment in steel stock to improve the speed of our response to customers who are demanding shorter delivery dates.

In our property company, Beeley Wood Properties Ltd, our prime concern throughout the period has been to prevent deterioration of the office blocks in Sheffield. Interest has been shown by several parties and we have agreed terms for the sale of the entire site at above book value but are uncertain when completion will take place.

The climate in the housing market has improved markedly, which is good news for our building site at Bacup. I am optimistic that we will be able to at least start to unlock this current asset. We have revalued the site from £283,000 to £400,000, which is equivalent to approximately £2,700 per plot or £35,000 an acre, substantially below quoted market rates. One hundred and fifty plots is a large site in the area and it may be necessary to recommence building on a small scale to create interest, almost certainly alongside experienced housing developers. We will focus more on the property subsidiary in 1994 now that The West Bromwich Spring is moving in the right direction.

At the group level we have been able to resolve many historical problems including clearing some old debts and the rationalisation of the group structure. Some old tax matters have been revisited and we have achieved a substantial recovery of overpaid tax. The year saw the lifting of the suspension of our stock market quotation, and shareholders will recognise this as my third Chairman's statement in a set of annual accounts within twelve months!

I explained last year that we believed The West Bromwich Spring would not, by itself, justify the cost of a listing on The Stock Exchange and that we would be open to proposals for a reverse takeover. Many such proposals have been received but we did not consider their quality to be acceptable to shareholders. Unless such an opportunity surfaces quickly we propose to move the company forward by making acquisitions, probably in the engineering sector. Several ideas are being examined at the moment and I will obviously inform shareholders as soon as is appropriate.

TURNPYKE GROUP plc

CHAIRMAN'S STATEMENT

continued

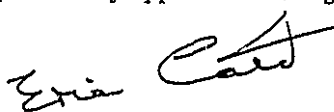
Since the year-end, your directors have used the powers granted by shareholders at the last annual general meeting to issue shares for cash. We received an approach to invest in the company, and your Board felt a direct subscription would be more beneficial to shareholders than a market purchase. We issued 880,000 shares, raising £57,000 for the company. A renewal of this power is sought, and we expect to again utilise it, albeit I hope at a higher price than previously.

Peter Grandfield, my predecessor, has indicated his wish to stand down to concentrate on his own businesses and has resigned with effect from 8 June 1994. I thank him personally and on behalf of shareholders for all his efforts over the last three years and wish him well. Peter steered the company through the worst of the recession and resolved many of the problems inflicted by the previous directors. I am also pleased to advise shareholders that Peel, Hunt & Co Ltd have been appointed as our financial advisers and stockbrokers.

I also wish to record my thanks to all the employees of the group. They have suffered considerable uncertainty over the years, but have responded well to all the recent changes.

In conclusion, after an eventful twelve months as your Chairman I feel that much of the hard work to secure our base and our survival has been done, although it will be some time before the full benefits are reported on. Now that we have a stable financial position at our existing operations, we plan to adopt a more expansionary approach to bring value to our shareholders and a return to the dividend lists.

Eric J Cater
Chairman



16 June 1994

TURNPYKE GROUP plc

REPORT OF THE DIRECTORS

The directors present their report and group accounts for the year ended 31 December 1993.

Results

The group trading loss after taxation amounted to £78,000 after eliminating one-off redundancy and reorganisation costs of £100,000. Turnover declined from £6.99 million to £2.45 million. Turnover at The West Bromwich Spring Ltd, the remaining engineering subsidiary, was £2.45 million (1992: £2.4 million).

Principal activities

The principal activities of the group consist of the manufacture and sale of springs and pressings and property development.

Change in name

On 29 October 1993 the company changed its name from W B Industries plc to Turnpyke Group plc.

Fixed assets

The changes in fixed assets during the year are summarised in Notes 11 and 12 to the accounts.

Dividends

No dividend is proposed in respect of the 1993 year and none was paid in respect of the previous year.

Directors and their interests

The present board of directors is set out on page 5.

As at 31 December 1993, the following were directors of the company:

Eric J Cater, director and chairman, appointed 11 May 1993.

Charles A R Gillams, director and chief executive, appointed 11 May 1993.

Peter B W Grandfield, a non-executive director, appointed in May 1990 and chairman from October 1991 to 11 May 1993. He has resigned with effect from 8 June 1994 to pursue his other interests.

S B Gibbs a non-executive director resigned on 11 May 1993.

J J Mitchell, an executive director resigned on 9 July 1993.

Except as stated below no contract existed (including service contracts of more than twelve months duration) either during or at the year end in which any director of the company was interested.

The directors at 31 December 1993 and their interests in the share capital of the company were as follows:

	Non-beneficial ordinary shares of 5p at 31.12.93	Beneficial ordinary shares of 5p at 31.12.93	Non-beneficial ordinary shares of 5p at 1.1.93	Beneficial ordinary shares of 5p at 1.1.93
Mr E J Cater	50,000	50,000	—	—
Mr C A R Gillams	50,000	50,000	—	—
Mr P B W Grandfield	—	400,400	—	400,400

Mr E J Cater and Mr C A R Gillams each held beneficially £22,500 of convertible loan equivalent to 450,000 ordinary shares.

TURNPYKE GROUP plc

REPORT OF THE DIRECTORS

continued

Mr E J Cater and Mr C A R Gillams each held non-beneficially £22,500 of convertible loan equivalent to 450,000 ordinary shares.

At 31 December 1993 Mr E J Cater and Mr C A R Gillams each held warrants to subscribe for up to 641,938 ordinary shares at par up to the year 2001.

As at the date of this report there have been no changes to the shareholdings of directors who remain in office.

The following consultancy agreements existed at 31 December 1993:

A consultancy agreement dated 11 May 1993 between the company and Hemsign Ltd for the services of Mr E J Cater for an annual fee of £18,000 with a notice period of twelve months.

A consultancy agreement dated 11 May 1993 between the company and Gillban Ltd for the services of Mr C A R Gillams for an annual fee of £18,000 with a notice period of twelve months.

The above agreements were cancelled with effect from 31 March 1994. Alternative arrangements have been put in place with effect from 1 April 1994.

Substantial shareholders

On 1 June 1994 the following were listed as being interested in 3 per cent or more of the company's ordinary share capital:

	Number	Percentage of ordinary share capital
Phildrew Nominees Limited	1,285,782	17.15
Mr P A Bowskill	980,000	13.07
Imperial Group Pension Trust Limited	552,925	7.37
GRE Pension Management Limited	361,602	4.82

Disabled employees

The group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the group has been continued through briefing groups in which employees have also been encouraged to offer suggestions.

Charitable donations

The group made no charitable donations during the year (1992: nil).

Taxation status

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Directors' indemnity insurance

Directors' indemnity insurance was maintained by the previous Board. None was in force after 11 May 1993.

TURNPYKE GROUP plc

REPORT OF THE DIRECTORS

continued

Corporate Governance

The Cadbury Committee report on the Financial Aspects of Corporate Governance was published in December 1992 together with its Code of Best Practice which came into effect after 30 June 1993. The Board supports the highest standards in Corporate Governance and steps have been taken to ensure compliance with the Code. However, during the year under review the Board's main concern has been to turn round the business fortunes of the group and therefore not all of the recommendations are in place.

The Board considers that the company complies with the Code with the exception of those paragraphs for which the necessary guidance for compliance is not yet available and those paragraphs of the Code relating to non-executive directors, executive directors' pay and audit committees.

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

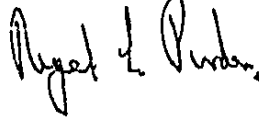
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group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

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors. A resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board

N L Purden, FCA
Secretary



16 June 1994

TURNPYKE GROUP plc

REPORT OF THE AUDITORS

to the members of Turnpyke Group plc

We have audited the accounts on pages 12 to 25 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 16 and 17.

Respective responsibilities of directors and auditors

As described on page 10 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

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

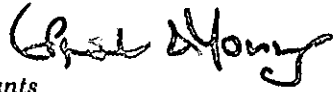
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the accounts concerning the continued availability of the group's bank facilities, which are currently repayable on demand. The accounts have been prepared on a going concern basis, the validity of which depends upon the continued support of the group's bankers. The accounts do not include any adjustments which would result if the bankers' support were withdrawn. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1993 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young 
Chartered Accountants
Registered Auditor
Birmingham

16 June 1994

TURNPYKE GROUP plc

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1993

	Notes	1993 £000	1992 £000
Turnover			
Continuing operations	3	2,454	2,444
Discontinued operations		—	4,543
		<u>2,454</u>	<u>6,987</u>
Cost of sales	4	<u>1,774</u>	<u>6,030</u>
		680	957
Gross profit			
Distribution costs	4	79	219
Administration expenses	4	<u>730</u>	<u>1,244</u>
		809	1,463
Other operating income	4	142	66
Operating loss	5		
Continuing operations		(32)	(266)
Discontinued operations		<u>45</u>	<u>(174)</u>
		13	(440)
Continuing operations:			
Profit on disposal of tangible fixed assets		33	4
Bank interest		(90)	(341)
Other interest payable	7	<u>(24)</u>	<u>(18)</u>
		(68)	(795)
Loss on ordinary activities before taxation			
Taxation on loss on ordinary activities	8	<u>10</u>	<u>—</u>
		(78)	(795)
Loss on ordinary activities after taxation and retained loss for the year		<u>(78)</u>	<u>(795)</u>
Loss per ordinary share	10	<u>(1.21p)</u>	<u>(12.38p)</u>

There are no recognised gains and losses other than the loss retained for the year of £78,000 (1992. £795,000).

TURNPYKE GROUP plc

BALANCE SHEETS

as at 31 December 1993

	Notes	Group		Company	
		1993 £000	1992 £000	1993 £000	1992 £000
Fixed assets					
Tangible assets	11	913	1,056	—	44
Investments	12	—	—	632	3,522
		<u>913</u>	<u>1,056</u>	<u>632</u>	<u>3,566</u>
Current assets					
Stock	14	217	261	—	—
Debtors	15	561	618	268	763
Properties held for resale	13	721	600	—	—
Cash at bank		—	—	694	1,003
		<u>1,499</u>	<u>1,479</u>	<u>962</u>	<u>1,766</u>
Current liabilities					
Creditors: amounts falling due within one year	16	2,029	2,067	301	3,875
Net current assets/(liabilities)		<u>(530)</u>	<u>(588)</u>	<u>661</u>	<u>(2,109)</u>
Total assets less current liabilities		383	468	1,293	1,457
Creditors: amounts falling due after more than one year	17	22	39	—	—
Provision for liabilities and charges	19	—	—	932	1,100
		<u>361</u>	<u>429</u>	<u>361</u>	<u>357</u>
Capital and reserves					
Called up share capital	20	4,329	4,319	4,329	4,319
Share premium account	21	6,244	6,244	6,244	6,244
Revaluation reserve	21	334	336	—	—
Other reserves	21	2,103	2,103	2,321	2,321
Profit and loss account	21	(12,649)	(12,573)	(12,533)	(12,527)
		<u>361</u>	<u>429</u>	<u>361</u>	<u>357</u>

The financial statements were approved by the Board of Directors on 16 June 1994, and signed on its behalf by:

C A R Gillams

Director

TURNPYKE GROUP plc

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1993

	Notes	1993 £000	1992 £000
Net cash outflow from operating activities	1	(46)	(472)
Returns on investments and servicing of finance			
Interest paid		(117)	(359)
Net cash outflow from returns on investments and servicing of finance		(117)	(359)
Taxation			
Corporation tax recovered		19	569
Tax recovered			569
Investing activities			
Payments to acquire tangible fixed assets		(22)	(30)
Receipts from sale of tangible fixed assets		100	24
Receipts from sale of business and assets of Elson & Robbins		—	1,938
Receipt of Duflex loan		—	220
Net cash inflow from investing activities		78	2,152
Net cash (outflow)/inflow before financing		(66)	1,890
Financing			
Receipts from directors' secured loans	2	100	—
Reduction in lease balances	3	(30)	(33)
Net cash inflow/(outflow) from financing		70	(33)
Increase in cash and cash equivalents	4	4	1,857

On 4 November 1993 Messrs E J Cater and C A R Gillams exercised their right to convert £10,000 of their drawn down loan of £100,000 into 200,000 ordinary shares of the company at par.

TURNPYKE GROUP plc

— NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT — for the year ended 31 December 1993

	1993 £000	1992 £000
Note 1		
Reconciliation of operating profit/(loss) to net cash flow from operating activities		
Operating profit/(loss)	13	(440)
Depreciation charges	98	140
Decrease in stock	44	97
Decrease in debtors	24	247
Decrease in creditors	(108)	(171)
Provision written back, no longer required	(117)	(345)
Net cash outflow from operating activities	<u>(46)</u>	<u>(472)</u>
Note 2		
Receipts from directors' secured loans	<u>100</u>	<u>—</u>
Note 3		
Analysis of the changes in financing during the year		
Balance on finance leases at 1 January	(78)	(111)
Net cash inflow from financing	30	33
Balance on finance leases at 31 December	<u>(48)</u>	<u>(78)</u>
Note 4		
Analysis of the changes in cash and cash equivalents during the year		
Balance at 1 January	(1,206)	(3,063)
Net cash inflow	4	1,857
Balance at 31 December	<u>(1,202)</u>	<u>(1,206)</u>

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

1. Fundamental accounting concept

The group is currently dependent upon the continued availability of its present bank facilities of £1,230,000. These facilities are repayable on demand and are subject to regular review.

The continued availability of the bank facilities beyond the renewal date of 10 July 1994 or their replacement by an equivalent level of funding is required to enable the group to meet its liabilities as they fall due and to continue operating without realisation of all of its assets.

The directors believe that they can meet the bank's requirements. Accordingly the accounts have been prepared on a going concern basis. However, should the bank facilities not continue to be available and if alternative finance cannot be arranged, the going concern basis would be invalid and adjustments would have to be made to reduce the value of assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

2. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention, modified by the revaluation of freehold land and buildings and have been prepared in accordance with all applicable accounting standards.

The accounts have been prepared in accordance with the requirements of FRS3 and the comparatives have been restated accordingly.

Basis of consolidation

The consolidated accounts include the company and all its subsidiary undertakings. The results of subsidiary undertakings disposed of during the year are included in the consolidated profit and loss account up to the date of their disposal. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Goodwill

Purchased goodwill and goodwill arising on consolidation, being the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets, is written off immediately on acquisition against reserves, and transferred to profit and loss account on disposal as appropriate.

Depreciation

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset, evenly over its expected useful life, as follows:

Freehold buildings	— at 2% per annum
Plant	— at 10% and 20% per annum
Fixtures	— at 6.66% per annum
Computers	— at 16.66% per annum
Commercial vehicles	— at 16.66% per annum
Motor cars	— at 25% per annum

Leasing and hire purchase commitments

Assets obtained under finance lease and hire purchase contracts that transfer substantially all the risks and rewards of ownership to the group are capitalised in the balance sheet and depreciated over their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Costs in respect of operating leases are charged in arriving at the operating profit on a straight line basis over the term of the lease.

Stock and work in progress

Stock and work in progress is stated at the lower of the cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescent, slow moving and defective stock.

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate on which it is estimated the tax will be payable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pensions

The group operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds.

3. Turnover and segmental analysis

Turnover which arises wholly from within the United Kingdom, and which is stated net of value added tax, represents amounts invoiced to third parties for goods and services supplied.

The contribution of the various activities of the Group to turnover and loss on ordinary activities before taxation are set out below:

	1993		1992	
	Turnover £000	Profit/ (loss) £000	Turnover £000	Loss £000
By activity				
Manufacture and sale of springs	2,454	(22)	6,987	(351)
Property	—	(25)	—	(73)
	<u>2,454</u>	<u>(47)</u>	<u>6,987</u>	<u>(424)</u>
Less unallocated administrative expenses and interest		(21)		(371)
Loss on ordinary activities before taxation		<u>(68)</u>		<u>(795)</u>
Turnover by customer location		£000		£000
United Kingdom and Republic of Ireland		2,121		5,650
Other EEC		138		977
Rest of Europe		18		20
Asia		174		330
Other		3		10
		<u>2,454</u>		<u>6,987</u>
Capital employed by activity before bank debt		£000		£000
Manufacture and sale of springs		920		1,163
Property		643		472
		<u>1,563</u>		<u>1,635</u>

4. Cost of sales and operating costs

	Con- tinuing £000	Dis- continued £000	1993 Total £000	Con- tinuing £000	Dis- continued £000	1992 Total £000
Cost of sales	1,774	—	1,774	1,987	4,043	6,030
Distribution costs	79	—	79	55	164	219
Administrative costs	775	(45)	730	689	555	1,244
Other operating income	142	—	142	25	41	66

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

5. Operating loss

	1993 £000	1992 £000
(a) This is stated after charging		
Auditors' remuneration—audit	13	15
Depreciation of owned assets	83	98
Depreciation of assets held under finance lease and hire purchase contracts	15	42
Operating lease rental—land and buildings	12	12
—motor vehicles	17	31
—office equipment	3	5
Redundancy and termination costs	100	25
(b) Directors' remuneration		
Fees	72	120
Other emoluments (including pension costs)	8	9
	<u>80</u>	<u>129</u>

Emoluments (excluding pension contributions) of the chairman,

Mr P B W Grandfield to 11.5.93	15	40
Mr E J Cater from 12.5.93	11	—

The emoluments of the highest paid director during the year were £41,953. Included in directors' remuneration is an amount of £14,732 payable to Bromley Park Limited, a company controlled by Mr P B W Grandfield, in respect of services provided to the company by him during the year.

Included in directors' remuneration is an amount of £11,486 payable to Hemsign Limited, a company controlled by Mr E J Cater, in respect of services provided to the company during the year.

Included in directors' remuneration is an amount of £11,500 payable to Gillban Limited, a company in which Mr C A R Gillams has a substantial minority holding, in respect of services provided to the company during the year.

Mr J J Mitchell, who resigned as a director on 9 July 1993 received £30,000 compensation for loss of office. This compensation is not included in the directors' remuneration.

There were no directors' pension contributions paid by the company during the year.

The emoluments (excluding pension contributions) of the directors, including the chairman, fell within the following ranges.

	1993 No.	1992 No.
£nil —£ 5,000	1	—
£10,001 —£15,000	3	—
£15,001 —£20,000	—	1
£35,001 —£40,000	—	1
£40,001 —£45,000	1	—
£55,001 —£60,000	—	1

6. Staff costs

	1993 £000	1992 £000
Wages and salaries	968	2,663
Social security costs	69	220
Other pension costs	—	62
	<u>1,037</u>	<u>2,945</u>

The average number of employees during the year was made up as follows:

	1993	1992
Management	4	4
Administration	14	36
Production	65	178
Sales	7	17
	<u>90</u>	<u>235</u>

The 1992 comparatives include Elson & Robbins Limited which was sold in November 1992.

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

7. Other interest payable

	1993 £000	1992 £000
Finance lease and hire purchase contracts	20	18
Directors' loans	4	—
	<u>24</u>	<u>18</u>

8. Taxation on loss on ordinary activities

	1993 £000	1992 £000
The taxation charge is made up as follows:		
Adjustments relating to prior year's corporation tax	<u>10</u>	<u>—</u>

9. Profit attributable to members of the holding company

In accordance with the exemption allowed by section 230(1) of the Companies Act 1985 the company has not presented its own profit and loss account. The loss dealt with in the accounts of the holding company amounted to £6,000 (1992: £1,022,000).

10. Loss per ordinary share

The loss per ordinary 5p share, calculated on the group loss after taxation of £78,000 (1992: £795,000) and a weighted average number of shares in issue during the year of 6,451,165 (1992: 6,419,384) is 1.21p (1992: 12.38p).

11. Tangible fixed assets

(a) Group	Freehold land and buildings £000	Plant and machinery £000	Fixtures, computers and office equipment £000	Motor vehicles £000	Total £000
Cost or valuation:					
At 1 January 1993	659	431	296	80	1,466
Additions	—	20	2	—	22
Disposals	—	(66)	—	(57)	(123)
At 31 December 1993	<u>659</u>	<u>385</u>	<u>298</u>	<u>23</u>	<u>1,365</u>
Depreciation:					
At 1 January 1993	86	61	220	43	410
Provided in the year	5	56	23	14	98
Disposals	—	(6)	—	(50)	(56)
At 31 December 1993	<u>91</u>	<u>111</u>	<u>243</u>	<u>7</u>	<u>452</u>
Net book value 31 December 1993	<u>568</u>	<u>274</u>	<u>55</u>	<u>16</u>	<u>913</u>
Net book value 1 January 1993	<u>573</u>	<u>370</u>	<u>76</u>	<u>37</u>	<u>1,056</u>

Freehold land and buildings include an amount valued at £658,656 on 31 December 1987 less subsequent depreciation of £90,966. If these assets had not been revalued the amount at which they would be carried in the balance sheet at 31 December 1993 would be cost £289,269 less depreciation of £71,860.

Included in freehold land and buildings is land valued at £390,000 which is not depreciated.

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

11. Tangible fixed assets (continued)

	Fixtures, computers and office equipment £000	Motor vehicles £000	Total £000
(b) Company			
Cost or valuation:			
At 1 January 1993	46	37	83
Disposals	—	(37)	(37)
Inter company transfers out	(46)	—	(46)
At 31 December 1993	—	—	—
Depreciation:			
At 1 January 1993	12	27	39
Provided in the year	4	6	10
Disposals	—	(33)	(33)
Inter company transfers out	(16)	—	(16)
At 31 December 1993	—	—	—
Net book value 31 December 1993	—	—	—
Net book value 1 January 1993	34	10	44

(c) Included in the amount for plant fixtures and motor vehicles above are the following amounts related to leased assets acquired under hire purchase contracts:

	Group £000	Company £000
Cost or valuation:		
At 1 January 1993	183	37
Disposals	(57)	(37)
At 31 December 1993	126	—
Depreciation:		
At 1 January 1993	78	27
Provided during year	15	6
Disposals	(51)	(33)
At 31 December 1993	42	—
Net book value 31 December 1993	84	—
Net book value 1 January 1993	105	10

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

12. Fixed asset investments

	Company £000
Cost:	
At 1 January 1993	4,800
Additions	2,500
Disposals	(4,799)
At 31 December 1993	<u>2,501</u>
Provisions:	
At 1 January 1993	1,278
Arising during the year	1,869
Disposals	(1,278)
At 31 December 1993	<u>1,869</u>
Net book value at 31 December 1993	<u>632</u>
Net book value at 1 January 1993	<u>3,522</u>

The principal subsidiary undertakings of Turnpyke Group plc and their activities were as follows at 31 December 1993:

	Holding	Proportion held	Nature of business
The West Bromwich Spring Ltd	Ordinary shares	100%	Manufacture of springs
Beeley Wood Properties Ltd	Ordinary shares	100%	Property development

Both the above companies are registered in England and Wales and operate in England.

13. Properties held for resale

	Group		Company	
	1993 £000	1992 £000	1993 £000	1992 £000
Cost on 1 January 1993	2,899	3,184	—	—
Additional cost in year	4	—	—	—
Reduction in cost	—	(285)	—	—
Cost at 31 December 1993	<u>2,903</u>	<u>2,899</u>	<u>—</u>	<u>—</u>
Provision for diminution in value 1 January 1993	(2,299)	(2,584)	—	—
Reduction in cost	—	285	—	—
Write back of provision	117	—	—	—
Provision for diminution in value 31 December 1993	<u>(2,182)</u>	<u>(2,299)</u>	<u>—</u>	<u>—</u>
	<u>721</u>	<u>600</u>	<u>—</u>	<u>—</u>

Property held for resale at 31 December 1993 is held at the directors' valuation made in 1993. It is the opinion of the directors having taken professional advice, that this valuation is conservative.

14. Stock

	Group		Company	
	1993 £000	1992 £000	1993 £000	1992 £000
Raw materials and consumables	95	131	—	—
Work in progress	47	45	—	—
Finished goods	75	85	—	—
	<u>217</u>	<u>261</u>	<u>—</u>	<u>—</u>

The directors consider that the difference between the amounts shown and the replacement cost is not significant.

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

15. Debtors

	Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Trade debtors	550	587	—	—
Amounts owing from subsidiary undertakings	—	—	261	763
Taxation recoverable	—	29	—	—
Prepayments	11	2	7	—
	<u>561</u>	<u>618</u>	<u>268</u>	<u>763</u>

16. Creditors

	Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Amounts falling due within one year				
Bank overdraft	1,202	1,206	—	—
Finance leases and hire purchase contracts (note 18)	26	30	—	4
Trade creditors	398	429	146	92
Amounts owing to subsidiary undertakings	—	—	—	3,609
Other taxes and social security	45	46	—	—
Other creditors—secured directors' loans	90	—	90	—
—sundry	14	50	—	—
Accruals	254	297	65	170
	<u>2,029</u>	<u>2,067</u>	<u>301</u>	<u>3,875</u>

The bank overdraft and directors' loans are secured by fixed and floating charges over all the assets of the group.

17. Creditors

	Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Amounts falling due after one year				
Finance leases and hire purchase contracts (note 18)	22	39	—	—
	<u>22</u>	<u>39</u>	<u>—</u>	<u>—</u>

18. Obligations under finance leases

	Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Amount payable: within one year	30	44	—	4
within two to five years	23	50	—	—
	<u>53</u>	<u>94</u>	<u>—</u>	<u>4</u>
Less finance charges allocated to future periods	5	16	—	—
	<u>48</u>	<u>78</u>	<u>—</u>	<u>4</u>
Finance leases are analysed as follows:				
Current obligations	26	39	—	4
Non-current obligations	22	39	—	—
	<u>48</u>	<u>78</u>	<u>—</u>	<u>4</u>

19. Provision for liabilities and charges

	Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Funding shortfall in subsidiary undertaking	—	—	932	1,100

No provision has been made for deferred taxation on revalued properties, since no liability is expected to arise.

In addition there are losses within the holding company and certain subsidiaries which are available for relief against future profits of the same trades of £4,750,000.

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

20. Share capital

Group and Company	Authorised		Allotted and fully paid	
	1993	1992	1993	1992
	£000	£000	£000	£000
Deferred shares of 10p	388	388	388	388
Ordinary shares of 5p	883	500	331	321
New deferred shares of 9.9p	3,610	3,610	3,610	3,610
	<u>4,881</u>	<u>4,498</u>	<u>4,329</u>	<u>4,319</u>

On 7 October 1993 the authorised share capital of the company was increased from £4,498,000 to £4,881,000 by creation of 7,667,729 new ordinary shares of 5p each ranking *pari passu* with the existing ordinary shares.

On 4 November 1993 Messrs E J Cater and C A R Gillams exercised their right to convert £10,000 of their drawn down loan of £100,000 into 200,000 ordinary shares of the company at par.

The company has a share option scheme under which options have been granted to certain executives. Options have been granted on 45,000 ordinary shares at 7p each, exercisable before 11 November 2003.

Sanction was given on 3 September 1991 at the extraordinary general meeting for the cancellation of all the deferred shares of 9.9p each. This matter has not yet been submitted to the High Court for approval. Had the capital reduction been effected the deferred shares would have been cancelled and the requirements of Section 142 of the Companies Act 1985 as regards share capital would have been satisfied.

The holders of the deferred and new deferred shares are:

- (1) not entitled to any participation in the profits of the company.
- (2) not entitled to share in any surplus arising in the event of a winding up.
- (3) not entitled to attend or vote at any General Meeting of the company.

21. Reconciliation of shareholders' funds and movement on reserves

Group	Share capital	Share premium account	Revaluation reserve	Merger reserve	Profit & loss account	Total
	£000	£000	£000	£000	£000	£000
As at 1.1.92	4,319	6,244	341	2,103	(11,783)	1,224
Depreciation on revalued assets	—	—	(5)	—	5	—
Loss for the year	—	—	—	—	(795)	(795)
As at 1.1.93	4,319	6,244	336	2,103	(12,573)	429
Depreciation on revalued asset	—	—	(2)	—	2	—
Loss for the year	—	—	—	—	(78)	(78)
Other movements:						
Shares issued	10	—	—	—	—	10
As at 31.12.93	<u>4,329</u>	<u>6,244</u>	<u>334</u>	<u>2,103</u>	<u>(12,649)</u>	<u>361</u>
Company						
As at 1.1.92	4,319	6,244	—	2,321	(11,505)	1,379
Loss for the year	—	—	—	—	(1,022)	(1,022)
As at 1.1.93	4,319	6,244	—	2,321	(12,527)	357
Loss for the year	—	—	—	—	(6)	(6)
Other movements:						
Shares issued	10	—	—	—	—	10
As at 31.12.93	<u>4,329</u>	<u>6,244</u>	<u>—</u>	<u>2,321</u>	<u>(12,533)</u>	<u>361</u>

As at 1 January 1993 and 31 December 1993 the aggregate amount of goodwill written off through the merger reserve is £218,000.

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

22. Commitments under operating leases

The annual commitments under non-cancellable operating leases are as follows:

	1993		1992	
Group	Land and buildings £000	Motor vehicles and other £000	Land and buildings £000	Motor vehicles and other £000
Date of lease termination:				
Within one year	6	—	—	—
In second to fifth years inclusive	—	12	12	14
After five years	—	—	—	—
	<u>6</u>	<u>12</u>	<u>12</u>	<u>14</u>

23. Pensions

The group operates two defined benefit pension schemes which are funded by the payment of contributions to a separately administered trust fund.

The contributions to the schemes are determined with the advice of independent qualified actuaries. Details of the two schemes are as follows:

Scheme (1) Method of valuation - attained age method

Rate of return on investment	9%
Rate of salary increase	7%

The market value of the scheme's assets was £555,000 at 5 April 1992 and the actuarial value of the assets was sufficient to cover 214% of the benefits that had accrued to members, after allowing for the future increases in their earnings.

Scheme (2) Method of valuation - projected unit method

Rate of return on investment	9%
Rate of salary increase	8%

The market value of the scheme's assets was £574,000 at 5 April 1992 and the actuarial value of the assets was sufficient to cover 119% of the benefits that had accrued to members after allowing for the future increases in their earnings.

Due to the accumulated surpluses in the pension funds, the company has not made any contributions since late in 1992.

24. Directors' interests

No director had any material interest at any time during the year in any transaction or arrangement of significance in relation to the group's business, other than as disclosed in Note 5(b).

25. Contingencies

These accounts do not include any provision for any liabilities arising from warranty claims at Elson & Robbins. The sale agreement provided for a maximum liability level and the directors have no reason to believe this has been exceeded; no warranty claims have been made.

Beeley Wood Properties has had proceedings commenced against it for rates on the Sheffield property, which are substantially in arrears; your directors are working with the Sheffield City Council to schedule payment of these arrears. Full provision of the amount claimed, which totals £77,803 as at 31 December 1993, has been made in these accounts.

Company

Under the terms of the group banking facilities the company is liable for the repayment and discharge of all monies owing in respect of the bank borrowings of all subsidiary undertakings.

TURNPYKE GROUP plc

NOTES ON THE ACCOUNTS

continued

26. Capital commitments

There were no amounts of capital expenditure authorised or contracted for at 31 December 1993.

27. Post balance sheet events

Pursuant to the special resolution put to the Extraordinary General Meeting of the company held on 7 October 1993 as set out in the circular to shareholders of 25 August 1993 the company was empowered to issue shares up to a nominal value of £44,169 equivalent to 883,380 new ordinary shares ranking *pari passu* with the existing share capital. On 17 January 1994 880,000 ordinary shares were allotted at a price of 6.5p each totalling £57,200.

TURNPYKE GROUP plc

SHAREHOLDER'S NOTES

TURNPYKE GROUP plc

FORM OF PROXY

FOR USE BY ORDINARY SHAREHOLDERS ENTITLED TO VOTE
AT THE ANNUAL GENERAL MEETING
TO BE HELD ON FRIDAY, 12 AUGUST 1994 AT 12.00 NOON

I/We
(Full names in block letters)

of
being (a) member(s) of Turnpyke Group plc, hereby appoint the Chairman of the meeting* or

.....
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company
to be held on 12 August 1994 and at any adjournment thereof.

Signature Date 1994

	For	Against
Resolution 1		
Resolution 2		
Resolution 3		

Notes:

- (1)* If any other proxy is preferred strike out 'the Chairman of the meeting' above and add the name of the proxy you wish to appoint in the space provided and initial the alteration.
- (2) Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast in respect of each resolution.
On receipt of this form duly signed but without any specific direction how you wish your votes to be cast, your proxy will vote or abstain, at his discretion.
- (3) In the case of joint holders, the first named only need sign.
- (4) If a member is a corporation, this form must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- (5) To be valid this proxy must be completed, signed and deposited at the registered office of the Company not less than 48 hours before the time appointed for the meeting.

SECOND FOLD

BUSINESS REPLY SERVICE
WZ 210

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The Secretary
Turnpyke Group plc
George Street
West Bromwich
West Midlands
B70 6BR

FIRST FOLD

THIRD FOLD AND TUCK IN