

# TURNPYKE GROUP plc

---

## CONTENTS

---

Five Year Summary	2
Financial Highlights	3
Directors, Officers and Advisers	4
Chairman's Statement	5-7
Report of the Directors	8-12
Report of the Remuneration Committee	13-14
Auditor's Review Report on Corporate Governance Matters	15
Statement of Directors' Responsibilities	16
Report of the Auditors	17
Consolidated Profit and Loss Account	18
Balance Sheets	19
Consolidated Cash Flow Statement	20
Notes to the Consolidated Cash Flow Statement	21-22
Notes to the Accounts	23-34
Notice of Annual General Meeting	35-36

79136



# TURNPYKE GROUP plc

## FIVE YEAR SUMMARY

	1995	1994	1993	1992	1991
	£000	£000	£000	£000	£000
<b>Turnover</b>	<b>3,697</b>	<b>2,899</b>	<b>2,454</b>	<b>6,987</b>	<b>9,667</b>
Profit/(loss) before interest	209	238	46	(436)	(1,255)
Interest	(66)	(97)	(114)	(359)	(605)
<b>Profit/(loss) before taxation</b>	<b>143</b>	<b>141</b>	<b>(68)</b>	<b>(795)</b>	<b>(1,860)</b>
Taxation (charge)/credit	(21)	—	(10)	—	567
<b>Profit/(loss) after taxation</b>	<b>122</b>	<b>141</b>	<b>(78)</b>	<b>(795)</b>	<b>(1,293)</b>
Extraordinary items	—	—	—	—	(3,646)
Profit/(loss) after extraordinary items	122	141	(78)	(795)	(4,939)
Dividend proposed	(83)	—	—	—	—
<b>Retained profit/(loss) for the financial year</b>	<b>39</b>	<b>141</b>	<b>(78)</b>	<b>(795)</b>	<b>(4,939)</b>
<b>Total assets less current liabilities</b>	<b>1,789</b>	<b>685</b>	<b>383</b>	<b>468</b>	<b>1,343</b>

The results for 1991 have not been restated for FRS 3.

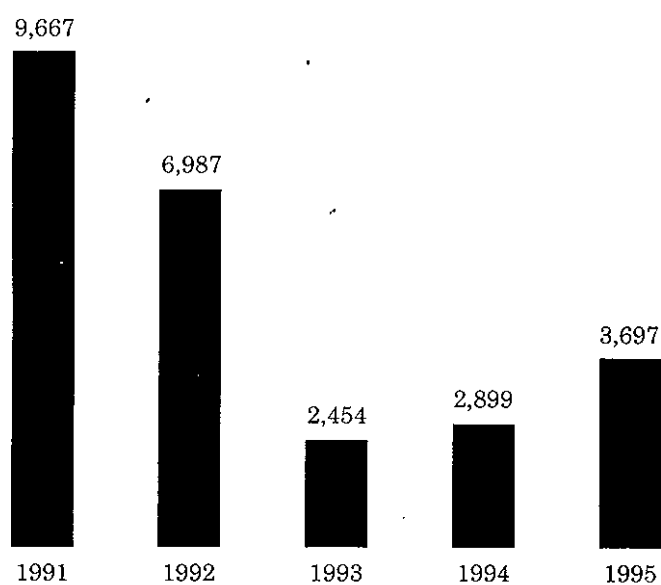
# TURNPYKE GROUP plc

---

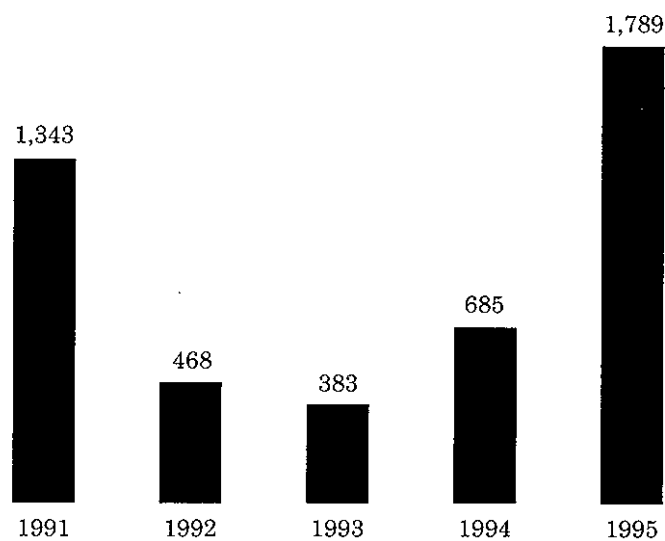
## FINANCIAL HIGHLIGHTS

---

Turnover £000



Total assets less current liabilities



74

# TURNPYKE GROUP plc

---

## DIRECTORS, OFFICERS AND ADVISERS

---

### Directors

E J Cater, *Chairman*  
C A R Gillams, *Chief Executive*  
N L Purden, *Finance Director*  
R H Lamb, *Non-Executive*

---

### Secretary

N L Purden, FCA

---

### Registered Office

George Street  
West Bromwich B70 6NA

---

### Company Registration Number

00079136

---

### Auditors

Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham B3 2BN

---

### Financial Advisers & Stockbrokers

Peel, Hunt & Company Limited  
2nd Floor  
Carlton Tower  
34 St Pauls Street  
Leeds LS1 2QB

---

### Solicitors

Edge & Ellison  
Rutland House  
Edmund Street  
Birmingham B3 2JR

---

### Bankers

Midland Bank plc  
Poultry & Princes Street  
London EC2P 2BX

Lloyds Bank Plc  
Birmingham City Centre  
PO Box 908  
1 Cornwall Street  
Birmingham B3 2DS

---

### Registrars

Lloyds Bank Plc  
Registrar's Department  
Goring-by-Sea  
Worthing  
West Sussex BN99 6DA

---

# TURNPYKE GROUP plc

---

## CHAIRMAN'S STATEMENT

---

### Dear Shareholder

I am pleased to be able to tell you that your group has maintained its recovery during 1995 and strengthened its position so that your Board can recommend the payment of the first ordinary dividend since 1979.

The Group has had an eventful year. We have doubled the size of our spring business by the acquisition of Morris Springs Ltd. We have improved our gearing by the £2 million rights issue to fund that purchase and provide working capital. We have commenced the development of the Bacup housing site.

### *Turnover and Profit*

Profit for the year increased to £143,000 from £141,000 in 1994. Turnover also increased to £3.7 million from £2.9 million. Property activities made no contribution to turnover during 1995 compared to £440,000 in 1994 when we sold the Sheffield property. Profit contribution from property in 1994 was £93,000.

The West Bromwich Spring Ltd contributed strongly after a weak start to the year and increased its operating profit by 40 per cent. Morris Springs which was acquired in July made an initial operating profit for the group of £60,000 which was an encouraging performance.

### *Dividend*

In view of the above, your Board recommends the payment of a final dividend of 0.4p per ordinary share to be paid on 19 August 1996 to shareholders on the register at the close of business on 23 July 1996.

### *Balance Sheet*

The net assets of the group have increased to £1.6 million with bank debt at the year end reduced to £559,000. This brings a welcome reduction in gearing. The elimination of two classes of deferred shares and the deficit on the company's Profit and Loss Account clears the way for dividend payments.

### *Outlook*

Following a strong final quarter of 1995, we were disappointed to experience, in common with much of British industry, a decline in orders during the first quarter of 1996. There are further reorganisation costs to be borne in 1996 as we move towards combining the operations of the spring companies and achieving improved efficiency and asset utilisation.

Our housing development at Weir, near Bacup, is attracting interest and we are hoping to sell five houses of the first phase this year. I am pleased to say that we have just sold the first of those units and it has generated a profit in line with our projections for the site and of course, has released a small part of the land asset. The better housing climate and low interest rates are encouraging but we remain cautious in our approach and will restrict our investment to low risk levels, expecting to reinvest sale proceeds rather than commit new money, where possible.

I expect 1996 to show continued improvement. We are still considering sensible deals to enhance shareholder value. Although we have made a number of offers to acquire businesses the price expectations of vendors have in all cases been higher than we are prepared to contemplate.

### *Spring Division*

As a result of the acquisition of Morris Springs Limited in July 1995 and a 5 per cent. improvement in sales at West Bromwich, the Spring Division turnover increased by £1,238,000 to £3,697,000. Operating profit for the Spring Division increased from £151,000 to £271,000 reflecting continued growth at the original West Bromwich Spring business and a £60,000 contribution from Morris Springs.

# TURNPYKE GROUP plc

---

## CHAIRMAN'S STATEMENT

---

continued

The acquisition of Morris Springs helped to increase the level of export sales in the Spring Division to nearly 20 per cent. in the year and I hope to report a further increase when a full year's trading with Morris Springs is included.

Capital expenditure has more than doubled from £44,000 to £105,000 in the year, and we expect it will exceed £200,000 in the current year. This has enabled key areas, particularly in the hot formed side of the business, to be equipped with more modern plant. Inevitably, after some years of poor performance and concurrent lack of investment, there is a backlog of such expenditure. We believe that making this level of capital commitment to your business is desirable for its long term profitable performance.

During 1995 raw material prices, predominantly steel and specialist alloys, rose sharply in the first half. We believe that we are now seeing some downward movement in alloy prices and hope that raw material prices will stabilise.

The current year started slowly and whilst there is still sales growth at the West Bromwich Spring business, there has been a distinct slowdown in demand from the automotive customers serviced by Morris Springs. We will continue the drive to reduce administrative costs and overheads and to carry on the work of combining the workload of our two sites. Our intention is to combine all cold formed work on one site, which will be the existing Morris Springs property. We have made considerable progress in our aim to run with a single administration overhead. It is anticipated that the majority of the required machinery movement will take place later this year. We are mindful of the need to avoid disruption to our customers, and will seek to implement this change whilst ensuring that the required plant remains operational throughout this transition period.

The Spring Division now offers customers an even wider range of skills and equipment, with Morris Springs adding a number of specialist types of spring and pressings production capacity. I believe that customers demand for our skills and product range is good. There has been a substantial increase in stock as we have invested in a wider range to provide the fast turnaround required by our customers. A business such as ours has to exhibit a diversity of skills as well as financial stability to continue to be attractive to major customers, and to compete effectively in export markets. Together the two companies are stronger and more able to make progress in these challenging areas.

### *Property*

The Group has three substantial freehold properties; over ten acres of building land with detailed planning permission for 150 houses at Weir, near Burnley in Lancashire; the four acre George Street site where The West Bromwich Spring is based; and about two acres of land in Wolverhampton occupied by Morris Springs. Your Board has been focused on extracting the best value for shareholders from these assets.

At Weir, we have had to update a development started in the late 1980's to reflect the current housing market in terms of both cost and consumer demand. We have commenced an initial development to re-open the site and to assess the market, comprising five units with an average selling price of £59,000. The layout of the site and the type of the houses we build must remain flexible to suit the local market conditions as the development progresses. We expect to reduce the housing density from the present fifteen or so per acre to nearer twelve per acre and believe this will provide, over a period of years, an attractive and desirable site which will enhance the local community.

At West Bromwich, the movement of the cold formed spring operations to Wolverhampton later this year will considerably increase the vacant area. We hope to sell the site as a development opportunity but should this not prove possible, we will modify access and improve the buildings to be let out to both commercial and industrial tenants. We already have three tenants on the site. I do not however anticipate significant progress on this issue this year.

# TURNPYKE GROUP plc

---

## CHAIRMAN'S STATEMENT

---

continued

### *Employees*

I am grateful to our employees for their loyalty and hard work through a time of upheaval and change. We are making new investment in skills training for them and I am sure we will benefit from their improved motivation and training.

I look forward to further progress when I next report to you.

**Eric J Cater**  
*Chairman*



25 June 1996

# TURNPYKE GROUP plc

---

## REPORT OF THE DIRECTORS

---

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

### Results, dividends and future prospects

The profit for the year before taxation amounted to £143,000 compared to £141,000 in 1994. Taxation amounted to £21,000 (1994: Nil) representing irrecoverable ACT on the proposed dividend. Turnover increased by £0.8 million from £2.9 million to £3.7 million. The comparison with 1994 is affected by the acquisition on 13 July 1995 of Morris Springs Ltd whose results are consolidated from that date.

The directors are recommending payment of a final dividend of 0.4p per ordinary share (1994: Nil). Following payment of the dividend, totalling £83,000, an amount of £39,000 will be transferred to reserves. No dividend on the ordinary shares has been paid since 1979.

A review of operations and future prospects is contained in the chairman's statement.

### Principal activities

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

### Acquisition

On 30 June 1995 the shareholders approved the acquisition of the entire issued share capital of Morris Springs Ltd for £1.1 million. This subsidiary manufactures springs and pressings. Further details of the acquisition are contained in note 23 to the financial statements.

### Fixed assets

The changes in fixed assets during the year are summarised in notes 11 and 12 to the financial statements.

### Share capital

During the year, the company carried out a rights issue, capital reorganisation and capital reduction as follows:

On 27 April 1995 the authorised ordinary share capital was increased by £366,614 to £1,250,000 by the creation of 7,332,280 new ordinary shares of 5p each.

Approval was given on the 27 April 1995 at a separate General Meeting of the holders of both classes of deferred shares and at an Extraordinary General Meeting of the ordinary shareholders for the cancellation of all the deferred shares and new deferred shares in issue. The sums attributable to the value of these shares were £387,511 and £3,610,257 respectively. Approval was also given at the same Extraordinary General Meeting to reduce the Share premium account by £8,393,720 so that the capital reduction in total would release £12,391,488 and enable the company to eliminate the deficit on its profit and loss account. An application was made to the High Court to confirm the Capital Reduction following the passing of the resolution and confirmation was received from the High Court on 4 July 1995.

Shares were allotted fully paid as follows:

- (a) On 12 July 1995 by way of a Rights Issue 9,833,260 ordinary shares were issued with a nominal value of £491,663 at 20p per share to satisfy the cash element of the consideration payable for the acquisition of Morris Springs Ltd and to provide additional finance for further investment in the Group's operations. This issue raised £1,966,652 before expenses of £216,184.
- (b) On 12 July 1995 1,000,000 ordinary shares with a nominal value of £50,000 were issued at 20p per share to the vendors of Morris Springs Ltd in part satisfaction of the consideration payable for the acquisition of Morris Springs Ltd.



# TURNPYKE GROUP plc

## REPORT OF THE DIRECTORS

continued

### Directors and their interests

As at 31 December 1995 and at the date of the report the directors of the company who served throughout the year except where noted were:

E J Cater, chairman

Charles A R Gillams, chief executive

Nigel L Purden, finance director (appointed 15 May 1995)

Ronald H Lamb, non-executive (appointed 24 June 1995)

R H Lamb M.A. (Oxon), aged 53, was a main board director of Pearson Plc between 1981 and 1983. When the glass interests of Pearson Plc were acquired in 1982 he joined the board of Solaglass International Limited and was managing director of Solaglass Limited until 1994. He is chairman of Highway Glass Ltd and Castle Corporation Ltd.

No contract existed either during or at the year end in which any director of the company was interested, except for the service contracts of Messrs Cater and Gillams which are dealt with in the remuneration committee report.

Mr N L Purden and Mr R H Lamb, having been appointed since the last annual general meeting, retire in accordance with the Articles of Association. Mr N L Purden being eligible offers himself for re-election at the AGM. Mr R H Lamb is not standing for re-election. Neither of these directors has a service contract with the company requiring more than 12 months notice of termination to be given.

The directors' interests in the ordinary shares of the Company at 31 December 1995 and at 1 January 1995 or date of appointment if later were:

	Beneficial holdings	
	1995	1994
Mr E J Cater	725,000	500,000
Mr C A R Gillams	692,000	500,000
Mr N L Purden	6,600	3,300
Mr R H Lamb	50,000	—

On 4 January 1996 Mr C A R Gillams acquired 35,000 ordinary shares in the company. As at the date of this report there has been no other change to the shareholdings of directors.

### Directors options

Options granted to N L Purden under the company's approved executive share option scheme are:

Ordinary shares at 15.05.95	Granted during the year	Ordinary shares at 31.12.95	Exercise price	Date exercisable from	Expiry date
10,476	—	10,476	6.68p	10.11.1996	10.11.2003
15,714	—	15,714	12.41p	08.06.1997	08.06.2004
20,952	—	20,952	11.45p	25.10.1997	25.10.2004
—	25,000	25,000	17.00p	16.10.1998	16.10.2005
47,142	25,000	72,142			

The market price of the ordinary shares at the 31 December 1995 was 14.00p. The lowest and highest prices during the year were in the range of 13.50p to 24.43p.

# TURNPYKE GROUP plc

## REPORT OF THE DIRECTORS

continued

None of the other directors hold share options.

The number of share options granted at the date of appointment and their respective prices have been restated to reflect the impact of the 1 for 1 rights issue which took place in June 1995 and have been reported upon by the auditors pursuant to rule 11 (5) of part iii of the share option scheme rules.

### Directors' share warrants

On 24 May 1995 Mr E J Cater and Mr C A R Gillams each exercised 91,938 warrants to subscribe for the same number of ordinary shares each, at par. At 31 December 1995 Mr E J Cater and Mr C A R Gillams each held warrants to subscribe for up to 584,375 ordinary shares at par up to the year 2001. The warrants held at 31 December 1995 reflect the adjustments required following the rights issue which took place in June 1995 and have been reported upon by the auditors pursuant to rule 5 of the warrant instrument. No other new warrants were issued during the year.

### Substantial shareholders

On 10 June 1996 the company had been notified of the following interests of 3 per cent or more in the company's ordinary share capital:

	Number	Percentage of ordinary share capital
Phildrew Nominees Limited	3,936,545	18.99
Capel-Cure Myers Nominees Limited	3,290,565	15.87
Imperial Pension Nominees Limited	1,105,850	5.33
J P M Nominees Limited	908,112	4.38
Messrs Hoare Trustees	708,112	3.42
Mr C A R Gillams	727,000	3.51
Mr E J Cater	725,000	3.50

### Disabled employees

It is the group policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitude in common with all employees.

### Employee involvement

Turnpyke Group plc recognises the importance of communicating with its employees and that their involvement is crucial to the success of the business.

### Charitable donations

The group made no charitable donations during the year (1994: nil).

### Directors' indemnity insurance

Directors' and officers liability insurance was purchased in August 1995 by the Company and remains in force at the date of this report.

### Corporate governance

Whilst the Board supports high standards of Corporate Governance, there are a number of areas, as detailed below, where the company at present does not comply with the Code of Best Practice as adopted by the London Stock Exchange. The directors consider the present arrangements to be more appropriate to the size and resources of the company.

# TURNPYKE GROUP plc

---

## REPORT OF THE DIRECTORS

---

continued

The Board currently comprises three executive directors and one non-executive director and is responsible to shareholders for the proper management of the Group. The Board considers it cannot yet justify more than one non-executive director but expects to review this position as soon as circumstances permit. Because of this, the remuneration and audit committees which were established on 30 June 1995 also do not comply with the Code in that they only comprise the one non-executive director (who chairs both committees) and the Chairman, except as explained in the Remuneration Committee report. The terms of reference of the Remuneration Committee are covered in their report. The terms of reference of the Audit Committee are:

- (a) To consider the appointment of the external auditors, the audit fee and any questions of resignations or dismissals.
- (b) To meet with the auditors twice a year.
- (c) To review the half-year and annual financial statements.
- (d) To discuss problems and reservations arising from the audit and any matters the auditors may wish to discuss.
- (e) To review any statement on internal control systems.

There is currently not a formal procedure for directors in the furtherance of their duties to take independent professional advice if necessary at the company's expense.

The directors have not constituted a nominations committee as they consider it preferable for nominations to be a matter for the Board as a whole.

### **Internal financial controls**

The directors acknowledge their responsibility for the Group's system of internal financial control of which the objectives are:

- (a) Safeguarding group assets.
- (b) Ensuring proper accounting records are maintained.
- (c) Ensuring that the financial information used within the business and for publication is reliable.

Responsibility for operating the internal financial control system is delegated by the Board to the Executive Directors. Obviously any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss and relates only to the needs of the business at that time.

The key procedures that have operated during the financial year are set out below.

The Board meets regularly at least ten times a year to review all aspects of the Group performance concentrating mainly on financial performance, business risks and development.

A number of matters are reserved for the Board's specific approval including major capital expenditure, banking, Group budgets and dividend policy.

There is a clearly defined organisational structure which is in the process of being reinforced by the phased implementation of a procedures manual, which lays down minimum levels of financial control to which each operating subsidiary must conform. The Group operates a comprehensive annual planning and budgeting process. The engineering operating subsidiaries hold monthly

# TURNPYKE GROUP plc

---

## REPORT OF THE DIRECTORS

---

continued

meetings chaired by the Group's Chief Executive for which a comprehensive financial reporting pack is prepared. Monthly reports are compared with the plan including appropriate cash flow information, and revised latest estimates are established. The financial results are then consolidated and presented to the Group Board which enables the Board to monitor variances against plan, identify risks, assess the implications and set down subsequent control procedures. The Board also receives reports on other important subjects such as banking, environmental issues, legal and insurance matters.

The Board have not formally reviewed the effectiveness of the systems of internal financial control since the Board's main concern has been to continue to turn round the business fortunes of the group, and to integrate the acquisition of Morris Springs Ltd.

### Going concern

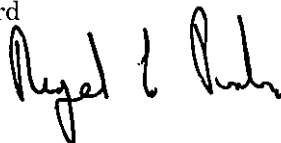
After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

### Auditors

On 1 February 1996 our auditors changed the name under which they practice to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

**N L Purden, FCA**  
*Secretary*



25 June 1996

# TURNPYKE GROUP plc

## REPORT OF THE REMUNERATION COMMITTEE

for the year ended 31 December 1995

### Introduction

The remuneration committee was formed by the Board on 30 June 1995 and is chaired by the company's only non-executive director, R H Lamb. The Company's Chairman, E J Cater is the other committee member.

The remuneration and emoluments of executive directors is decided by the committee, except that the Chief Executive, C A R Gillams, replaces the Chairman when the latter's remuneration and emoluments are under consideration. The Chairman and Chief Executive decide the emoluments of the non-executive director, who does not participate in bonus or share option schemes.

The terms of reference of the remuneration Committee are:

- (1) To determine on behalf of the Board and the shareholders the company's policy for executive remuneration and the individual remuneration packages for the executive directors and the Managing Directors of the subsidiary companies.
- (2) To endeavour to comply with the codes of best practice.

Remuneration packages are structured to reward and provide incentives to the executive directors based on their performance and taking into account the size of the company and the rewards to directors in similar sized companies.

### Service contracts

At 31 December 1995, the Chairman and Chief Executive each had contracts of service requiring two years notice of termination, it being considered that the notice period was appropriate to the circumstances of the company. However, in order to more fully comply with the Greenbury committee recommendations, it has been agreed that, with effect from 1 July 1996, their notice periods will revert to twelve months without compensation for this change. The Finance Director has a contract subject to six months' notice. No other director has a contract requiring more than twelve months' notice.

The non-executive director is not on a fixed term contract, but is subject to one month's notice. He is also required to submit himself to shareholders for re-election at regular intervals.

### Directors' emoluments

The directors emoluments are disclosed in note 4 to the financial statements.

No pension cost is shown as the company currently has a contribution holiday whilst the fund is in surplus.

Bonus payments were made under a bonus scheme which provided for payments on the following basis:

	Performance related bonuses £
Executive directors	
E J Cater (chairman)	4,500
C A R Gillams (chief executive)	5,000
N L Purden (finance director)	3,250
Non-executive director	
R H Lamb	—
	<hr/>
	12,750
	<hr/>

# TURNPYKE GROUP plc

## REPORT OF THE REMUNERATION COMMITTEE

for the year ended 31 December 1995 continued

The bonuses paid to Mr E J Cater and Mr C A R Gillams of £4,500 and £5,000 respectively were paid upon the successful completion of the acquisition of Morris Springs Ltd. The bonuses paid to Mr N L Purden of £3,250 comprised £2,000 upon the successful completion of the acquisition of Morris Springs Ltd and £1,250 for financial targets having been achieved.

Bonuses are included in pensionable earnings in accordance with the rules of the pension scheme which applies to all the members of the scheme.

Messrs Cater and Gillams were entitled to receive £50,000 and £55,000 per annum respectively under their contracts of service with effect from 1 May 1995. They did not, however, draw these sums and have each unconditionally waived £13,333 for the year ended 31 December 1995. They have continued to draw a lower salary in 1996. With effect from the 1 July 1996 their contracts are to be amended to show a salary of £39,000 and £45,000 respectively. Their contracts also provide for a salary increase of £9,000 and £10,000 per annum respectively after every acquisition by the Company up to a maximum of two acquisitions.

### Pensions for executive directors

The executive directors are members of one of the company's Inland Revenue approved retirement benefit schemes. The scheme is a non-contributory, funded, final salary occupational pension scheme. Executive directors are entitled to a pension based on annual earnings and length of pensionable service, subject to Inland Revenue limits.

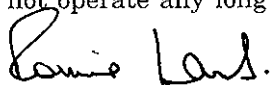
### Directors' interests in shares

Directors interests in shares are shown in the Report of the Directors. The company operates an approved share option scheme for executive directors and senior employees. The Chairman and Chief Executive also hold warrants to subscribe for shares pursuant to the Loan Agreement dated 11 May 1993, prior to their appointment and approved by shareholders on 7 October 1993.

### Long term incentive schemes

The Company does not operate any long term incentive schemes.

R H Lamb



*Chairman, Remuneration Committee*

25 June 1996

# TURNPYKE GROUP plc

## REVIEW REPORT TO TURNPYKE GROUP plc

by Deloitte & Touche on Corporate Governance Matters

In addition to and separate from our audit of the financial statements, we have reviewed the directors' statements on pages 10 to 12 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which are not disclosed. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

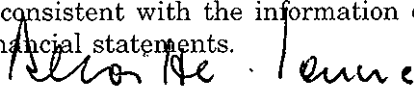
### Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures or on the ability of the company to continue in operational existence.

### Opinion

With respect to the directors' statement on internal financial control and going concern on pages 11 and 12, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 10 to 12 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review and is not inconsistent with the information of which we have become aware from our audit work on the financial statements.

  
**Deloitte & Touche**

*Chartered Accountants and  
Registered Auditors*

Birmingham

25 June 1996

# TURNPYKE GROUP plc

## — STATEMENT OF DIRECTORS' RESPONSIBILITIES — in Respect of the Financial Statements

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 of the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures 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.



# TURNPYKE GROUP plc

---

## REPORT OF THE AUDITORS

---

to the members of Turnpyke Group plc

We have audited the financial statements on pages 18 to 34 which have been prepared under the accounting policies set out on pages 23 and 24, and the detailed information disclosed in respect of share options and share warrants set out in the Report of the Directors on pages 9 and 10.

### **Respective responsibilities of directors and auditors**

As described on page 16 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 of the group at 31 December 1995 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

*Chartered Accountants and  
Registered Auditors*

Birmingham

25 June 1996

# TURNPYKE GROUP plc

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

	Notes	1995 £000	1994 £000
<b>Turnover</b>			
Continuing operations	2	2,572	2,899
Acquisition	2	1,125	—
Total turnover		3,697	2,899
Cost of sales	3	(2,759)	(2,108)
<b>Gross profit</b>		938	791
Distribution costs	3	(102)	(76)
Administration expenses	3	(650)	(555)
		(752)	(631)
Other operating income	3	23	65
<b>Operating profit</b>		149	225
Continuing operations		60	—
Acquisition		—	—
<b>Total operating profit</b>	4	209	225
Profit on disposal of tangible fixed assets		—	13
Bank interest		(54)	(89)
Other interest payable	6	(12)	(8)
<b>Profit on ordinary activities before taxation</b>		143	141
Taxation on profit on ordinary activities	7	(21)	—
<b>Profit on ordinary activities after taxation being the profit for the financial year</b>		122	141
<b>Dividend proposed on equity shares</b>	9	(83)	—
<b>Retained profit for the financial year</b>	21	39	141
<b>Earnings per ordinary share</b>	10	0.81p	1.59p
<b>Fully diluted earnings per ordinary share</b>	10	0.77p	—
<b>Dividend per share</b>	9	0.40p	—
<b>Dividend cover (times)</b>	9	1.47	—

There are no recognised gains and losses other than the profit retained for the year.

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Accordingly, a note of the historical cost profits and losses and a statement of total recognised gains and losses for the year are not given.

# TURNPYKE GROUP plc

## BALANCE SHEETS

as at 31 December 1995

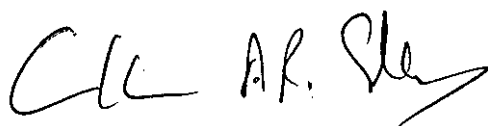
		Group		Company	
	Notes	1995 £000	1994 £000	1995 £000	1994 £000
<b>Fixed assets</b>					
Tangible assets	11	1,375	854	—	—
Investments	12	—	—	1,948	742
		<u>1,375</u>	<u>854</u>	<u>1,948</u>	<u>742</u>
<b>Current assets</b>					
Land held for resale or development	13	400	400	—	—
Stocks – springs and pressings	14	748	336	—	—
– residential property	14	119	—	—	—
Debtors	15	1,198	527	61	233
Deposit securing bank guaranteed loan notes	23	237	—	237	—
Cash at bank and in hand		—	—	1,369	574
		<u>2,702</u>	<u>1,263</u>	<u>1,667</u>	<u>807</u>
<b>Current liabilities</b>					
<b>Creditors: amounts falling due within one year</b>					
Bank guaranteed loan notes	23	(237)	—	(237)	—
Bank overdrafts		(559)	(780)	—	—
Other creditors	16	(1,492)	(652)	(286)	(75)
		<u>(2,288)</u>	<u>(1,432)</u>	<u>(523)</u>	<u>(75)</u>
<b>Net current assets/(liabilities)</b>		<u>414</u>	<u>(169)</u>	<u>1,144</u>	<u>732</u>
<b>Total assets less current liabilities</b>		<u>1,789</u>	<u>685</u>	<u>3,092</u>	<u>1,474</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(165)	—	—	—
<b>Provision for liabilities and charges</b>	19	—	—	(462)	(789)
		<u>1,624</u>	<u>685</u>	<u>2,630</u>	<u>685</u>
<b>Capital and reserves</b>					
Called up share capital	20	1,033	4,481	1,033	4,481
Share premium account	21	1,558	8,596	1,558	8,596
Revaluation reserve	21	330	332	—	—
Profit and loss account	21	(291)	(12,724)	39	(12,392)
		<u>2,630</u>	<u>685</u>	<u>2,630</u>	<u>685</u>
Goodwill reserve	21	(1,006)	—	—	—
<b>Total shareholders' funds are attributable to:</b>					
Equity shareholders' funds		<u>1,624</u>	<u>685</u>	<u>2,630</u>	<u>685</u>
Non equity shareholders' funds		—	—	—	—
<b>Total shareholders' funds</b>		<u>1,624</u>	<u>685</u>	<u>2,630</u>	<u>685</u>

The financial statements were approved by the board of directors on 25 June 1996 and signed on its behalf by:

C A R Gillams

Director

25 June 1996



# TURNPYKE GROUP plc

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1995

		1995	1994
	Notes	£000	£000
Net cash (outflow)/inflow from operating activities	1	(204)	32
<b>Returns on investments and servicing of finance</b>			
Interest paid		(66)	(97)
Net cash outflow from returns on investments and servicing of finance		(66)	(97)
<b>Investing activities</b>			
Payments to acquire tangible fixed assets		(105)	(44)
Purchase of subsidiary undertaking (net of cash and cash equivalents)	5	(939)	—
Acquisition expenses	5	(96)	—
Receipts from sale of tangible fixed assets		—	26
Receipts from sale of property held for resale		—	440
Bank guarantee deposits	5	(237)	—
Net cash (outflow)/inflow from investing activities		(1,377)	422
Net cash (outflow)/inflow before financing		(1,647)	357
<b>Financing</b>			
Issue of ordinary share capital (including share premium)	2	1,975	93
Share issue expenses	2	(119)	—
Increase/(reduction) in finance lease and hire purchase contract balances	2	12	(28)
Net cash inflow from financing		1,868	65
Increase in cash and cash equivalents	3	221	422

# TURNPYKE GROUP plc

## — NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT —

for the year ended 31 December 1995

	1995 £000	1994 £000
<b>Note 1</b>		
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities		
Operating profit	209	225
Depreciation charges	96	90
Increase in stock	(300)	(119)
(Increase)/decrease in debtors	(230)	34
Increase/(decrease) in creditors	21	(79)
Profit on sale of property held for resale	—	(119)
Net cash (outflow)/inflow from operating activities	<u>(204)</u>	<u>32</u>

### Note 2

Analysis of changes in financing during the year:

	Finance leases and hire purchase obligations 1995 £000	Finance leases and hire purchase obligations 1994 £000	Share capital (including premium) 1995 £000	Share capital (including premium) 1994 £000
Balance at 1 January	20	48	13,077	10,573
Capital reduction	—	—	(12,392)	—
Transfers	—	—	—	2,321
Shares issued	—	—	1,975	183
Share issue expenses	—	—	(119)	—
Subsidiary acquired	43	—	50	—
Cash inflow/(outflow) from financing	12	(28)	—	—
Balance at 31 December	<u>75</u>	<u>20</u>	<u>2,591</u>	<u>13,077</u>

	1995 £000	1994 £000
<b>Note 3</b>		
Analysis of the changes in cash and cash equivalents during the year		
Balance at 1 January	(780)	(1,202)
Net cash inflow	<u>221</u>	<u>422</u>
Balance at 31 December	<u>(559)</u>	<u>(780)</u>

### Note 4

Cash and cash equivalents:

The balance for cash and cash equivalents is represented entirely by bank overdrafts of £559,000 (1994: £780,000).

# TURNPYKE GROUP plc

## — NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT — for the year ended 31 December 1995 continued

	1995 £000	1994 £000
<b>Note 5</b>		
Purchase of subsidiary undertaking		
Net assets acquired:		
Fixed assets	512	—
Stocks	232	—
Debtors	441	—
Bank overdraft	(276)	—
Creditors	(826)	—
Finance lease and hire purchase obligations	(43)	—
	<u>40</u>	<u>—</u>
Goodwill	1,156	—
Acquisition costs	(96)	—
	<u>1,100</u>	<u>—</u>
Satisfied by:		
Cash	663	—
Shares issued	200	—
Loan notes	237	—
	<u>1,100</u>	<u>—</u>

The subsidiary undertaking acquired during the year contributed £71,530 (1994: £nil) to the group's net operating cash flows and paid £13,787 (1994: £nil) in respect of net returns on investments and servicing of finance.

### Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertaking.

	1995 £000	1994 £000
Cash consideration	663	—
Bank overdraft of acquired subsidiary undertaking	276	—
	<u>939</u>	<u>—</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertaking		

### Note 6

#### Material non cash transactions

During the year the company carried out a capital reorganisation and capital reduction. Details are given in note 20 to the accounts. During 1994 £90,000 of loans were converted into ordinary share capital.

Details are given in note 20 of the accounts.

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

### 1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

#### *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.

#### *Basis of consolidation*

The consolidated accounts include the company and all its subsidiary undertakings. The results of subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the date of their acquisition, being the date when control passed. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

#### *Goodwill*

Purchased goodwill, being the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separate net assets, is written off immediately against reserves. A separate negative goodwill reserve has been created in the group balance sheet for the purposes of writing off the goodwill net of merger relief.

#### *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 & machinery	- at 6.66%, 10% and 20% per annum
Fixtures and office equipment	- at 10.00% and 16.66% per annum
Computers	- at 16.66% and 33.3% 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.

#### *Stocks and work in progress*

Stocks and work in progress is stated at the lower of 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 product 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.

Residential property work in progress is the direct cost incurred in the construction of residential homes.

#### *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.

#### *Land held for resale or development*

Land held for resale and development is included at the lower of cost and net realisable value based on existing use valuation.

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

### *Residential property*

Turnover and profit on newly constructed homes are taken on legal completion.

### *Investments*

Shares in group companies are included at the underlying value of their net assets or at the cost of acquisition. Provision is made for the net liabilities of subsidiary companies as shown in note 19.

### *Pensions*

The Group operates two defined benefit and one defined contribution pension schemes.

The costs of the defined contribution scheme are charged to the profit and loss account as incurred.

The contributions to the defined benefit schemes are made in accordance with the recommendations of the actuaries.

## 2. Turnover and segmental analysis

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

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

	Turnover		Profit before taxation	
	1995	1994	1995	1994
	£000	£000	£000	£000
By Activity:				
Continuing operations:				
Manufacture and sale of springs	2,572	2,459	159	111
Property	—	440	10	93
	2,572	2,899	169	204
Acquisition:				
Manufacture and sale of springs	1,125	—	46	—
Less unallocated administrative expenses and interest	—	—	(72)	(63)
	3,697	2,899	143	141
	Continuing operations	Acquisition	1995 Total	1994 Total
	£000	£000	£000	£000
Turnover by customer location				
United Kingdom and Republic of Ireland	2,238	762	3,000	2,624
Other EU	164	55	219	81
Rest of Europe	22	—	22	16
North America	—	308	308	—
Asia	148	—	148	176
Other	—	—	—	2
	2,572	1,125	3,697	2,899
Capital employed by activity before bank debt	£000	£000	£000	£000
Manufacture and sale of springs	1,351	386	1,737	1,121
Property	446	—	446	344
	1,797	386	2,183	1,465

The 1994 profit, turnover and capital employed were all derived from continuing operations.



# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

	1995 Continuing operations	1995 Acqui- sition	1995 Total	1994 Total
	£000	£000	£000	£000
<b>3. Cost of sales and operating costs</b>				
Cost of sales	1,892	867	2,759	2,108
Distribution costs	90	12	102	76
Administration costs	464	186	650	555
Other operating income	23	—	23	65

The 1994 cost of sales and operating costs were all derived from continuing operations.

	1995 £000	1994 £000
<b>4. Operating profit</b>		
(a) This is stated after charging:		
Auditors' remuneration— audit services	17	12
— other services	3	3
Depreciation of owned assets	78	76
Depreciation of assets held under finance lease and hire purchase contracts	18	14
Operating lease rentals – land and buildings	—	8
— motor vehicles	14	14
— office equipment	2	3
Redundancy and termination costs	10	12
(b) Directors' remuneration		
Fees	—	9
Other emoluments	110	42
	<b>110</b>	<b>51</b>

	Basic salary £000	Performance related bonuses £000	Pension scheme contri- butions £000	Benefits in kind £000	Total 1995 £000	Total 1994 £000
<b>Directors' emoluments</b>						
Executive directors						
E J Cater (chairman)	30	4	—	5	39	25
C A R Gillams (chief executive)	35	5	—	3	43	26
N L Purden (finance director)	18	3	—	2	23	—
Non-executive director						
R H Lamb	5	—	—	—	5	—
	<b>88</b>	<b>12</b>	<b>—</b>	<b>10</b>	<b>110</b>	<b>51</b>

### Emoluments of the chairman

	1995 £000	1994 £000
Mr E J Cater	39	25

The emoluments of the highest paid director during the year were £43,030 (1994: £25,979).

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

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

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

	1995 No.	1994 No.
£nil —£ 5,000	—	1
£ 5,001—£10,000	1	—
£20,001—£25,000	1	1
£25,001—£30,000	—	1
£35,001—£40,000	1	—
£40,001—£45,000	1	—

Two directors have each unconditionally waived £13,333 of emoluments for the year ended 31 December 1995. This arrangement has continued into the next financial year.

	1995 £000	1994 £000
<b>5. Staff costs</b>		
Wages and salaries	1,364	880
Social security costs	102	69
Pension costs — defined contribution	19	—
	<u>1,485</u>	<u>949</u>

The average number of employees (including directors) during the year was made up as follows:

	1995	1994
Management	4	4
Administration	24	10
Production	134	59
Sales	10	5
	<u>172</u>	<u>78</u>

The number of employees (including directors) at 31 December 1995 was made up as follows:

Management	5
Administration	23
Production	136
Sales	11
	<u>175</u>

### 6. Other interest payable

	1995 £000	1994 £000
Finance lease and hire purchase contracts	6	4
Directors' loans	—	4
Loan notes	6	—
	<u>12</u>	<u>8</u>

### 7. Taxation

The taxation charge is made up as follows:

	1995 £000	1994 £000
Irrecoverable ACT	21	—

There is no tax charge other than the irrecoverable ACT due to the availability of trading losses brought forward. In addition there are losses within the holding company and certain subsidiaries which are available for relief against future profits of the same trade of £5,073,251.

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

### 8. 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 profit after taxation dealt with in the accounts of the holding company amounted to £122,000 (1994: £141,000).

### 9. Dividends

	1995	1994
Ordinary shares	£000	£000
Final 0.4p per share proposed (1994: £nil)	83	—

Dividend cover is the profit after tax of £122,000 divided by the dividends for the year of £83,000.

### 10. Earnings per ordinary share

The earnings per ordinary 5p share, calculated on the group profit after taxation of £122,000 (1994: £141,000) and a weighted average number of shares in issue during the year of 15,138,771 (1994: 8,424,425) is 0.81p (1994: 1.59p). The fully diluted earnings per ordinary share, calculated on the group profit after taxation of £129,000 and on a weighted average number of shares in issue during the year of 16,668,590 is 0.77p. The fully diluted earnings per share is calculated on the assumption that the warrants and options held by directors and senior employees are exercised. The 1994 comparative figure for earnings per share has been restated for the impact of the rights issue.

11. Tangible fixed assets	Freehold land and buildings £000	Plant and machinery £000	Fixtures computers and office equipment £000	Motor vehicles £000	Total £000
(a) Group					
Cost or valuation:					
At 1 January 1995	659	388	314	29	1,390
Subsidiary acquired	400	914	43	55	1,412
Additions	—	52	17	36	105
Disposals	—	(1)	—	(6)	(7)
At 31 December 1995	1,059	1,353	374	114	2,900
Depreciation:					
At 1 January 1995	97	164	270	5	536
Subsidiary acquired	—	845	36	19	900
Charge for year	7	60	12	17	96
Disposals	—	(1)	—	(6)	(7)
At 31 December 1995	104	1,068	318	35	1,525
Net book value at 31 December 1995	955	285	56	79	1,375
Net book value at 31 December 1994	562	224	44	24	854

Freehold land and buildings include an amount valued at an open market valuation of £658,656 on 31 December 1987 less subsequent depreciation of £102,347. If these assets had not been revalued the amount at which they would be carried in the balance sheet at 31 December 1995 would be cost £289,269 (1994: £289,269) less depreciation of £62,915 (1994: £59,612).

Included in freehold land and buildings is land valued at £640,000 (1994: £390,000) which is not depreciated.

Freehold land and buildings include an amount of £400,000 which was acquired with the purchase of the subsidiary in the year. This was valued during the year at an open market value of £400,000 on an existing use basis by Chesterton Plc. This valuation was less than the original net book value of £457,000.

The total net book value of fixed assets includes £102,865 (1994: £54,232) of assets held under finance leases and hire purchase contracts.

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

### 11. Tangible fixed assets (continued)

#### (b) Company

No tangible fixed assets were held by the company at 31 December 1994 or 31 December 1995.

### 12. Fixed assets: investments in shares in subsidiaries

Company  
£000

Cost:

At 1 January 1995

2,501

Acquisition

1,046

At 31 December 1995

3,547

Provisions:

At 1 January 1995

1,759

Released during the year

(160)

At 31 December 1995

1,599

Net book value at 31 December 1995

1,948

Net book value at 1 January 1995

742

The principal subsidiary undertakings of Turnpyke Group plc and their activities were as follows at 31 December 1995:

	Holding	Proportion held	Nature of business
The West Bromwich Spring Ltd	ordinary shares	100%	manufacture of springs
Morris Springs Ltd	ordinary and preference shares	100%	manufacture of springs
Beeley Wood Properties Ltd	ordinary shares	100%	property development

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

### 13. Land held for resale or development

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Cost on 1 January	1,339	2,903	—	—
Disposals in the year	—	(1,564)	—	—
Cost at 31 December	1,339	1,339	—	—
Provision for diminution in value at 1 January	(939)	(2,182)	—	—
Disposals in year	—	1,243	—	—
Provision for diminution in value at 31 December	(939)	(939)	—	—
Net book value at 31 December	400	400	—	—

Land held for resale or development at 31 December 1995 is held at the directors' valuation made in 1993. It is the opinion of the directors, having taken professional advice, that this valuation is still appropriate.

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

### 14. Stocks

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Springs and pressings				
Raw materials and consumables	292	146	—	—
Work in progress	275	74	—	—
Finished goods	181	116	—	—
	<u>748</u>	<u>336</u>	<u>—</u>	<u>—</u>
Residential property				
Work in progress	119	—	—	—
	<u>867</u>	<u>336</u>	<u>—</u>	<u>—</u>

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

### 15. Debtors

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Trade debtors	1,163	486	—	—
Amounts owed by subsidiary undertakings	—	—	46	207
Prepayments	35	41	15	26
	<u>1,198</u>	<u>527</u>	<u>61</u>	<u>233</u>

### 16. Creditors

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Amounts falling due within one year				
Trade creditors	929	373	—	—
Amounts owed to subsidiary undertakings	—	—	136	—
Advance corporation tax payable	21	—	21	—
Other taxes and social security	123	84	—	—
Other creditors	65	13	—	—
Accruals	237	162	46	75
Finance lease and hire purchases contracts (note 18)	34	20	—	—
Proposed dividend	83	—	83	—
	<u>1,492</u>	<u>652</u>	<u>286</u>	<u>75</u>

The bank overdrafts are secured by fixed and floating charges over all the assets of the group.

### 17. Creditors

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Amounts falling due after one year				
Finance lease and hire purchase contracts (note 18)	41	—	—	—
Other creditors	124	—	—	—
	<u>165</u>	<u>—</u>	<u>—</u>	<u>—</u>

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

### 18. Obligations under finance leases and hire purchase contracts

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Amount payable: within one year	44	21	—	—
within one to two years	32	—	—	—
within two to five years	12	—	—	—
	<u>88</u>	<u>21</u>	<u>—</u>	<u>—</u>
Less finance charges allocated to future periods	(13)	(1)	—	—
	<u>75</u>	<u>20</u>	<u>—</u>	<u>—</u>
Finance leases are analysed as follows:				
Current obligations	34	20	—	—
Non-current obligations	41	—	—	—
	<u>75</u>	<u>20</u>	<u>—</u>	<u>—</u>

### 19. Provision for liabilities and charges

#### Group

The amount of deferred tax provided in the financial statements is:

	1995	1994
	£000	£000
Capital allowances in excess of depreciation	78	63
Other short-term timing differences	(19)	(2)
Losses	(59)	(61)
	<u>—</u>	<u>—</u>

No provision has been made for deferred taxation on revalued properties, since no liability is expected to arise. There is no deferred tax provision in respect of the company.

	As at 31 December 1995	Release in the year £000	As at 31 December 1994
Company	£000	£000	£000
Provision for net liabilities in subsidiary undertaking	<u>462</u>	<u>327</u>	<u>789</u>

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

### 20. Share capital

	Authorised		Authorised	
	1995	1995	1994	1994
	No. of		No. of	
	shares		shares	
	'000	£000	'000	£000
<b>Group and Company</b>				
Deferred shares of 10p	—	—	3,875	388
Ordinary shares of 5p	25,000	1,250	17,668	883
New deferred shares of 9.9p	—	—	36,467	3,610
		<u>1,250</u>		<u>4,881</u>
	Allotted and		Allotted and	
	fully paid		fully paid	
	1995	1995	1994	1994
	No. of		No. of	
	shares		shares	
	'000	£000	'000	£000
Deferred shares of 10p	—	—	3,875	388
Ordinary shares of 5p	20,667	1,033	9,649	483
New deferred shares of 9.9p	—	—	36,467	3,610
		<u>1,033</u>		<u>4,481</u>

On 24 May 1995 Messrs E J Cater and C A R Gillams each exercised 91,938 warrants to subscribe for 91,938 ordinary shares at par.

During the year, the company carried out a rights issue, capital reorganisation and capital reduction as follows:

On 27 April 1995 the authorised ordinary share capital was increased by £366,614 to £1,250,000 by the creation of 7,332,280 new ordinary shares of 5p each.

Approval was given on the 27 April 1995 at a separate General Meeting of the holders of both classes of deferred shares and at an Extraordinary General Meeting of the ordinary shareholders for the cancellation of all the deferred shares and new deferred shares in issue. The sums attributable to the value of these shares being £387,511 and £3,610,257 respectively. Approval was also given at the same Extraordinary General Meeting to reduce the share premium account by £8,393,720 so that the capital reduction in total would release £12,391,488 and enable the company to eliminate the deficit on its profit and loss account. An application was made to the High Court to confirm the Capital Reduction following the passing of the resolution and confirmation was received from the High Court on 4 July 1995.

Shares were allotted fully paid as follows:

- On 12 July 1995 by way of a Rights Issue 9,833,260 ordinary shares were issued with a nominal value of £491,663 at 20p per share to satisfy the cash element of the consideration payable for the acquisition of Morris Springs Ltd and to provide additional finance for further investment in the Group's operations. This issue raised £1,966,652 before expenses of £216,184.
- On 12 July 1995 1,000,000 ordinary shares were issued with a nominal value of £50,000 at 20p per share to the vendors of Morris Springs Ltd in part satisfaction of the consideration payable to purchase the whole of the issued share capital of Morris Springs Ltd.

The deferred shares and new deferred shares which were cancelled in the year, were classified as non-equity shareholders' funds in 1994.

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

The share options in issue to all employees at 31.12.95 were as follows:

Ordinary shares at 1.1.95	Granted during the year	Ordinary shares at 31.12.95	Exercise price	Date exercisable from	Expiry date
36,666	—	36,666	6.68p	10.11.1996	10.11.2003
54,999	—	54,000	12.41p	08.06.1997	08.06.2004
41,904	—	41,904	11.45p	25.10.1997	25.10.2004
—	227,500	227,500	17.00p	16.10.1998	16.10.2005
<u>133,569</u>	<u>227,500</u>	<u>361,069</u>			

The number of share options granted at 1.1.95 and their respective prices have been restated to reflect the impact of the 1 for 1 rights issue which took place in June 1995 and have been reported upon by the Group's auditors pursuant to rule 11(5) of part iii of the share option scheme rules.

### 21. Reconciliation of movements in shareholders' funds and reserves

Group	Share capital £000	Share premium account £000	Revaluation reserve £000	Merger reserve £000	Goodwill reserve £000	Profit & loss account £000	Total share- holders' funds £000
As at 1.1.95	4,481	8,596	332	—	—	(12,724)	685
Depreciation on revalued assets	—	—	(2)	—	—	2	—
Profit for the year	—	—	—	—	—	39	39
Elimination on capital reduction	(3,998)	(8,394)	—	—	—	12,392	—
Rights issue	491	1,475	—	—	—	—	1,966
Rights issue expenses	—	(119)	—	—	—	—	(119)
Exercise of warrants	9	—	—	—	—	—	9
Goodwill arising on acquisition	—	—	—	(150)	(1,006)	—	(1,156)
Shares issued on acquisition	50	—	—	150	—	—	200
As at 31.12.95	<u>1,033</u>	<u>1,558</u>	<u>330</u>	<u>—</u>	<u>(1,006)</u>	<u>(291)</u>	<u>1,624</u>
<b>Company</b>							
As at 1.1.95	4,481	8,596	—	—	—	(12,392)	685
Profit for the year	—	—	—	—	—	39	39
Elimination on capital reduction	(3,998)	(8,394)	—	—	—	12,392	—
Rights issue	491	1,475	—	—	—	—	1,966
Rights issue expenses	—	(119)	—	—	—	—	(119)
Exercise of warrants	9	—	—	—	—	—	9
Shares issued on acquisition	50	—	—	—	—	—	50
As at 31.12.95	<u>1,033</u>	<u>1,558</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>39</u>	<u>2,630</u>

The aggregate amount of goodwill written off through reserves is £1,374,000 (1994: £218,000).



# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

### 22. Commitments under operating leases

The group is committed to making the following payments during the next year under non-cancellable operating leases.

	1995 Motor vehicles and other £000	1994 Motor vehicles and other £000
<b>Group</b>		
Date of lease termination:		
Within one year	2	5
Within two to five years	7	21
	<u>9</u>	<u>26</u>

### 23. Acquisition during the year

On 12 July 1995 the group acquired the entire issued share capital of Morris Springs Ltd for a consideration of £1,196,000 (including costs). This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition is £1,156,000. After claiming merger relief of £150,000, £1,006,000 has been carried forward in the balance sheet as goodwill reserve.

The following table explains the adjustments made to the book value of the major categories of assets and liabilities acquired to arrive at the fair value included in the consolidated financial statements at the date of acquisition.

	Analysis of Net Assets Acquired				Fair value to the group £000
	Book Value £000	Revaluations £000	Accounting policy alignments £000	Other adjustments £000	
Tangible fixed assets	632	(55)	(54)	(11)	512
Current assets	721	-	(49)	-	672
Creditors and provisions	(763)	-	(16)	(89)	(868)
Bank overdraft	(276)	-	-	-	(276)
	<u>314</u>	<u>(55)</u>	<u>(119)</u>	<u>(100)</u>	<u>40</u>
Consideration					£000
Shares issued					200
Cash					663
Bank guarantee loan notes					237
					<u>1,100</u>
Costs					215
					<u>1,315</u>
Rights issue expenses					(119)
					<u>1,196</u>
Fair value of net assets acquired					(40)
Goodwill					1,156
Merger relief under S131 of Companies Act 1985					(150)
					<u>1,006</u>

The bank guarantee loan notes are redeemable on 12 July 1997 or at any time at the discretion of the holders after 12 July 1996.

# TURNPYKE GROUP plc

## NOTES TO THE ACCOUNTS

continued

Morris Springs Ltd loss after tax and dividends of £13,367 for the period 1 March 1995 to 12 July 1995 was £47,995. For the 6 months ended 25 February 1995 the profit after tax and dividends of £10,389 was £59,335.

1,000,000 5p ordinary shares with a nominal value of £50,000 were issued at a price of 20p as part of the consideration for the purchase of Morris Springs Ltd. The group has taken advantage of S131 of the Companies Act 1985 in respect of the premium arising of £150,000 and claimed merger relief deducting the amount from the goodwill arising.

### 24. Pensions

The group operates two defined benefit and one defined contribution pension schemes for its employees. The assets of all three schemes are held separately from those of the company in independently administered funds.

The contributions to the defined benefit 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 scheme is administered by General Accident Life Assurance Limited.

The market value of the scheme's assets was £613,000 at 5 April 1995 and the actuarial value of the assets was sufficient to cover 220% 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	8.5%
Rate of salary increase	7.0%

The scheme is administered by The Standard Life Assurance Company.

The market value of the scheme's assets was £752,000 at 5 April 1995 and the actuarial value of the assets was sufficient to cover 124% of the benefits that had accrued to members after allowing for the future increases in their earnings.

Due to the accumulated surpluses in the defined benefit pension funds, the group has not made any contributions since late in 1992 and intends to continue its pension holidays on both schemes until the next actuarial valuations.

### 25. 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 disclosed in the financial statements.

### 26. Contingencies

#### 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. At 31 December 1995 this amounted to £559,000 (1994: £780,000).

### 27. Capital commitments

Amounts contracted for but not provided in the accounts amounted to £153,000 for the group and nil for the company (1994: £5,694 for the group and nil for the company). Amounts authorised by the directors but not contracted for were £18,450 for the group and nil for the company (1994: £3,250 for the group and nil for the company).

# TURNPYKE GROUP plc

## NOTICE OF ANNUAL GENERAL MEETING

**Notice is hereby given** that the ninety first annual general meeting of Turnpyke Group plc will be held at the offices of Edge & Ellison, Rutland House, 148 Edmund Street, Birmingham B3 2JR, on Wednesday, 31 July 1996 at 2.00 pm for the following purposes:

### **As ordinary business:**

1. To receive and adopt the financial statements for the year ended 31 December 1995 together with the reports of the directors and auditors.
2. To approve the payment of the proposed final dividend of 0.4 pence (net) per ordinary share in respect of the year ended 31 December 1995.
3. To re-elect as a Director of the company Mr N L Purden who has been appointed since the last Annual General Meeting.
4. To re-appoint Deloitte & Touche as auditors and to authorise the directors to determine their remuneration.

### **As special business: To be proposed as an ordinary resolution.**

5. That
  - (a) the authorised ordinary share capital of the Company be increased from £1,250,000 to £1,325,000 by the creation of 1,500,000 new ordinary shares of 5p each ranking *pari passu* in all respects with the existing ordinary shares of 5p each in the capital of the Company.
  - (b) the directors be and they are hereby granted an unconditional authorisation pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities of the Company up to an aggregate nominal amount of £288,531 provided that such authority shall expire at the conclusion of the next annual general meeting of the Company save that the Company may before such expiry make any 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 offer or agreement as if this authority had not expired and this authority shall replace any previous authorities which are hereby revoked (save to the extent that any of them have been exercised or agreed to be exercised prior to the taking effect of this authority).

### **As special business: To be proposed as a special resolution.**

6. That the directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities for cash pursuant to the general authority conferred upon them under resolution 5 above 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:
  - (a) 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

# TURNPYKE GROUP plc

## NOTICE OF ANNUAL GENERAL MEETING

continued

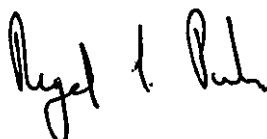
for cash pursuant to such arrangement, in the proportion (as nearly as may be) to such holders' holdings of shares (or, as appropriate, to the numbers of such shares which such holders are for the purpose deemed to hold) subject to such exclusions or other arrangements as the directors may consider necessary 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

- (b) to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £55,491 being approximately 5 per cent of the nominal value of the issued ordinary share capital of the Company as it will be following subscription for the warrants and share options 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



25 June 1996

Registered Office:

George Street

West Bromwich B70 6NA

### 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 company's registrars at Lloyds Bank Plc, Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN99 6DA 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.