

331803

Annual Report and Accounts 1999



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ActionLeisure plc

ActionLeisure is a growing distribution group focused on leisure markets.

Our motorcycle division consists of the largest mail order distributor of motorcycle spare parts and accessories in the United Kingdom, a leading distributor of similar products in Germany, retail outlets for these products in the United Kingdom and dealerships holding a wide range of motorcycle manufacturer franchises.

Our leisure marine division manufactures and distributes marine equipment through wholesale, retail and mail order channels.

Our bicycle and fitness division is a wholesale distributor of bicycles and of general cycle parts and accessories. Through Pulse Fitness, it is a leading manufacturer of fitness equipment in the United Kingdom and a major supplier of fitness facility management services to local authorities.

The Internet division specialises in the marketing, sale and promotion of products and services through the Internet.

Officers and professional advisors

Directors

Arild Nerdrum (*Executive Chairman*)
Martin E Ellison (*Finance*)
Giles E C Andrews (*E-commerce*)
Stanley J. Hartill (*Motorcycle Division*)

Guenter Bolte (*Non Executive*) Age 64. Appointed to the Board in May 1999. Former Director of Jacobs Suchard AG and ED&F MAN Limited.

Christopher Outram (*Non Executive*) Age 51. Appointed to the Board in May 1999. Partner OC&C Strategy Consultants.

Abdullah Hassan Al-Rostamani (*Non Executive*) Age 68. Appointed to the Board in January 1996. Chairman of the Al-Rostamani Group, a conglomerate established in the United Arab Emirates.

None of the Directors can be considered to be independent due to their shareholdings and share options in the Company.

Secretary

Martin E Ellison

Registered Office (registered no. 331803)

Hill House, 5 Holywell Hill, St Albans,
Hertfordshire AL1 1EU

Auditors

Ernst & Young, 400 Capability Green, Luton,
Bedfordshire LU1 3LU

Stockbrokers

Peel Hunt & Co Limited
62 Threadneedle Street, London, EC2R 8HP

Bankers

Lloyds Bank plc
56 High Street, Marlow, Buckinghamshire, SL7 1AJ

Barclays Bank plc
Eagle Point, 1 Capability Green, Luton,
Bedfordshire, LU1 3US

Solicitors

Macfarlanes
10 Norwich Street, London EC4A 1BD

Registrars and Transfer Office

Connaught St Michaels Limited
PO Box 30, Cresta House, Alma Street, Luton,
Bedfordshire, LU1 2PU

Chairman's Statement

The results for the year under review are in line with the forecast made at the time of the rights issue prospectus in December 1999. Turnover for the twelve months ending 31 December 1999 totalled £69.2 million (1998: £71.7 million); operating profits before amortisation of goodwill amounted to £914,000 (1998: £4.7 million) and the results before amortisation and after taxation show a loss of £201,000 as against a profit of £4.8 million last year. As previously advised, the Board is not proposing to recommend the payment of a final dividend.

The redefining of the group structure over the past two and a half years led to the proposal to change the Company's name to one which more closely represents the operating activities. Accordingly, the Company changed its name from Caverdale Group plc to ActionLeisure plc, by special resolution, on 10th January 2000.

We announced in July last year that the costs associated with the restructuring of our motorcycle accessories business in the United Kingdom had been higher than expected and had caused a number of operational problems which combined to produce disappointing trading results. Additionally, in October we suffered a fire in a major warehouse which further disrupted trading. We are now in a period of consolidation where the emphasis is on operating performance and profitability rather than volume growth; we have also effected a number of changes in the management of the business and we have completed alterations to certain facilities mainly involving an increase in retailing space relative to storage. I am confident that the benefits of these changes will become apparent this year.

In Germany, Goetz GmbH continues to progress under a new management team, systems have been modernised and cost controls tightened. Several exciting new marketing initiatives have been launched and the year 2000 mail order catalogue has been well received in the market place; we remain confident that this business will be an important future contributor to group profits as well as playing a central role in our overall European fulfilment capabilities.

I am delighted to report that our leisure marine division continued to perform well and has more than doubled in size through acquisitions completed during the year. Our expansion means that we are today the largest mail order distributor of marine chandlery in the United Kingdom and we operate the largest retail chain. Our leisure marine division is also now in a period of consolidation where management structures, facilities and systems are being prepared for the next phase of growth.

Crabtree Sports and Leisure Limited had another successful year enjoying increasing benefits from its new warehouse facility. Pulse Fitness Limited continued on the road to a full recovery with profits ahead of expectations.

In March of this year we announced our intention to float our Internet subsidiary; this undoubtedly

represents a most important development in the group and we will ensure that our shareholders are able to participate directly in its success. Further information will be made available in due course but in the meantime I am pleased to report that our e-commerce business is growing rapidly. Despite recent stock market gyrations, I am confident that properly conceived projects seeking to exploit the advantages of the Internet as applied to established businesses, such as ours, will continue to attract considerable investment interest.

In May of last year Guenter Bolte joined our Board as a non-executive director. Guenter has considerable experience in international business having been a member of the Generaldirektion of Jacobs Suchard for many years prior to its sale to Philip Morris; he was also a director of ED&F Man for a number of years. In March of this year, Stan Hartill joined the Board as an executive director; Stan has been with the group since the acquisition in 1994 of Godfrey Davis where he was managing director.

Every year, I take this opportunity to thank our staff for their great efforts and the past year has been no exception; indeed, their determination and energy has allowed us to focus our attention to the future expansion of the group. Therefore, unless the overall economy experiences a material reversal, I am confident that we are back on track.

Arild Nerdrum
Executive Chairman

14 April 2000

Finance director's report

Group performance

The turnover of the Group in 1999 was £69.2 million (1998 £71.7 million) and reflected the first full year of activity exclusively in the leisure sectors following the change of corporate direction which commenced with the disposal of the Motor Retailing division in 1997 and continued with the sale of the Industrial Products division in 1998. The trading period produced a profit before interest and tax of nearly £1 million compared with a profit, before the transaction profit related to the disposal of the Industrial Products division, of £4.7 million in 1998. The total Group interest cost was £1.6 million compared with £1.0 million in 1998.

The loss per share was 2.0p per share compared to the earnings per share of 16p in 1998. The interim dividend of 2.25p per share was paid on 1 October 1999; the directors do not recommend a final dividend. This compares with a total dividend of 4.5 pence for 1998.

Funding and cashflow

The continued development of the new Group utilised £2.2 million in capital expenditure on the purchase of fixed assets and £3.1 million for the purchase of subsidiaries and businesses together with their associated borrowings. The activities of Pulse Fitness, which include the sale and installation of gymnasium equipment in local authority sites and providing back-to-back funding extended to Pulse by leasing companies, were responsible for £3.9 million of debt at 31 December 1999.

During the year 1,060,829 ordinary shares were issued in connection with the consideration for all acquisitions.

Financial instruments

The group's principal financial instruments comprise bank loans, debentures, finance leases and hire purchase contracts and cash. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

The group also enters into derivative transactions (principally forward currency contracts). The purpose is to manage the currency risks arising from the group's operations and its sources of finance.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board has policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of 1999.

Interest rate risk

The group borrows in desired currencies at both fixed and floating rates of interest to generate the desired interest profile. The group's exposure to interest fluctuations will continue to be monitored.

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans, debentures, finance leases and hire purchase contracts. Short term flexibility is achieved by overdraft facilities.

Foreign currency risk

As a result of the significant investment in operations in Germany, the group's balance sheet can be affected by movements in the German DM/Sterling exchange rates. The group seeks to mitigate the effect of this structural currency exposure by borrowing in German currency.

The group also has transactional currency exposures. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Year 2000 compliance

The Group successfully implemented Millennium compliant systems across the Group prior to 31 December 1999 and experienced no system failures. However the Group is continuing to monitor the potential risk both within the Group and with our suppliers.

Martin E. Ellison
Group Finance Director
14 April 2000

Directors' report

The Directors present their report, together with the financial statements for the year ended 31 December 1999.

Activities

The Group's continuing activities principally comprise:

The sale and servicing of new and used motorcycles; the sale and distribution of motorcycle accessories and related products; of bicycles and of general cycle parts and accessories and the manufacture and distribution of marine equipment and fitness equipment.

In the opinion of the Directors these businesses do not differ substantially from each other and comprise one class of business i.e. leisure.

The Internet division is responsible for the marketing, sale and promotion of products and services through the Internet.

A review of the Group's activities during the year is contained in the Chairman's statement.

Results and dividends

The results of the Group and the state of affairs of the Company are set out in the financial statements on pages 11 to 35.

The loss for the year, after taxation and before dividends amounted to £0.6 million (1998- £4.8 million profit). *The Directors do not recommend the payment of a final dividend for the year ended 31 December 1999 making a total normal dividend for the year of 2.25 pence per share (1998 – 4.5 pence per share).*

Acquisitions

During the year the Group made the following acquisitions:

In January 1999 the entire share capital of Navyclose Limited.

In January 1999 the entire share capital of Express Marine Limited.

In July 1999 the entire share capital of Speedmarine Holdings Limited.

Change of Name

On 10 January 2000, by special resolution, the Company changed its name from Caverdale Group plc to ActionLeisure plc.

Future developments

On 13 March 2000 the Group announced that it intends to partially de-merge its Internet business by means of an AIM flotation in which shareholders will be offered the opportunity to participate.

Directors and their interests

The Directors serving at 31 December 1999 and their beneficial interests at the balance sheet date in the capital of the Company were as follows:

	31 December 1999		1 January 1999	
	No of Ordinary Shares	Share Options	No of Ordinary Shares	Share Options
A Al-Rostamani	3,000,000	-	2,400,00	-
G E C Andrews	195,029	150,000	191,791	150,000
G Bolte	140,000	-	-	-
M E Ellison	60,000	150,000	60,000	150,000
A Nerdrum	2,593,890	250,000	2,593,890	250,000
C Outram	51,089	-	-	-

On 8 January 1999, Mr J Packer announced his intention to resign from the Board of the Company. His resignation took effect from 15 April 1999. Mr D Aspinall resigned from the Board with effect from 20 May 1999. Two appointments to the Board were made during 1999, Mr C Outram on 8 May 1999 and Mr G Bolte on 20 May 1999. Mr S J Hartill was appointed to the Board on 14 March 2000.

Mr A Nerdrum's interests include his interest in Kerry International (BVI) Limited (an investment company owned by certain discretionary trusts the principal beneficiaries of which are Mr A Nerdrum's children).

In accordance with Article 76 of the Company's Articles of Association, Mr A Nerdrum retires by rotation, and being eligible, offers himself for re-election. In accordance with Article 74, having been appointed since the date of the last Annual General Meeting, Mr G Bolte, Mr S J Hartill and Mr C Outram retire and, being eligible, offer themselves for re-election.

Mr M E Ellison, Mr G E C Andrews and Mr S J Hartill have service agreements with the Company requiring 1 year's notice of termination. No other Director has a service agreement.

Share capital

In addition to the Directors' holdings and the holdings of Kerry International (BVI) Limited at 31 March 2000 the following holdings represented 3% or more of the Company's issued ordinary share capital:

	No of Shares	% Holding
Jupiter Asset Management Ltd	2,560,000	5.53%
Mountcashel Plc	1,650,000	3.56%
Edinburgh Fund Managers Plc	1,387,500	3.00%

Details of the changes in the share capital of the Company during the year are given in note 21 to the financial statements.

In February 2000 the Company raised £2,777,480 (before share issue costs of £270,547) by way of a rights issue. 15,430,453 shares were issued at 18p per share,

on the basis of one new ordinary share for every two ordinary shares held by qualifying shareholders registered on 4 January 2000. Acceptances were received in respect of 12,633,817 shares representing 81.9% of the shares available. The balance of shares not taken up were placed at a premium to the rights issue.

The shareholders have authorised the Company to purchase its shares in the market to an aggregate nominal value of £454,000. This authority expires at the conclusion of the Annual General Meeting to be held in 2000.

Supplier payment policy

It is the Company's policy to agree payment terms with suppliers and settle undisputed accounts in accordance with those terms. The Group's creditor days during the year were 40.

Corporate governance

The Board is required by the London Stock Exchange to report on the extent of its compliance with the provisions of the Combined Code drawn up by the Committee on Corporate Governance.

Except for those paragraphs of the Code relating to audit and remuneration committees and other matters noted below, the Board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the accounting period.

The Board reviews the Director's Report and Accounts and the Annual Report and satisfies itself that the reports present a balanced and understandable assessment of the Group's position and prospects.

The Directors are ultimately responsible for the system of internal control for the Group. A sound system of internal control provides reasonable, but not absolute, assurance that a company will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of business, by circumstances which may be reasonably foreseen. A system of internal control cannot, however, provide protection with

certainty against a company failing to meet its business objectives or against all material errors, losses, fraud or breaches of laws or regulations. In assessing what constitutes reasonable assurance, the Directors have regard to the materiality of any risks incurred, the likelihood of such risks crystallising and the costs and benefits of particular aspects of the internal control system.

The directors are required to review the effectiveness of the Group's system of internal control, including financial, operational, compliance and risk management controls.

Guidance for directors, 'Internal Control: Guidance for Directors on the Combined Code' (the 'Turnbull guidance') was published in September 1999.

The Group operates a policy of decentralisation, with responsibility for each business resting with its local management, overseen by the respective divisional director.

During the year ended 31 December 1999 the Board reviewed the effectiveness of the system of internal financial control, applying the transitional arrangements in the listing rules. Currently, the main elements of the Group's control framework are as follows:

- ♦ An organisational structure which includes clearly defined levels of authority and division responsibilities.
- ♦ A regular presentation to the Board from management responsible for each principal business area.
- ♦ A comprehensive system of financial reporting, forecasting and planning.
- ♦ A Risk Management Group which assists the Board in identifying, managing and controlling risk.
- ♦ Regular review of significant control issues by the Board which receives reports from management and from the Risk Management Group as well as annually from group's external auditors.

The Board confirms that the Group is on course to be compliant with the Turnbull guidance by 31 December 2000.

Accounting policies, capital expenditure and treasury management are subject to control by the Directors and written procedures have been approved by the Board where appropriate.

The Directors, after making enquiries, have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The present constitution of the Board, coupled with the size of the Group and frequency of meetings, allows the Board to take a close involvement in all aspects of the Group's affairs, including those that the Code recommends should be delegated to audit and remuneration committees. The Board meets on a monthly basis throughout the year in order to review all financial and operational activities. The evaluation of risk forms an integral part of this process. The Group's

management philosophy continues to be consistent with the objective that no individual should have unfettered powers of decision. As long as this balance is maintained, the Board does not consider that any additional committees should be formally constituted in contravention of provisions D.3.1 and D.3.2 of the Code. However, this matter will be kept under review and changes made when appropriate and in the best interests of the Group and shareholders.

The Code envisages that non-executive Directors should be appointed for specific terms and that they should be selected through a formal and transparent process (such as a nomination committee). We do not consider that such formality is appropriate, at least at this stage of the Group's development, and accordingly we do not comply with provision A.5.1 of the Code. The non-executive Directors are, however, subject to the terms of the Company's Articles which require them to retire by rotation, when they are eligible to offer themselves for re-election by the shareholders. The consideration of any new appointments is a matter for the Board as a whole, as required by the Code. Due to the shareholdings and share options granted, no non-executive director can be considered independent and therefore we do not comply with the provisions A.2.1 and A.3.2 of the Code.

The Company does not operate a Remuneration Committee and so does not comply with Provisions B.2.1, B.2.2, B.2.3 and B.2.5. of the Code. Remuneration of the Directors is determined by the Board as a whole and is disclosed in Note 5 to the financial statements. The main aim of the Board's policy on executive recruitment is to attract, retain and motivate high calibre individuals with a competitive package of basic salary and performance rewards. Remuneration for executives consists of basic salary, bonus, pension and other benefits, including a company car and share option schemes. Salaries for executive Directors and certain other key executives are reviewed annually by the Board. Although specific surveys are not commissioned by independent consultants, the company participates in and uses a number of external executive remuneration surveys. It is the Board's policy to ensure that the basic salary is appropriate and competitive for the responsibilities involved. The Board's policy on Directors' pensions is to make contributions to money purchase schemes.

Employment policies

The Group's employment policies are based on equal opportunities for all staff. Applications for employment by disabled people are fully considered, having due regard to the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and any appropriate training or re-training is given.

It is the Group's policy to keep employees fully informed on matters affecting them as employees and to make them aware of the financial and economic factors influencing the Group's performance.

The Board is cognisant of the importance of effective communications with shareholders. There is a regular dialogue with institutional shareholders including presentations of the annual and half year results.

Auditors

A resolution will be proposed at the Annual General Meeting to re-appoint Ernst & Young as auditors to the Company.

Special business

At the Annual General Meeting, approval of shareholders will be sought:

- (i) to empower the Company to purchase its ordinary shares in the market. This power will last only until next year's Annual General Meeting and will be limited to shares having an aggregate nominal value of £694,000 representing approximately 15% of the Company's present issued share capital.
- (ii) to give the Directors the necessary powers for allotment of shares. This power will last only until next year's Annual General Meeting or, if earlier, 14 August 2001 and will be limited to shares having an aggregate nominal value of £1,525,000 representing approximately 33% of the Company's present issued share capital; and
- (iii) to empower the Directors to allot shares for cash without offering such shares to existing shareholders. This power will last only for the duration of the Directors' authority to allot shares referred to above and will be limited to shares having an aggregate nominal value of £231,000 representing approximately 5% of the Company's present issued ordinary share capital.



By order of the Board
Martin E Ellison
Secretary

14 April 2000

Statement of Directors' responsibilities

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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing 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.

Report of the Auditors to the members of ActionLeisure plc

We have audited the financial statements on pages 11 to 35 which have been prepared under the historical cost convention as modified by the revaluation of certain property and on the basis of the accounting policies set out on pages 16 and 17.

Respective responsibilities of Directors and Auditors

The Company's Directors are responsible for preparing the annual report. As described on page 9, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

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

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the corporate governance statement on page 6 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the company's corporate governance procedures or its risk and control procedures.

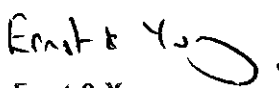
Basis of audit opinion

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 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 as at 31 December 1999 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Luton

14 April 2000

Consolidated profit and loss account

Year ended 31 December 1999

		Before Goodwill Amortisation 1999 £000	Goodwill Amortisation 1999 £000	After Goodwill Amortisation 1999 £000	1998 £000
	Note				
Turnover					
Continuing operations		57,222	-	57,222	44,559
Acquisitions		10,459	-	10,459	-
Discontinued operations		1,478	-	1,478	27,147
Total turnover	2	69,159	-	69,159	71,706
Cost of sales	3	47,866	-	47,866	46,240
Gross profit	3	21,293	-	21,293	25,466
Net operating expenses	3	20,379	414	20,793	20,773
Operating profit					
Continuing operations		671	(217)	454	3,592
Acquisitions		335	(197)	138	-
Discontinued operations		(92)	-	(92)	1,101
		914	(414)	500	4,693
Continuing operations: Profit on disposal of property		484	-	484	-
Discontinued operations: Profit on disposal of subsidiaries		-	-	-	2,385
		1,398	(414)	984	7,078
Net interest payable	6	1,634	-	1,634	1,037
(Loss)/Profit on ordinary activities before taxation		(236)	(414)	(650)	6,041
Taxation	7	35	-	35	(1,266)
(Loss)/Profit for the financial year		(201)	(414)	(615)	4,775
Dividends	8	706	-	706	1,342
(Deducted from)/Added to reserves	22	(907)	(414)	(1,321)	3,433
(Loss)/Earnings per ordinary share	9			(2.0)p	16.0p
(Loss)/Earnings per ordinary share - diluted	9			(2.0)p	16.0p

Group statement of total recognised gains and losses

Year ended 31 December 1999

	1999 £000	1998 £000
(Loss)/Profit for the financial year attributable to members of the parent company	(615)	4,775
Exchange gain on retranslation of net assets of subsidiary undertaking	239	-
Total recognised gains and losses relating to the year	<u>(376)</u>	<u>4,775</u>

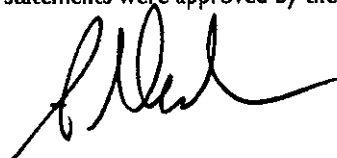
Consolidated balance sheet

31 December 1999

	Note	1999 £000	1998 £000
Fixed assets			
Intangible assets	10	8,930	3,508
Tangible assets	11	19,278	20,751
		<u>28,208</u>	<u>24,259</u>
Current assets			
Stocks	13	18,155	16,874
Debtors	14	10,135	9,624
Cash at bank and in hand		1,807	1,283
		<u>30,097</u>	<u>27,781</u>
Creditors: amounts falling due within one year	15	<u>27,303</u>	<u>21,548</u>
Net current assets		<u>2,794</u>	<u>6,233</u>
Total assets less current liabilities		<u>31,002</u>	<u>30,492</u>
Creditors: amounts falling due after more than one year	16	11,247	10,540
Provisions for liabilities and charges		243	481
		<u>19,512</u>	<u>19,471</u>
Capital and reserves			
Called up share capital	21	3,086	2,980
Share premium account	22	13,010	11,993
Revaluation reserve	22	243	243
Profit and loss account	22	3,173	4,255
Equity shareholders' funds	22	<u>19,512</u>	<u>19,471</u>

These financial statements were approved by the Board on 14 April 2000.

A Nerdum
Director



Consolidated cash flow statement

Year ended 31 December 1999

	Note	1999 £000	1998 £000
Net cash flow from/(to) operating activities	3	626	(10,620)
Returns on investments and servicing of finance			
Interest received		35	65
Interest paid		(1,399)	(1,003)
Interest element of finance lease payments		(270)	(99)
Net cash outflow from returns on investments and servicing of finance		<u>(1,634)</u>	<u>(1,037)</u>
Taxation		<u>(461)</u>	<u>(3,025)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	11	(2,161)	(9,608)
Sale of tangible fixed assets		2,441	740
Net cash inflow/(outflow) for capital expenditure and financial investment		<u>280</u>	<u>(8,868)</u>
Acquisitions and disposals			
Sale of subsidiary undertakings	12	-	13,500
Net overdrafts disposed of with subsidiary undertakings		-	1,259
Purchase of subsidiaries and businesses	12	(1,967)	(2,871)
Net overdrafts acquired with subsidiary undertakings	12	(1,123)	(2,052)
Net cash (outflow)/inflow for acquisitions and disposals		<u>(3,090)</u>	<u>9,836</u>
Equity dividends paid		<u>(1,377)</u>	<u>(1,327)</u>
Cash outflow before financing		<u>(5,656)</u>	<u>(15,041)</u>
Financing			
Receipts from new loans		3,486	7,270
Repayment of borrowings		(2,157)	(391)
Capital element of finance lease rental payments		(1,510)	(435)
Net cash (outflow)/inflow from financing		<u>(181)</u>	<u>6,444</u>
Decrease in cash in the year	17	<u>(5,837)</u>	<u>(8,597)</u>

Company balance sheet

31 December 1999

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	11	1,080	979
Investments	12	<u>11,486</u>	<u>7,950</u>
		<u>12,566</u>	<u>8,929</u>
Current assets			
Debtors	14	21,518	24,372
Cash at bank and in hand		<u>1,010</u>	<u>296</u>
		<u>22,528</u>	<u>24,668</u>
Creditors: amounts falling due within one year	15	<u>9,348</u>	<u>9,046</u>
Net current assets		<u>13,180</u>	<u>15,622</u>
Total assets less current liabilities		25,746	24,551
Creditors: amounts falling due after more than one year	16	4,201	2,221
		<u>21,545</u>	<u>22,330</u>
Capital and reserves			
Called up share capital	21	3,086	2,980
Share premium account	22	13,010	11,993
Other reserves	22	5,169	5,169
Profit and loss account	22	<u>280</u>	<u>2,188</u>
Equity shareholders' funds	22	<u>21,545</u>	<u>22,330</u>

These financial statements were approved by the Board on 14 April 2000.

A Nerdrum
Director

Notes to the financial statements

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property and in accordance with applicable accounting standards.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December using the acquisition method of accounting. The results of subsidiaries acquired are included from the date of acquisition and those disposed of to the date of disposal.

A profit and loss account for the Company is not presented as permitted by Section 230 of the Companies Act 1985.

Tangible fixed assets and depreciation

Fixed assets are stated at historical cost or valuation less depreciation.

Fixed assets are depreciated in equal instalments at rates determined by their expected useful lives as follows:

Freehold property	1-2% per annum
Leasehold property and improvements to leasehold property	Over the life of the lease
Plant and machinery	20%
Fixtures, fittings and equipment	10%
Computer equipment	20-33 1/3%
Motor vehicles	25%
Contract hire vehicles	Over the duration of the contracts to estimated residual values

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Leased assets

Fixed assets acquired under finance leases, which give rights approximating to ownership, are included in the balance sheet at their equivalent capital value and depreciation is provided in accordance with the Group's normal depreciation policy; the corresponding liability is recorded as a creditor. The interest element of the instalment payments is charged to the profit and loss account at a constant rate over the primary lease period. All other leases are operating leases and the annual rentals are charged wholly to the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale - purchase cost on a first-in, first-out basis.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

Deferred taxation

Deferred taxation is provided on differences arising from the treatment for taxation purposes of items within the financial statements to the extent it is expected a future liability will arise or an asset will crystallise.

Pensions

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable.

Foreign currencies

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

Notes to the financial statements

1. Accounting policies (continued)

Goodwill

Goodwill arising on acquisitions prior to 31 December 1997 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10. If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Positive goodwill arising on acquisitions since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of 20 years.

Provisions for liabilities and charges

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The time effect of money is not material and therefore the provisions are not discounted.

Notes to the financial statements

2. Analysis by class of business and geographical area

Turnover is the amount receivable for goods sold, serviced, leased and maintained excluding intragroup transactions and value added tax.

The analysis of Group turnover, operating profit and net operating assets is:

Area of activity:

	Discontinued operations		Leisure		Central Costs		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
	£000	£000	£000	£000	£000	£000	£000	£000
GROUP TURNOVER								
Continuing operations								
Total sales			59,145	46,413			59,145	46,413
Intra segment sales			(1,923)	(1,854)			(1,923)	(1,854)
Sales to third parties			57,222	44,559		-	57,222	44,559
Acquisitions								
Total sales			10,747				10,747	-
Intra segment sales			(288)				(288)	-
Sales to third parties			10,459				10,459	-
Discontinued operations								
Total sales	1,478	30,072	-	716			1,478	30,788
Intra segment sales	-	(3,641)	-	-			-	(3,641)
Sales to third parties	1,478	26,431	-	716		-	1,478	27,147
OPERATING PROFIT								
Continuing			1,616	3,760	(945)	(131)	671	3629
Acquisitions			335				335	-
Discontinued	(92)	1,101					(92)	1,101
Total operating profit before amortisation	(92)	1,101	1,951	3,760	(945)	(131)	914	4,730
Goodwill amortisation			(414)	(37)			(414)	(37)
	(92)	1,101	1,537	3,723	(945)	(131)	500	4,693
NET ASSETS								
Net operating assets by segment								
Continuing operations			26,116	28,677	17,260	10,575	43,376	39,252
Acquisitions			2,278	-			2,278	-
Discontinued operations	379	979	-	-	-	-	379	979
Net operating assets	379	979	28,394	28,677	17,260	10,575	46,033	40,231
Net borrowings							(26,521)	(20,760)
Shareholders' funds							19,512	19,471

Notes to the financial statements

2. Analysis by class of business and geographical area (continued)

Geographical Area	United Kingdom		Other EC Countries		Total	
	1999	1998	1999	1998	1999	1998
	£000	£000	£000	£000	£000	£000
GROUP TURNOVER						
Turnover by origin						
Continuing operations						
Total sales	53,498	45,733	5,647	680	59,145	46,413
Intra segment sales	(1,165)	(1,854)	(758)	-	(1,923)	(1,854)
Sales to third parties	52,333	43,879	4,889	680	57,222	44,559
Acquisitions						
Total sales	10,747	-	-	-	10,747	-
Intra segment sales	(288)	-	-	-	(288)	-
Sales to third parties	10,459	-	-	-	10,459	-
Discontinued operations						
Total sales	1,478	22,423	-	8,365	1,478	30,788
Intra segment sales	-	(3,641)	-	-	-	(3,641)
Sales to third parties	1,478	18,782	-	8,365	1,478	27,147
OPERATING PROFIT						
Segment profit						
Continuing operations	385	3,772	69	(180)	454	3,592
Acquisitions	138	-	-	-	138	-
Discontinued operations	(92)	1,002	-	99	(92)	1,101
	431	4,774	69	(81)	500	4,693
NET OPERATING ASSETS						
Net operating assets by segment						
Continuing operations	40,101	37,925	3,275	1,327	43,376	39,252
Acquisitions	2,278	-	-	-	2,278	-
Discontinued operations	374	797	5	182	379	979
Net operating assets	42,753	38,722	3,280	1,509	46,033	40,231
Net borrowings					(26,521)	(20,760)
Shareholders' funds					19,512	19,471

Turnover by destination is not materially different from turnover by origin.

Notes to the financial statements

3. Operating costs

a)

	Continuing	Acquisitions	Discontinued	1999 Total	Continuing £000	Discontinued £000	1998 Total £000
Cost of sales	39,084	7,345	1,437	47,866	30,641	15,599	46,240
Gross profit	18,138	3,114	41	21,293	13,918	11,548	25,466
Selling and distribution costs	9,926	2,011	-	11,937	4,899	6,108	11,007
Administrative expenses	8,046	1,028	133	9,207	6,371	4,087	10,458
Exceptional operating income				-	(450)	-	(450)
Other operating (income)/expenses	(288)	(63)	-	(351)	(494)	252	(242)
Net operating expenses	17,684	2,976	133	20,793	10,326	10,447	20,773

Operating profit is stated after charging:

	1999 £000	1998 £000
Amortisation of goodwill	414	37
Depreciation:		
Owned assets	954	871
Leased and hire purchase assets	1,197	194
Operating lease rentals:		
Plant & equipment	725	1351
Other	651	199
Fees paid to auditors		
Audit services	130	110
Non audit services	117	159

b) Reconciliation of operating profit to net cash inflow from operating activities

	1999 £000	1998 £000
Operating profit	500	4,693
Depreciation charge	2,151	1,065
Amortisation of intangible assets	414	37
Loss on sale of tangible assets	247	53
Exchange differences	(17)	-
Decrease/(increase) in stock	2,883	(6,204)
Increase in debtors	(1,174)	(4,034)
Decrease in creditors and provisions	(4,378)	(6,230)
Net cash flow from/(to) operating activities	626	(10,620)

Notes to the financial statements

4. Staff costs

Staff costs comprise:-

	1999 £000	1998 £000
Wages and salaries	10,055	8,759
Social security costs	1,016	687
Other pension costs	46	188
	<u>11,117</u>	<u>9,634</u>

Employees

The average numbers of employees during the year were:

	No.	No.
Motorcycles & accessories	396	248
Marine	133	41
Bicycle & fitness	143	58
Discontinued operations	-	289
Central office	19	13
	<u>691</u>	<u>649</u>

5. Directors' remuneration

Directors' remuneration, including pension contributions, is included in staff costs and consists of:

	1999 £000	1998 £000
Emoluments	424	283
Pension contributions to defined contribution schemes	12	18
	<u>436</u>	<u>301</u>

Remuneration by director was:

	Salary and fees £000	Bonus* £000	Benefits £000	Total 1999	Total 1998	Pension contributions 1999 £000	Pension contributions 1998 £000
Executive Directors							
A. Nerdrum	115	25	23	163	119	-	-
M.E. Ellison	107	25	9	141	93	7	16
G.E.C. Andrews	95	-	11	106	59	5	2
Non executive Directors							
A Al-Rostamani	-	-	-	-	-	-	-
D. Aspinall	5	-	-	5	-	-	-
G. Bolte	9	-	-	9	-	-	-
C. Outram	-	-	-	-	-	-	-
Total emoluments	<u>331</u>	<u>50</u>	<u>43</u>	<u>424</u>	<u>283</u>	<u>12</u>	<u>18</u>

*Bonus related to the successful completion of conditions imposed in respect of the disposal of the Industrial Products division in the prior year.

Notes to the financial statements

5. Directors' remuneration (continued)

Directors' share options were as follows:

	At 1 January 99 (or date of appointment) & 31 December 99	Exercise price	Date from which Exerciseable	Expiry date
A. Nerdrum	25,000	130p	November 1995	November 2003
	100,000	130.8p	December 2000	December 2007
	125,000	130.8p	*December 2000	December 2007
M.E. Ellison	50,000	173.3p	August 1997	August 2004
	45,000	120p	February 1999	February 2006
	5,000	130.8p	December 2000	December 2007
	50,000	130.8p	*December 2000	December 2007
G.E.C Andrews	75,000	130.8p	December 2000	December 2007
	25,000	120p	February 1999	February 2006
	50,000	130.8p	*December 2000	December 2007

There were no options granted or exercised during 1999.

The market price of the ordinary shares at 31 December 1999 was 33p and the equivalent range during 1999 was 33p to 130p.

The exercise of options is dependent upon the achievement of certain performance criteria, namely the achievement of an increase in the EPS of the Company of at least 2% pa more than the Retail Prices Index for the same period.

*Denotes "Super Options" which require the achievement of more stringent performance criteria, an increase in the EPS of the Company such as would place it in the top quartile of the FTSE 100 companies ranked by reference to growth in the EPS over a performance period of five consecutive financial years starting with the financial year in which the date of grant falls and ending before the date on which the option is exercised.

The above interests of the directors to subscribe for or acquire ordinary shares were surrendered following the adoption of a new share option scheme at the extraordinary general meeting of the company on 10 January 2000. On 1 February 2000, options were granted to the directors of the company as follows:

	No. of Options	Exercise price	Date from which Exerciseable	Expiry date
A. Nerdrum	200,000	23p	February 2003	February 2010
M.E. Ellison	200,000	23p	February 2003	February 2010
G.E.C. Andrews	200,000	23p	February 2003	February 2010
C. Outram	100,000	23p	February 2003	February 2010
G. Bolte	100,000	23p	February 2003	February 2010
A. Al-Rostamani	100,000	23p	February 2003	February 2010

During the year services to the value of £49,000 were provided by OC&C Strategy Consultants of which Mr C Outram is a partner.

Notes to the financial statements

6. Net interest payable

	1999	1998
	£000	£000
Bank loans and overdrafts	1,322	986
Other loans	77	17
Finance lease and hire purchase charges	270	99
	<u>1,669</u>	<u>1,102</u>
Interest receivable	(35)	(65)
	<u>1,634</u>	<u>1,037</u>

7. Taxation

	1999	1998
	£000	£000
UK corporation tax	-	1,245
Deferred taxation	25	32
Under/(over) provision for corporation tax in respect of prior years	(60)	(11)
	<u>(35)</u>	<u>1,266</u>

8. Dividends

	1999	1998
	£000	£000
Dividends payable on equity shares		
Interim paid 2.25 pence per ordinary share (1998 - 2.25 pence)	706	671
Final proposed nil pence per ordinary share (1998 - 2.25 pence)	-	671
	<u>706</u>	<u>1,342</u>

9. (Loss)/ Earnings per ordinary share

The basic (loss)/earnings per ordinary share is based on a loss of £615,116 (1998 - earnings £4,775,000) and on a weighted average of shares in issue 30,586,500 (1998 - 29,790,292).

(Loss)/earnings per ordinary share, diluted is based on a loss of £615,116 (1998 - earnings £4,775,000) and on a weighted average of 30,586,500 shares (1998 - 29,919,965), which allows for the allotment of shares under option at the balance sheet date.

Notes to the financial statements

10. Intangible fixed asset

	1999 £000	1998 £000
GROUP		
Goodwill		
Cost:		
At 1 January 1999	3,545	-
Exchange adjustment	(6)	-
On acquired businesses and companies during the year	5,198	3,592
Disposal of subsidiaries	-	(47)
Re-evaluation of fair values of 1998 acquisitions	644	-
At 31 December 1999	<u>9,381</u>	<u>3,545</u>
Amortisation		
At 1 January 1999	37	-
Provided during the year	414	37
At 31 December 1999	<u>451</u>	<u>37</u>
Net book value at 31 December 1999	<u>8,930</u>	<u>3,508</u>
Net book value at 1 January 1999	<u>3,508</u>	<u>-</u>

11. Tangible fixed assets

	Freehold properties £000	Long leasehold properties £000	Short leasehold properties £000	Plant and machinery £000	Fixtures, fittings & equipment £000	Motor vehicles £000	Total £000
GROUP							
At 1 January 1999 - Cost or valuation	10,341	3,609	39	5,196	2,680	1,078	22,943
Exchange adjustment	(281)	-	-	(82)	(8)	-	(371)
Acquisition of subsidiaries	57	-	56	-	409	169	691
Additions	350	500	2	872	738	360	2,822
Reclassification	(7)	-	-	25	(18)	-	-
Disposals	(1,554)	(9)	-	(565)	(108)	(516)	(2,752)
At 31 December 1999	<u>8,906</u>	<u>4,100</u>	<u>97</u>	<u>5,446</u>	<u>3,693</u>	<u>1,091</u>	<u>23,333</u>
Depreciation							
At 1 January 1999	144	167	5	550	867	459	2,192
Exchange adjustment	(4)	-	-	(32)	(1)	-	(37)
Acquisition of subsidiaries	7	-	20	-	167	103	297
Charge for the year	84	129	5	1,211	474	248	2,151
Reclassification	(7)	-	-	15	(8)	-	-
Disposals	(17)	(2)	-	(158)	(104)	(267)	(548)
At 31 December 1999	<u>207</u>	<u>294</u>	<u>30</u>	<u>1,586</u>	<u>1,395</u>	<u>543</u>	<u>4,055</u>
Net book value at 31 December 1999	<u>8,699</u>	<u>3,806</u>	<u>67</u>	<u>3,860</u>	<u>2,298</u>	<u>548</u>	<u>19,278</u>
Net book value at 1 January 1999	<u>10,197</u>	<u>3,442</u>	<u>34</u>	<u>4,646</u>	<u>1,813</u>	<u>619</u>	<u>20,751</u>

Assets under finance lease and hire purchase contracts

Cost	4,538	62	472	5,072
Depreciation	(1,287)	(26)	(188)	(1,501)
At 31 December 1999	<u>3,251</u>	<u>36</u>	<u>284</u>	<u>3,571</u>
At 1 January 1999	<u>3,588</u>	<u>-</u>	<u>323</u>	<u>3,911</u>
Depreciation provided during the year	<u>(1,051)</u>	<u>(18)</u>	<u>(128)</u>	<u>(1,197)</u>

Notes to the financial statements

11. Tangible fixed assets (continued)

At 31 December 1999, £475,000 of the gross value of the Group's freehold property was at a 1990 valuation made on the basis of open market value for existing use. The related historical cost net book value was £204,000 consisting of historical cost of £241,000 and depreciation thereon of £37,000.

The gross amount of depreciable assets included in freehold properties of the Group amounts to £6,374,000 (1998 - £7,118,000).

COMPANY	Short leasehold properties £000	Fixtures, fittings & equipment £000	Motor vehicles £000	Total £000
At 1 January 1999 - cost or valuation	34	1,065	60	1,159
Additions	-	349	-	349
At 31 December 1999	34	1,414	60	1,508
Depreciation				
At 1 January 1999	5	161	14	180
Charge for the year	1	232	15	248
At 31 December 1999	6	393	29	428
Net book value at 31 December 1999	28	1,021	31	1,080
Net book value at 1 January 1999	29	904	46	979

12. Fixed asset investments

COMPANY	Investment in subsidiaries			
a)	Shares at cost £000	Loans £000	Provisions £000	Total £000
At 1 January 1999	8,949	835	(1,834)	7,950
Additions	3,536	-	-	3,536
At 31 December 1999	12,485	835	(1,834)	11,486

The principal subsidiaries at 31 December 1999 and their activities were:

Motorcycle and accessories

M&P Motorcycle Accessories Limited
Götz GmbH

Bicycles and fitness

Crabtree Sports and Leisure Limited
Rock Merchanting Limited (trading as Pulse Fitness)

Marine products

XM Group Limited
XM Yachting Limited*
Marinac Yacht Fittings Limited *
Shoreline (Yachtsmen) Limited*
Speed Marine Holdings Limited

Property holding

Caverdale Securities Limited*

Subsidiaries not directly owned by the Company are marked *.

All subsidiaries are wholly owned and carry on their activities and are incorporated in the United Kingdom, except for Götz GmbH, which is incorporated in Germany and carries on its activities in that country.

Notes to the financial statements

12. Fixed asset investments (continued)

b) Acquisitions

During the year the Group acquired the following companies on the dates shown:

Navyclose Limited	13 January 1999
Express Marine Limited	13 January 1999
Speed Marine Holdings Limited	26 July 1999

The table below shows the net investment in acquisitions of subsidiaries and businesses during the year, comprising the book value at acquisition together with adjustments to reflect fair values at acquisition.

	Book value acquired £000	Adjustments to fair values £000	Fair value to Group £000
Intangible fixed assets - goodwill	1,030	(1,030)	-
Tangible fixed assets	444	(50)	394
Stock	4,461	(226)	4,235
Debtors	-	(16)	444
Cash	64	-	64
Overdrafts	(1,187)	-	(1,187)
Other creditors	(5,089)	(219)	(5,308)
	<u>183</u>	<u>(1,541)</u>	<u>(1,358)</u>
Goodwill			5,198
Purchase consideration and acquisition expenses			<u>3,840</u>
Satisfied by deferred payment			750
Satisfied by cash			1,967
Satisfied by shares			1,123
			<u>3,840</u>
		1999	1998
		£000	£000
Cash payable for subsidiaries and businesses		1,967	2,871
Overdrafts/(cash) acquired		1,123	2,052
Net cash paid		<u>3,090</u>	<u>4,923</u>

Adjustments:

- (a) Intangible fixed assets - write down to fair value at acquisition date
- (b) Tangible fixed assets - write down to fair value at acquisition date
- (c) Stocks - decrease to fair value at acquisition
- (d) Debtors - decrease to fair value at acquisition
- (e) Creditors - increase to fair value at acquisition date

Notes to the financial statements

12. Fixed asset investments (continued)

b) Acquisitions (continued)

The businesses acquired in 1998 were distressed businesses with inadequate records resulting in a number of adjustments to the original assessments of fair values as follows:-

On 17 September 1998, Rock Merchanting Limited, a subsidiary undertaking, acquired the business of Pulse Fitness which was provisionally assessed for fair values in the 1998 accounts. In the post year end period circumstances surrounding the fair value of certain assets at acquisition were clarified and in accordance with FRS7 an adjustment has been made to the 1999 accounts for amendment to the provisional values. The table and notes below show the provisional and amended fair values of net assets acquired and the explanation for these changes:

	Provisional fair values 1998 £000	Adjustments to fair values £000	Restated fair values 1999 £000
Tangible fixed assets	1,631	(101)	1,530
Stocks	239	-	239
Debtors	470	-	470
Creditors: due within one year	(271)	(74)	(345)
Creditors: due after one year	(432)	-	(432)
Provisions	(260)	(58)	(318)
	1,377	(233)	1,144
Goodwill	641	233	874
Cost of acquisition	2,018	-	2,018

Adjustments:

- (a) Fixed assets - decrease to fair value at acquisition date due to subsequent re-evaluation of equipment.
- (b) Creditors - increase in accruals at acquisition date due to suppliers successfully claiming amounts that were initially unsubstantiated.
- (c) Provisions - increase in warranty provision as original estimate was too low.

The table and notes below show adjustments to the provisional fair values of all other 1998 acquisitions in accordance with FRS7.

	Provisional fair values 1998 £000	Adjustments to fair values £000	Restated fair values 1999 £000
Tangible fixed assets	961	(17)	944
Stocks	2,074	(78)	1,996
Debtors	78	(16)	62
Overdrafts	(2,353)	-	(2,353)
Other Creditors	(2,845)	(300)	(3,145)
Cash	301	-	301
Provisions	(189)	-	(189)
	(1,973)	(411)	(2,384)
Goodwill	2,951	411	3,362
Cost of acquisition	978	-	978

Adjustments:

- (a) Fixed assets - re-evaluation of fixed assets acquired.
- (b) Stocks - identification of stock shortages.
- (c) Debtors - debtors that were not recoverable.
- (d) Other creditors - creditors that substantiated claims against the company since the 1998 accounts

Notes to the financial statements

13. Stocks

	GROUP	
	1999 £000	1998 £000
Goods for resale	17,729	16,479
Work in progress	69	136
Raw materials	357	259
	<u>18,155</u>	<u>16,874</u>

Interest bearing consignment vehicles of £489,000 (1998 - £198,000) have been recognised in goods for resale.

14. Debtors

	GROUP		COMPANY	
	1999 £000	1998 £000	1999 £000	1998 £000
Trade debtors	4,135	3,748	-	-
Amounts owed by subsidiaries	-	-	18,957	21,015
ACT recoverable	1,801	2,890	1,564	1,995
Corporation tax recoverable	-	-	68	-
Other debtors	2,239	1,613	534	973
Prepayments and accrued income	1,960	1,373	395	389
	<u>10,135</u>	<u>9,624</u>	<u>21,518</u>	<u>24,372</u>

The ACT is recoverable after more than one year

15. Creditors: amounts falling due within one year

	GROUP		COMPANY	
	1999 £000	1998 £000	1999 £000	1998 £000
Bank loans and overdrafts (note 17)	16,515	10,047	6,556	4,330
Other loans (note 17)	-	2	-	-
Obligations under finance leases and hire purchase contracts (note 18)	1,266	1,454	-	-
Payments received on account	186	131	-	-
Trade creditors	6,667	5,266	169	415
Amounts due to subsidiaries	-	-	2,023	2,220
Corporation tax payable	219	1,306	17	-
ACT payable	-	335	-	334
Other taxation and social security	657	294	12	8
Other creditors	623	1,292	265	890
Accruals	1,170	750	306	178
Proposed dividend	-	671	-	671
	<u>27,303</u>	<u>21,548</u>	<u>9,348</u>	<u>9,046</u>

The bank borrowings of the Group are secured by fixed and floating charges over certain of the assets of the Group and the Company. The other loans are secured by fixed and floating charges over certain of the assets of the subsidiaries concerned. Included in trade creditors is an amount of £489,000 (1998 - £198,000) which relates to consignment vehicles included in the Group's stocks.

Notes to the financial statements

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

	GROUP		COMPANY	
	1999	1998	1999	1998
	£000	£000	£000	£000
Loans (note 17)	8,645	7,947	3,501	2,221
Obligations under finance leases and hire purchase contracts (note 18)	1,902	2,593	-	-
Other creditors	700	-	700	-
	<u>11,247</u>	<u>10,540</u>	<u>4,201</u>	<u>2,221</u>

The bank loans of the Group are secured by fixed and floating charges over certain assets of the Group and the Company.

17. Loans

	GROUP		COMPANY	
	1999	1998	1999	1998
	£000	£000	£000	£000
a) Loans				
Bank and other loans repayable by instalments:				
Wholly repayable within five years	6,178	4,265	3,221	-
Not wholly repayable within five years	3,499	4,366	925	2,666
	<u>9,677</u>	<u>8,631</u>	<u>4,146</u>	<u>2,666</u>
Less: amounts falling due within one year	1,032	684	645	445
Amounts falling due after more than one year	<u>8,645</u>	<u>7,947</u>	<u>3,501</u>	<u>2,221</u>
b) Loans and overdrafts				
Amounts falling due:				
Within one year or on demand	16,515	10,049	6,556	4,330
Between one and two years	1,113	682	645	445
Between two and five years	4,033	2,899	1,931	891
After five years	3,499	4,366	925	885
	<u>25,160</u>	<u>17,996</u>	<u>10,057</u>	<u>6,551</u>

Bank loans repayable after 5 years amounting to £3,499,000 (1998 - £4,366,000) are repayable by instalments between 2004 and 2008 and bear interest at between 1% and 1.5% above the base rate.

c) Analysis of net debt

GROUP	At 1 Jan 1999 £000	Cash flow £000	Other non cash changes £000	At 31 Dec 1999 £000
Cash at bank	1,283	524	-	1,807
Overdrafts	(9,365)	(6,361)	243	(15,483)
	<u>(8,082)</u>	<u>(5,837)</u>	<u>243</u>	<u>(13,676)</u>
Debt due within one year	(684)	(348)	-	(1,032)
Debt due after more than one year	(7,947)	(981)	283	(8,645)
Finance leases (note 18)	(4,047)	1,510	(631)	(3,168)
	<u>(12,678)</u>	<u>181</u>	<u>(348)</u>	<u>(12,845)</u>
Net debt	<u>(20,760)</u>	<u>(5,656)</u>	<u>(105)</u>	<u>(26,521)</u>

Notes to the financial statements

17. Loans (continued)

d) Reconciliation of net cash flow to movement in net debt

	GROUP	
	1999	1998
	£000	£000
Decrease in cash	(5,837)	(8,597)
Cash inflow from increase in loans	(3,486)	(7,270)
Repayment of loans	2,157	391
Repayment of capital element of finance leases and hire purchase contracts	1,510	435
Change in net debt resulting from cash flows	(5,656)	(15,041)
Foreign currency translation differences	555	-
Other	(660)	(3,898)
Movement in net debt	(5,761)	(18,939)
Net debt at 1 January	(20,760)	(1,821)
Net debt at 31 December	(26,521)	(20,760)

18. Leases

	GROUP	
	1999	1998
	£000	£000
a) Obligations under finance leases		
Amounts payable		
Within one year	1,266	1,454
Between one and two years	1,051	1,113
Between two and five years	851	1,305
After five years	-	175
	<u>3,168</u>	<u>4,047</u>

b) Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	1999		1998	
GROUP	Property	Other	Property	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	52	116	38	58
Within two to five years	158	872	97	449
After five years	549	-	257	-
	<u>759</u>	<u>988</u>	<u>392</u>	<u>507</u>

Notes to the financial statements

19. Provisions for liabilities and charge

GROUP	Provision for maintenance warranties	Deferred taxation	Other	Total
	£000	£000	£000	£000
At 1 January 1999	260	32	189	481
Foreign exchange translation differences	-	-	(22)	(22)
Fair value adjustment	58	-	-	58
Utilised during the year	(318)	-	(167)	(485)
Company acquired	-	7	-	7
Provided during the year	90	35	79	204
At 31 December 1999	90	74	79	243

Maintenance warranties

A provision is recognised for expected warranty claims on products sold during the year relating to the Pulse Fitness business. It is expected that most of these costs will be incurred in the next financial year.

Deferred taxation

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	1999	1998	1999	1998
	£000	£000	£000	£000
Capital allowances in advance of depreciation	74	32	142	58

20. Derivatives and other financial instruments

An explanation of the groups objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the group in its activities can be found on page 4. The disclosures below exclude short term creditors and debtors.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the group as at 31 December was as follows:

	Total	Fixed rate financial liabilities	Floating rate financial liabilities	Financial liabilities on which no interest paid
	£000	£000	£000	£000
1999				
Sterling	25,741	835	24,206	700
German DM	3,287	-	3,287	-
	29,028	835	27,493	700
1998				
Sterling	18,461	902	17,559	-
German DM	3,582	-	3,582	-
	22,043	902	21,141	-

The disclosures above exclude all short term financial liabilities with the exception of bank loans, overdrafts, loan notes and finance lease obligations.

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
Currency:	Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
1999			
Sterling	13.70	2.59	1.53
German DM	-	-	-
	13.70	2.59	1.53
1998			
Sterling	13.46	2.43	-
German DM	-	-	-
	13.46	2.43	-

The floating rate financial liabilities comprise: A sterling denominated bank loan that bears interest at rates based on LIBOR. Sterling and German DM denominated loans and overdrafts that bear interest based on agreed percentage points above bank base rates.

Notes to the financial statements

20. Derivatives and other financial instruments (continued)

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the group as at 31 December was as follows:

	Total £000	Floating rate financial assets £000
1999		
Sterling	4,982	1,807
German DM	-	-
	<u>4,982</u>	<u>1,807</u>
1998		
Sterling	5,305	1,283
German DM	-	-
	<u>5,305</u>	<u>1,283</u>

The floating rate financial assets comprise cash deposits on current bank accounts.

Currency exposures

The table below shows the group's currency exposures; in other words, those transactional (or non structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the functional currency of the operating unit involved.

At 31 December, the currency exposures were as follows:

Functional currency of group operations	Net foreign currency monetary assets/(liabilities)		Total
	Sterling	German DM	
1999			
Sterling	-	(2,246)	(2,246)
German DM	-	-	-
	<u>-</u>	<u>(2,246)</u>	<u>(2,246)</u>
1998			
Sterling	-	(1,825)	(1,825)
German DM	-	-	-
	<u>-</u>	<u>(1,825)</u>	<u>(1,825)</u>

Maturity of financial liabilities

The maturity profile of the group's financial liabilities at 31 December was as follows:-

	1999 £000	1998 £000
In one year or less, or on demand	17,782	11,502
In more than one year but not more than two	2,860	1,834
In more than two years, but not more than five	4,887	4,338
In more than five years	3,499	4,368
	<u>29,028</u>	<u>22,042</u>

Borrowing facilities

The group has various borrowing facilities available to it. The undrawn committed facilities at 31 December in respect of which all conditions precedent had been met at that date are as follows:

	1999 £000	1998 £000
Expiring in one year or less	<u>244</u>	<u>2,219</u>

Notes to the financial statements

20. Derivatives and other financial instruments (continued)

Fair values of financial assets and liabilities

Set out below are the book values by category of all the group's financial assets and financial liabilities as at 31 December:

	Book Value 1999 £000	Book Value 1998 £000
Primary financial instruments		
Short term borrowings and current position of long term borrowings	(17,782)	(11,502)
Long term borrowings	(11,246)	(10,540)
Cash and short term deposits	<u>1,807</u>	<u>1,283</u>

There are no financial assets or liabilities for which fair values are materially different to their carrying values.

21. Share capital

Analysis at 31 December

	1999		1998	
	Ordinary shares of 10p each	£000	Ordinary shares of 10p each	£000
Allotted, called up and fully paid	30,860,906	3,086	29,800,077	2,980
Unissued ordinary shares	5,639,094	564	6,699,923	670
Authorised	<u>36,500,000</u>	<u>3,650</u>	<u>36,500,000</u>	<u>3,650</u>

During the year the Company allotted and issued 1,060,829 ordinary shares as part consideration for the entire issued ordinary share capital of acquired companies.

At 31 December 1999 there were options outstanding under the terms of the Caverdale Group plc Executive Share Option Scheme over 920,500 ordinary shares exercisable on dates up to 17 July 2009 at subscription prices between 100.0p and 391.3p.

At 31 December 1999 there were options outstanding to Directors, Directors of Subsidiaries and certain key personnel, in addition to those described above for 530,000 ordinary share exercisable between 10 December 2000 and 6 September 2009 at subscription prices between 62.5p and 130.8p.

During the year, options for 155,000 ordinary shares were issued under the Caverdale Group plc Executive Share Option Scheme exercisable between 17 July 2002 and 9 September 2009. Of these shares 25,000 were Inland Revenue approved under the scheme.

On the 10 January 2000 all the above options were surrendered following the adoption of a new share option scheme at the extraordinary general meeting of the company.

Notes to the financial statements

22. Reserves

Reconciliation of movements in equity shareholders' funds

GROUP	Share capital £000	Share premium £000	Revaluation reserve £000	*Other reserves £000	Profit and loss account £000	Total £000
At 1 January 1998	2,971	11,877	243		(1,416)	13,675
Profit for the year	-	-	-		4,775	4,775
Dividends	-	-	-		(1,342)	(1,342)
Allotment of shares	9	-	-		-	9
Premium on allotment	-	116	-		-	116
Released on disposal of subsidiaries	-	-	-		2,414	2,414
Goodwill on acquisitions	-	-	-		(176)	(176)
At 31 December 1998	2,980	11,993	243		4,255	19,471
Exchange differences on retranslation of subsidiary	-	-	-		239	239
Loss for the year	-	-	-		(615)	(615)
Dividends	-	-	-		(706)	(706)
Allotment of shares	106	-	-		-	106
Premium on allotment	-	1,017	-		-	1,017
At 31 December 1999	3,086	13,010	243	-	3,173	19,512

The cumulative amount of goodwill written off at 31 December 1999, net of goodwill relating to undertakings disposed of, is £5,542,000 (1998 - £5,542,000).

COMPANY	Share capital £000	Share premium £000	Revaluation reserve £000	*Other reserves £000	Profit and loss account £000	Total £000
At 1 January 1998	2,971	11,877		5,169	1,049	21,066
Profit for the year	-	-		-	2,481	2,481
Dividends	-	-		-	(1,342)	(1,342)
Allotment of shares	9	-		-	-	9
Premium on allotment	-	116		-	-	116
At 31 December 1998	2,980	11,993		5,169	2,188	22,330
Loss for the year	-	-		-	(1,202)	(1,202)
Dividends	-	-		-	(706)	(706)
Allotment of shares	106	-		-	-	106
Premium on allotment	-	1,017		-	-	1,017
At 31 December 1999	3,086	13,010	-	5,169	280	21,545

* non distributable

Notes to the financial statements

23. Contingent liabilities

The Company has entered into guarantees in respect of bank loans, other borrowings and other commitments incurred in the ordinary course of business by subsidiaries. The amounts outstanding at 31 December 1999 were £ 7,864,000 (1998 - £2,997,000).

24. Pensions

The Group operates a number of defined contribution pension schemes. The assets of the schemes are held in trustee administered funds separate from the finances of the Group.

The charge for the year in respect of contributions payable by the Group to the defined contribution schemes was £46,000 (1998 - £176,000).

25. Post-balance sheet event

In February 2000 the company raised £2,777,480 (before share issue costs of £270,547) by way of a rights issue. 15,430,453 shares were issued at 18p per share, on the basis of one new ordinary share for every two ordinary shares held by qualifying shareholders registered on the 4 January 2000. Acceptances were received in respect of 12,633,817 shares representing 81.9% of the shares available. The balance of the shares not taken up were placed at a premium to the rights price.

Five Year Financial Record

	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Turnover	69,159	71,706	251,507	245,781	187,534
Operating Profit	500	4,693	7,118	7,250	5,811
(Loss)/profit on ordinary Activities before taxation	(650)	6,041	4,334	5,401	4,218
Net (loss)/ profit for the year	(615)	4,775	3,339	4,321	3,498
Shareholders' funds	19,512	19,471	13,675	18,242	15,916
<hr/>					
(Loss)/earnings per share	(2.0)p	16.0p	12.4p	16.3p	14.5p
Net assets per share (i)	64p	65p	50p	69p	66p
Dividends per share:					
- normal	2.25p	4.5p	4.0p	3.6p	3.0p
- special	-	-	35.0p	-	-

(i) The calculation of net assets per share is based on net assets shown in the consolidated balance sheet and the weighted average number of shares in issue.

Notice of Meeting

Notice is hereby given that the sixtieth Annual General Meeting of ActionLeisure plc will be held at 10.00am on 25th May 2000 at Hill House, 5 Holywell Hill, St Albans, AL1 1EU for the following purposes:

ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Directors' Report and financial statements and to receive the Auditors' Report for the year ended 31 December 1999.
2. To re-elect Mr A. Nerdrum, who retires from the Board by rotation.
3. To elect Mr G Bolte as a director.
4. To elect Mr C Outram as a director.
5. To elect Mr S J Hartill as a director.
6. To re-appoint Ernst & Young as auditors to the Company, until the conclusion of the next Annual General Meeting.
7. To authorise the Directors to fix the remuneration of the auditors.

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following resolutions of which resolution 9 will be proposed as an ordinary resolution and resolutions 8 and 10 will be proposed as special resolutions.

8. That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985 ("the Act") of equity securities of the Company up to an aggregate nominal amount of £694,000 at a price per share (exclusive of advance corporation tax and expenses) of not less than 10 pence and not more than 105% of the average of the middle market quotations for such equity securities as derived from the London Stock Exchange Daily Official List for the ten dealing days immediately preceding the date on which the equity securities are contracted to be purchased; such authority to expire at the conclusion of the Annual General Meeting to be held in 2001, save that the Company may purchase equity securities pursuant to this authority at any later date where such purchase is pursuant to any contract made by the Company before the expiry of this authority.

9. That the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to a maximum

aggregate nominal amount of £1,525,000; and that this authority shall (unless previously revoked or varied) expire on the earlier of the date of the Annual General Meeting to be held in 2001 and 14 August 2001 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

10. That the Directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company for cash pursuant to the authority given in accordance with resolution 9 above as if Section 89(1) of the Act did not apply to such allotment provided that this power be limited to:

- (i) the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares and other persons entitled to participate therein in proportion (as nearly as may be) to the respective holdings of such shares (or, as appropriate, the numbers of such shares which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body in any territory; and
- (ii) the allotment (otherwise than pursuant to sub paragraph (i) above) of equity securities up to any aggregate nominal amount of £231,000.

during the currency of the authority conferred by resolution 9 above, but so that this power shall enable the Company to make an offer or agreement prior to the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.



By order of the Board
Martin E Ellison
Secretary

Holywell Hill
St Albans
Herts
14 April 2000

Notes

1. A member entitled to attend and vote at this Meeting may appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf. To be valid, forms of proxy must be lodged at the offices of the Company's Registrars not later than 48 hours before the time of the Meeting. The appointment of a proxy will not preclude a member from attending and/or voting at the Meeting should he subsequently decide to do so. A form of proxy is enclosed with this Notice.
2. The register of Directors' interests in the capital of the Company, together with copies of Directors' service agreements of more than one year's duration, will be available for inspection at the Company's registered office during normal business hours from the date of this Notice up to and including the date of the Meeting for at least 15 minutes prior to the Meeting and until its conclusion.

ActionLeisure plc

ActionLeisure plc
Hill House
5 Holywell Hill
St Albans AL1 1EU
Telephone: 01727 791400 Fax: 01727 791410

MOTORCYCLES AND ACCESSORIES

Götz GmbH

Postfach 180, D-72403 Bisingen, Germany
Tel: 0049 7476 933 150 Fax: 0049 7476 933250

M&P Motorcycle Accessories Limited

Phoenix Way, Garnogoch Industrial Estate,
Gorseinon, Swansea, SA4 1GZ
Tel: 08705 703030 Fax: 08705 703033

M&P - Bridgend

Tremains Road, Bridgend, CF31 1TZ
Tel: 01656 657887 Fax: 01656 649063

M&P - Cambridge

184 Histon Road, Cambridge, CB4 3JS
Tel: 01223 311611 Fax: 01223 315783

M&P - Cleckheaton

Dewsbury Road, Cleckheaton, Leeds/Bradford,
BD19 5BU
Tel: 01274 855554 Fax: 01274 855556

M&P - Coventry

351-357 Holbrook Lane, Coventry, CV6 4DG
Tel: 01203 683444 Fax: 01203 683333

M&P - Edinburgh

128 Dalry Road, Haymarket, Edinburgh, EH11 2EZ
Tel: 0131 313 1199 Fax: 0131 313 1177

M&P - Glasgow

60 Hydepark Street, Glasgow, G3 8BW
Tel: 0141 225 8100 Fax: 0141 225 8101

M&P - Harrow

164/170 Kenton Road, Harrow, Middx, HA3 8BL
Tel: 020 890 77097 Fax: 020 890 75424

M&P Superstore - Northampton

2 Museum Way, Riverside Retail Park, Northampton,
NN3 9HW
Tel: 01604 417000 Fax: 01604 417001

M&P - Oxford

Deacons Garage, Oxford Road
Dorchester On Thames, Oxon, OX10 7LY
Tel: 01865 343534 Fax: 01865 343791

M&P - Peterborough

176 Lincoln Road, Millfield, Peterborough, PE1 2NW
Tel: 01733 341341 Fax: 01733 891190

M&P - Stroud

192 Cainscross Road, Stroud, Gloucestershire, GL5
4HS
Tel: 01453 768800 Fax: 01453 753719

M&P - Swansea

Phoenix Way, Garnogoch Industrial Estate, Gorseinon
Swansea, SA4 1HN
Tel: 01792 224451 Fax: 08705 703033

M&P/Ducati - Welwyn

57 Great North Road, Lemsford, Welwyn, Herts
AL8 7TZ
Tel: 01707 378200 Fax: 01707 378221

M&P - York

88-98 Walmgate, York, YO1 2TL
Tel: 01904 464000 Fax: 01904 464002

Mr Fast'ner Limited

351-357 Holbrook Lane
Coventry CV6 4DG
Tel: 01203 688000 Fax: 01203 680608

CYCLES

RETAIL CYCLES

M&P Cycles

Unit 4, Castell Close, Swansea Enterprise Park,
Llansamlet, Swansea, SA7 9FH
Tel: 01792 702555 Fax: 01792 700396

31 St Helens Road, Swansea, SA1 4AP

Tel/fax: 01792 644204

Bearwood Cycles

428 Bearwood Road, Smethwick, Warley, West
Midlands, B66 4EY
Tel: 0121 429 2199 Fax: 0121 434 3045

Wheelbase

Staveley Wood Turning Yard, Staveley, Kendal,
Cumbria LA8 9LS
Tel: 01539 821083 Fax: 01539 821445

WHOLESALE

Crabtree Sports and Leisure Limited

Ebor Mills, Ebor Lane, Haworth, Keighley,
West Yorkshire, BD22 8HS
Tel: 01535 640000 Fax: 01535 640044

FITNESS DIVISION

Pulse Fitness

Greenfield Farm Estate, Congleton,
Cheshire, CW12 4TT
Tel: 01260 294606 Fax: 01260 299282

Pulse Fitness

Concorde House, Walley Street, Biddulph,
Stoke on Trent, Staffordshire, STA8 6EA
Tel: 01782 375400 Fax: 01782 375411

Pulse Fitness Client Support Division

Unit 5 Hertfordshire Business Centre,
Alexander Road, London Colney, Herts AL2 1JG
Tel: 01727 821025 Fax: 01727 824172

MARINE DIVISION

Captain O.M. Watts of London

7 Dover Street, London, W1X 3PJ
Tel: 0207 493 4633 Fax: 0207 495 0755

Cruisermart Express Burnham

Burnham Yacht Harbour, Burnham on Crouch,
Essex, CM0 8BG
Tel: 01621 782 890 Fax: 01621 782 730

Cruisermart Express Chichester

Donnington Park, Birdham Road, Chichester,
West Sussex, PO20 7DU
Tel: 01243 771111 Fax: 01243 778111

Cruisermart Express Lymington

The Yacht Chandlery, Bath Road, Lymington,
Hampshire, SO41 3RU
Tel: 01590 673698 Fax: 01590 670147

Cruisermart Express Southend

36-38 Eastern Esplanade, Southend on Sea,
Essex, SS1 2ES
Tel: 01702 44 44 23 Fax: 01702 461 669

Force 4 Chandlery (Bristol)

Albion Dockyard, Hanover Place, Bristol, BS1 6UY
Tel: 0117 926 8396 Fax: 0117 921 3400

Force 4 Chandlery (London)

30 Bressenden Place, Bucking Palace Road, London,
SW1E 5DB
Tel: 020 828 3900 Fax: 020 828 3383

Force 4 Chandlery (Poole)

107 Bournemouth Road, Parkstone, Poole, Dorset,
BH14 9HR
Tel: 01202 723 311 Fax: 01202 723 233

The London Yacht Centre

13 Artillery Lane, London, E1 7LP
Tel: 020 7247 2047 Fax: 0207 7377 5680

Marinac

24-26 Boswell Square, Hillington Industrial Estate,
Hillington, Glasgow, G52 4BQ
Tel: 0141 883 8723 Fax: 0141 883 4638

Telesonic Marine

7 Dover Street, London, W1X 3PJ
Tel: 0207 493 4633 Fax: 0207 495 0755

XM Group

The Mill, Berwick, Polegate, East Sussex, BN26 6SZ
Tel: 01323 870092 Fax: 01323 870909

For use at the Annual General Meeting to be held on 25th May 2000

being a member(s) of Caverdale Group plc, hereby appoint the Chairman of the Meeting (see note 2)

Please indicate with a ✓ in the space below how you wish your vote to be cast on the resolutions set out in the Notice of Meeting.

8. To authorise the purchase of own shares
9. To authorise the Directors to allot shares
10. To disapply statutory pre-emption rights

[illegible]

Signed Date

- (1) To be effective this Form of Proxy duly completed and signed, together with the Power of Attorney or other authority (if any) under which it is signed, must be lodged with the Company's registrars, Connaught St Michaels Limited not less than 48 hours before the time fixed for the Meeting.
- (2) A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words "the Chairman of the Meeting", initial the alteration and insert the name of the person appointed as proxy in the space provided. A proxy need not be a member of the Company.
- (3) If the appointor is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorised on its behalf.
- (4) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holding.
- (5) Completion and return of this Form of Proxy will not preclude shareholders from attending and voting in person at the Meeting should they subsequently decide to do so.