

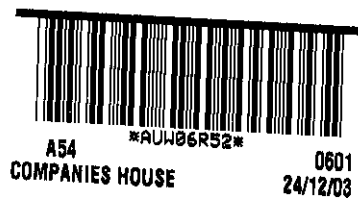


GLOBAL SEALING TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

28 FEBRUARY 2003

Registered Number: 2780458



Baker Tilly

Chartered Accountants

Chester



GLOBAL SEALING TECHNOLOGIES LIMITED

FINANCIAL STATEMENTS

for the year ended 28 February 2003

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GLOBAL SEALING TECHNOLOGIES LIMITED**COMPANY INFORMATION****28 February 2003**

Number	2780458
Directors	A L Caplin (Chairman) D J Moorcroft M Peplinski S Sutton K G Carpenter (resigned 15 July 2003) B Bragg (resigned 8 October 2002) P W Lancaster (appointed 1 July 2003)
Secretary	B Bragg (resigned 8 October 2002) P W Lancaster (appointed 1 July 2003)
Registered Office	Aber Park Flint Flintshire CH6 5EX
Bankers	Lloyds TSB Bank plc India Buildings P O Box 108 Water Street Liverpool L69 2BT
Solicitors	Brabners 1 Dale Street Liverpool L2 2ET
Auditors	Baker Tilly Chartered Accountants The Steam Mill Steam Mill Street Chester CH3 5AN

GLOBAL SEALING TECHNOLOGIES LIMITED**CHAIRMAN'S STATEMENT****28 February 2003**

This year's results reflect the change in the product cycle of the business, notably the very successful launch of the patented microwave steam cooking films.


This change coupled with a 16% increase in turnover has resulted in a 56% increase in operating profit.

The business was further strengthened by the purchase of several new pieces of production equipment and great emphasis was placed on ongoing training of the workforce.

The focus in the coming year will be to build upon the new product range and to rationalize the last of the Textile Packaging operations, releasing capacity for further profitable growth.

A L Caplin
Chairman – Global Sealing Technologies Limited

23 December 2003

A handwritten signature in dark ink, appearing to read 'A L Caplin', followed by a long horizontal line extending to the right.

GLOBAL SEALING TECHNOLOGIES LIMITED

DIRECTORS' REPORT

28 February 2003

The directors present their report and the audited financial statements for the year ended 28 February 2003.

Principal activities

The principal activity of the company is the manufacture of specialist cast co-extruded films and laminates.

Business review and future developments

The company's balance sheet as detailed on page 9 shows shareholders' funds amounting to £900,196.

The Board are concentrating on improving margins and controlling costs, whilst increasing the company's turnover, especially in niche markets which are an increasingly important aspect of the business.

Profit, dividends and appropriations

The results for the year are shown in the profit and loss account on page 7.

The directors propose payment of a dividend on the cumulative redeemable preference shares of £53,583 (2002 - £44,673) and a dividend on the cumulative convertible participating preferred ordinary shares of £56 (2002 - £46). After appropriating £3,785 in respect of finance costs associated with non-equity shares, £351,132 of the profit for the financial year will be transferred to reserves.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	28 February 2003 'A' ordinary shares Number	1 March 2002 'A' ordinary shares Number
A L Caplin	156	156
B Bragg (resigned 8 October 2002)		
K G Carpenter	-	-
D J Moorcroft	313	313
M Peplinski	78	78
S Sutton	78	78

Research and development

The company spent £420,000 (2002 - £403,500) in the year ended 28 February 2003 on research and development, all of which has been written off to the profit and loss account.

GLOBAL SEALING TECHNOLOGIES LIMITED**DIRECTORS' REPORT****28 February 2003****(continued)****Auditors**

Baker Tilly have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



Director

Aber Park
Flint
Flintshire
CH6 5EX

23 December 2003

GLOBAL SEALING TECHNOLOGIES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company, and of the profit or loss of the company for that period.

In preparing these financial statements we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business

We are also responsible for:

- keeping proper accounting records
- safeguarding the company's assets
- taking reasonable steps for the prevention and detection of fraud

GLOBAL SEALING TECHNOLOGIES LIMITED**INDEPENDENT AUDITORS' REPORT****to the members of Global Sealing Technologies Limited**

We have audited the financial statements of Global Sealing Technologies Limited for the year ended 28 February 2003 on pages 7 to 22.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

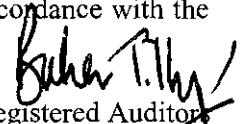
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Chartered Accountants

Chester

23 Dec. 2003

GLOBAL SEALING TECHNOLOGIES LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 28 February 2003

	Note	2003 £	2002 As restated £
Turnover	2	13,724,795	11,825,155
Cost of sales		(9,984,296)	(9,065,725)
Gross profit		3,740,499	2,759,430
Distribution costs		(1,290,674)	(942,973)
Administrative expenses		(1,765,976)	(1,309,696)
		683,849	506,761
Exceptional item	3	-	(67,500)
Operating profit	4	683,849	439,261
Interest payable and similar charges	7	(275,293)	(243,829)
Profit on ordinary activities before taxation		408,556	195,432
Taxation	8	-	-
Profit for the financial year		408,556	195,432
Dividends (including dividends and other appropriations in respect of non-equity shares)	9	(57,424)	(48,504)
Retained profit for the year	18/19	351,132	146,928

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

None of the company's activities were acquired or discontinued during the two financial years.

GLOBAL SEALING TECHNOLOGIES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 28 February 2003

	2003	2002
	£	As restated £
Profit for the financial year	408,556	195,432
Total recognised gains and losses relating to the year	408,556	195,432
Prior year adjustment (as explained in note 1)	(287,994)	-
Total gains and losses recognised since last annual report	<u>120,562</u>	<u>195,432</u>

GLOBAL SEALING TECHNOLOGIES LIMITED

BALANCE SHEET

at 28 February 2003

		2003		2002	
				As restated	
	Note	£	£	£	£
Fixed assets					
Tangible assets	10		3,479,084		2,237,504
Current assets					
Stocks	11	1,257,066		1,246,286	
Debtors	12	3,925,498		2,833,152	
Cash at bank and in hand		3,128		4,119	
		<u>5,185,692</u>		<u>4,083,557</u>	
Creditors: amounts falling due within one year	13	(7,079,699)		(5,230,091)	
Net current liabilities			(1,894,007)		(1,146,534)
Total assets less current liabilities			<u>1,585,077</u>		<u>1,090,970</u>
Creditors: amounts falling due after more than one year	14		(672,726)		(533,536)
Provision for liabilities and charges	15		(12,155)		(12,155)
			<u>900,196</u>		<u>545,279</u>
Capital and reserves					
Called up share capital	17		672,083		672,083
Share premium account	18		113,960		113,960
Profit and loss account	18		114,153		(240,764)
Shareholders' funds	19		<u>900,196</u>		<u>545,279</u>
Attributable to :					
Equity shareholders			(190,667)		(488,115)
Non-equity shareholders	20		1,090,863		1,033,394
			<u>900,196</u>		<u>545,279</u>

The financial statements on pages 7 to 22 were approved by the board of directors on 23 December 2003.

D J Moorcroft

D J Moorcroft
Director

GLOBAL SEALING TECHNOLOGIES LIMITED

CASH FLOW STATEMENT

for the year ended 28 February 2003

	Note	2003		2002	
		£	£	£	£
Net cash inflow from operating activities	21(i)		522,344		182,590
Returns on investments and servicing of finance					
Interest paid		(171,143)		(150,883)	
Interest paid on finance leases		(33,983)		(35,408)	
			(205,126)		(186,291)
Taxation			-		(17,500)
Capital expenditure					
Purchase of tangible fixed assets		(552,363)		(289,048)	
Sale of tangible fixed assets		-		3,250	
			(552,363)		(285,798)
			(235,145)		(306,999)
Equity dividends paid			-		-
Financing					
Repayment of principal under finance leases		(367,945)		(192,161)	
Repayment of loans		-		(26,746)	
Discounting of receivables		(412,983)		649,912	
			(780,928)		431,005
(Decrease)/increase in cash	21(ii)		(1,016,073)		124,006

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost accounting rules.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Plant and machinery	10-20
Fixtures and fittings	10-33
Computer equipment	10-33

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit. Assets held under finance lease contracts are depreciated over their useful economic lives.

Stocks and work in progress

Stocks and work in progress are 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 products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes valued added tax and trade discounts, represents the invoiced value of goods and services supplied.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the period in which it is incurred.

Development costs are also charged to the profit and loss account in the period of expenditure.

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

The company operates a defined contribution pension scheme and contributions are charged to the profit and loss account as they accrue.

Financial Reporting Standard 4

The company has adopted the provisions of FRS4 "capital instruments". Accordingly, the amount of shareholders' funds attributed to equity and non-equity interests has been separately disclosed. The direct costs incurred in connection with the issue of capital instruments have been deducted from the proceeds of issue and the finance costs associated with debt and non-equity shares have been allocated to periods at a constant rate, based on the carrying amount.

Prior period adjustment

An adjustment was required for £287,994 in respect of the correction of a fundamental error in the valuation of accruals arising in 2001 and 2002.

2 Analysis of turnover by geographical area

The analysis by geographical area of the company's turnover is set out below:

	2003 Sales by destination £	2002 Sales by destination £
Geographical segment		
United Kingdom	7,359,879	5,506,922
Other EC countries	890,025	853,182
Rest of World	5,474,891	5,465,051
	<u>13,724,795</u>	<u>11,825,155</u>

3 Exceptional item

During 2002 exceptional insurance costs of £67,500 were incurred due to Independent Insurance going into liquidation and the company having to take out additional insurance policies.

4 Operating profit

	2003 £	2002 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	222,534	188,359
- assets held under finance leases:		
Computer equipment	25,677	25,677
Plant and machinery	223,472	136,932

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003
(continued)

4 Operating profit (continued)

	2003 £	2002 £
Exceptional item (note 3)	-	67,500
Auditors' remuneration		
- statutory audit	15,900	13,400
- other services	5,829	2,250
Hire of plant and machinery – operating leases	34,016	39,792
Hire of other assets – operating leases	126,214	129,551
Profit on disposal of tangible fixed assets	-	(3,250)

5 Directors' emoluments

	2003 £	2002 £
Emoluments (including benefits in kind)	223,741	221,885
Paid to third parties	43,500	37,000
Pension contributions	5,136	5,545
Compensation for loss of office	30,000	-
	<u>302,377</u>	<u>264,430</u>
Emoluments excluding pension contributions		
Highest paid director	<u>75,564</u>	<u>69,168</u>

Pension costs**Defined contribution scheme**

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £23,386 (2002 £42,713). The contributions paid for the highest paid director were £1,748 (2003 £1,713).

6 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

By activity	2003 Number	2002 Number
Manufacturing	102	98
Selling and distribution	15	12
Administration	5	8
	<u>122</u>	<u>118</u>
	2003 £	2002 £
Staff costs		
Wages and salaries	2,750,013	2,563,439
Social security costs	235,857	241,854
Other pension costs	23,386	42,713
	<u>3,009,256</u>	<u>2,848,006</u>

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003

(continued)

7 Interest payable and similar charges

	2003 £	2002 £
On bank overdrafts	149,194	135,142
On other loans	92,116	69,109
On finance leases	33,983	35,408
	<hr/>	<hr/>
	275,293	239,659
Cost of financing loans	-	4,170
	<hr/>	<hr/>
	275,293	243,829
	<hr/>	<hr/>

8 Taxation

The company has no liability for taxation due to the availability of unrelieved trading losses.

Factors affecting tax charge for the period

	2003 £	2002 As restated £
The tax assessment for the period is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:		
Profit on ordinary activities before tax	408,556	195,432
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2002 – 20%)	77,626	39,086
Effects of:		
Expenses not deductible for tax purposes	1,900	169
Deductions allowed	(3,475)	-
Capital allowances in excess of depreciation	11,635	30,755
Net finance lease rental charges	(47,338)	(32,522)
Profit on disposal of fixed assets	-	(650)
Movement in general provisions	(2,470)	2,600
Utilisation of tax losses	(37,878)	(39,438)
Tax losses carried forward	-	-
	<hr/>	<hr/>
Current tax charge for period	-	-
	<hr/>	<hr/>

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003

(continued)

9 Dividends and appropriations

	2003 £	2002 £
Cumulative redeemable preference shares		
- additional finance costs	3,785	3,785
- dividends payable	53,583	44,673
Cumulative convertible participating preferred ordinary shares		
- dividends payable	56	46
	<u>57,424</u>	<u>48,504</u>

A moratorium on dividends of all classes of shares was agreed until 1 May 2001. Thereafter dividends of 8p per share per annum are to accrue on cumulative convertible participating preferred ordinary shares and cumulative redeemable preference shares.

10 Tangible fixed assets

	Computer equipment £	Assets in course of construction £	Plant and machinery £	Fixtures and fittings £	Total £
Cost					
At 1 March 2002	376,936	39,960	5,174,879	227,064	5,818,839
Additions	28,693	-	1,681,156	3,414	1,713,263
Inter-category transfers	-	(39,960)	39,960	-	-
At 28 February 2003	<u>405,629</u>	<u>-</u>	<u>6,895,995</u>	<u>230,478</u>	<u>7,532,102</u>
Depreciation					
At 1 March 2002	298,694	-	3,078,753	203,888	3,581,335
Charge for the year	30,627	-	436,477	4,579	471,683
Inter-category transfers	34,264	-	-	(34,264)	-
At 28 February 2003	<u>363,585</u>	<u>-</u>	<u>3,515,230</u>	<u>174,203</u>	<u>4,053,018</u>
Net book amount					
At 28 February 2003	<u>42,044</u>	<u>-</u>	<u>3,380,765</u>	<u>56,275</u>	<u>3,479,084</u>
At 28 February 2002	<u>78,242</u>	<u>39,960</u>	<u>2,096,126</u>	<u>23,176</u>	<u>2,237,504</u>

The net book amount of tangible fixed assets includes £32,112 of computer equipment and £2,151,071 of plant and machinery held under finance leases. Depreciation for the year in respect of assets held under finance leases is shown in note 4.

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003

(continued)

11 Stocks

	2003	2002
	£	£
Raw materials and consumables	466,406	455,528
Work in progress	478,716	392,087
Finished goods and goods for resale	311,944	398,671
	<u>1,257,066</u>	<u>1,246,286</u>

12 Debtors

	2003	2002
	£	£
Amounts falling due within one year		
Trade debtors	3,381,512	2,543,986
Other debtors	2,054	38,038
Prepayments and accrued income	541,932	251,128
	<u>3,925,498</u>	<u>2,833,152</u>

13 Creditors: amounts falling due within one year

	2003	2002
	£	As restated £
Loan notes and other loans (note 14)	641,914	146,088
Bank overdraft	1,194,616	179,534
Trade creditors	2,473,304	1,616,510
Dividends payable	98,357	44,719
Other taxation and social security	82,520	62,040
Obligations under finance leases (note 14)	338,387	180,448
Discounting of receivables	1,716,904	2,129,887
Other creditors	29,428	16,531
Accruals	504,269	854,334
	<u>7,079,699</u>	<u>5,230,091</u>

The loans and bank overdraft are secured by mortgage debentures containing charges over certain assets and property belonging to the company.

The discounting of receivables is secured by an all asset mortgage debenture.
A deed of priority was made between all lenders on 27 February 1993.

The dividends payable relate to fixed cumulative dividends of £103 on the cumulative convertible participating preferred ordinary shares and £98,254 on the cumulative redeemable preference shares. The period of arrears for each dividend is 1 May 2002 to 28 February 2003.

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003
(continued)

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

	2003 £	2002 £
Loan notes	-	495,826
Obligations under finance leases	672,726	37,710
	<u>672,726</u>	<u>533,536</u>
Loan notes and other loans		
Repayable as follows:		
Within one year or on demand (note 13)	641,914	146,088
Between one and two years	-	247,131
Between two and five years	-	248,695
	<u>641,914</u>	<u>641,914</u>

(a) **Loan notes 2003**

On 27 August 1999 the company issued £650,000 Series D Loan Notes 2003 at par. The company is entitled to repay all or any part of the loan notes by giving not less than one month's notice in writing to the noteholders. Subject to this Series D Notes were originally scheduled to be repaid at par as follows:

	£
31 December 2000	150,000
31 December 2001	150,000
31 December 2002	150,000
31 December 2003	200,000

or immediately prior to a sale or flotation, if earlier.

The loan notes are secured by fixed and floating charges over the undertaking and all property and assets present and future including uncalled capital, goodwill, stocks, shares and other securities. Interest is payable at a rate of 9% per annum. The carrying value of the loan notes included as above amounted to £641,914.

(b) **Finance leases**

The net finance lease obligations to which the company is committed are as follows:

	2003 £	2002 £
Within one year (note 13)	338,387	180,448
In the second to fifth years inclusive	672,726	37,710
	<u>1,011,113</u>	<u>218,158</u>

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003

(continued)

15 Provision for liabilities and charges

	2002 £	Profit and loss account £	Other movement £	2003 £
Deferred taxation (notes 8 and 16)	12,155	-	-	12,155

16 Deferred taxation

	2003		2002	
	Potential liability £	Provision made £	Potential liability £	Provision Made £
Corporation tax deferred by:				
Accelerated capital allowances	149,650	149,650	149,650	149,650
	149,650	149,650	149,650	149,650
Less: Unrelieved taxation losses	(101,366)	(101,366)	(101,366)	(101,366)
Advance corporation tax	(36,129)	(36,129)	(36,129)	(36,129)
	12,155	12,155	12,155	12,155

17 Called up share capital

	2003		2002	
	Number of shares	£	Number of shares	£
Authorised				
"A" ordinary shares of £1 each	1,103	1,103	1,103	1,103
"L" ordinary shares of £1 each	595	595	595	595
Cumulative convertible participating preferred ordinary shares of £1	702	702	702	702
Cumulative redeemable preference shares of £1 each	670,083	670,083	670,083	670,083
	672,483	672,483	672,483	672,483

GLOBAL SEALING TECHNOLOGIES LIMITED

NOTES ON FINANCIAL STATEMENTS

28 February 2003
(continued)

17 Called up share capital (continued)

	2003		2002	
	Number of shares	£	Number of shares	£
Allotted, called up and fully paid				
"A" ordinary shares of £1 each	703	703	703	703
"L" ordinary shares of £1 each	595	595	595	595
Cumulative convertible participating preferred ordinary shares of £1	702	702	702	702
Cumulative redeemable preference shares of £1 each	670,083	670,083	670,083	670,083
	<u>672,083</u>	<u>672,083</u>	<u>672,083</u>	<u>672,083</u>

Non-equity shares**Cumulative redeemable preference shares**

Profits of the company available for distribution are paid first to the holders of this class of share at an amount of 8 pence per share per annum.

The cumulative redeemable preference shares may be redeemed by the company at any time upon giving 28 clear days notice in writing to the members holding these shares either in their entirety or in tranches of not less than 50,000 shares. The company shall redeem all the preference shares in issue immediately prior to a sale or flotation. Subject to the above, the company shall redeem these preference shares on each of the following dates:

Date	Number of preference shares
31 December 2004	167,500
31 December 2005	167,500
31 December 2006	167,500
31 December 2007	<u>167,583</u>
	<u>670,083</u>

A premium of £0.50 per share will be paid on redemption.

The shares are non voting, except in respect of any resolution which would adversely vary any rights or privileges of the holders.

Equity shares**Cumulative convertible participating preferred ordinary shares**

These shares have a:

- (i) second preferential right to receive a fixed cumulative dividend of 8 pence per share per annum;
- (ii) third preferential right to a cumulative dividend in cash equal to the Participating Dividend Rate of 6% of the net profits less the preferential ordinary dividend and a share in any remaining profits which the company determines to distribute in any financial year.

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(continued)

17 Called up share capital (continued)

Rights on a winding up

Preferential rights to return of capital on a winding up are as follows:

- (i) Firstly cumulative redeemable preference shareholders at an amount equal to the subscription price including any premium, plus any dividends in arrears;
- (ii) Secondly cumulative convertible preferred ordinary shareholders at an amount equal to the subscription price including any premium, plus any dividends in arrears;
- (iii) Thirdly ordinary shareholders at an amount equal to the price paid on each cumulative convertible preferred ordinary share;
- (iv) Finally the ordinary shareholders also have unlimited rights to share in the surplus remaining on a winding up after all liabilities and participation rights of other classes of shares have been satisfied.

18 Share premium account and reserves

	Share premium account £	Profit and loss account £
At 1 March 2002 as previously stated	113,960	(287,994)
Prior year adjustment	-	47,230
At 1 March 2002 as restated	113,960	(240,764)
Accrual of non-equity appropriations		
- arising on issue of shares	-	3,785
Profit retained for the year	-	351,132
At 28 February 2003	113,960	114,153

19 Reconciliation of movements in shareholders' funds

	2003 £	2002 As restated £
Profit for the financial year	408,556	195,432
Dividends and appropriations	(57,424)	(48,504)
Retained profit for the year	351,132	146,928
Reversal of non-equity appropriations	3,785	3,785
Net addition to shareholders' funds	354,917	150,713
Opening shareholders' funds	545,279	394,566
Closing shareholders' funds	900,196	545,279

The opening shareholders' funds at 1 March 2002 as previously reported amounted to £833,273 (2001 - £652,566) before prior period adjustment of £29,994 charge (2001 - £258,000 charge) (see note 1).

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20 Analysis of non-equity shareholders' funds

	2003 £	2002 £
Cumulative redeemable preference shares	<u>1,090,863</u>	<u>1,033,394</u>

21 Notes to the cash flow statement

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

	2003 £	2002 £
Operating profit	683,849	439,261
Depreciation of tangible fixed assets	471,683	350,968
Profit on disposal of tangible fixed assets	-	(3,250)
Increase in stocks	(10,780)	(194,165)
Increase in debtors	(1,092,346)	(415,169)
Increase in creditors	469,938	4,945
Net cash inflow from operating activities	<u>522,344</u>	<u>182,590</u>

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

	2003 £	2002 £
(Decrease)/increase in cash in the year	(1,016,073)	124,006
Cash outflow from decrease in debt financing	-	26,746
Cash outflow from decrease in lease financing	367,945	192,161
New finance leases	(1,160,900)	-
Finance costs	-	(4,170)
Discounting of receivables	412,983	(649,912)
	(1,396,045)	(311,169)
Net debt at 1 March 2002	<u>(3,165,374)</u>	<u>(2,854,205)</u>
Net debt at 28 February 2003	<u>(4,561,419)</u>	<u>(3,165,374)</u>

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(continued)

21 Notes to the cash flow statement (continued)

(iii) Analysis of changes in net debt

	At 1 March 2002 £	Cash flows £	Other changes £	At 28 February 2003 £
Cash at bank and in hand	4,119	(991)	-	3,128
Overdrafts	(179,534)	(1,015,082)	-	(1,194,616)
		(1,016,073)		
Discounting of receivables	(2,129,887)	412,983	-	(1,716,904)
Debt due within one year	(146,088)	-	(495,826)	(641,914)
Debt due after one year	(495,826)	-	495,826	-
		(603,090)		
Finance leases	(218,158)	(367,945)	(1,160,900)	(1,011,113)
	(3,165,374)	(971,035)	(1,160,900)	(4,561,419)

22 Guarantees and other financial commitments

At 28 February 2003 the company has annual commitments under operating leases as follows:

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring within one year	-	24,953	-	9,322
Expiring between two and five years	-	57,158	-	276,732
Expiring in more than five years	103,670	2,165	98,000	2,165
	103,670	84,276	98,000	288,219