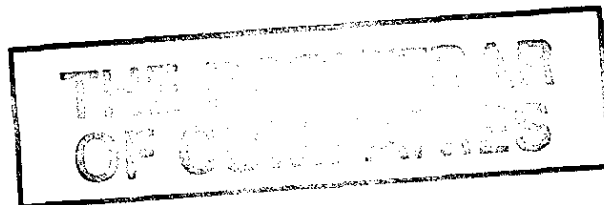


ALPHA SOLWAY LIMITED
ABBREVIATED FINANCIAL STATEMENTS
FOR
31ST DECEMBER 2002



ARMSTRONG WATSON
Chartered Accountants & Registered Auditors
Fairview House
Victoria Place
Carlisle
Cumbria
CA1 1HP

ALPHA SOLWAY LIMITED
ABBREVIATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2002

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ALPHA SOLWAY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr A Wright
Mr MW Gibbons
Mr RG Hardie

Company secretary

Mr A Wright

Registered office

Factory 1
Queensberry Street
Annan
Dumfriesshire
DG12 5BL

Auditors

Armstrong Watson
Chartered Accountants
& Registered Auditors
Fairview House
Victoria Place
Carlisle
Cumbria
CA1 1HP

Bankers

Clydesdale Bank Plc
Business Banking Centre
Wakefield Road
Kingstown Industrial Estate
Carlisle
Cumbria CA3 0HE

The Royal Bank of Scotland
52 High Street
Annan
Dumfriesshire
DG12 6AN

Solicitors

Fyfe Ireland
Orchard Brae House
30 Queensferry Road
Edinburgh
EH4 2HG

ALPHA SOLWAY LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31ST DECEMBER 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of manufacturing Industrial Safety & Protective Clothing and Respiratory Products.

This year has been a more difficult trading year following the heights of the previous year due to a market recession.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2002 £	2001 £
Proposed dividends on ordinary shares	<u>(69,000)</u>	<u>69,000</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests, including family holdings, in the shares of the company were as follows:

		At 31 December 2002	At 1 January 2002
Mr A Wright	'A' Ord shares	600	600
Mr MW Gibbons	'A' Ord shares	400	400
Mr RG Hardie	Ordinary shares	<u>2,000</u>	<u>2,000</u>

The voting power associated with each category of shareholding is disclosed in the notes to the accounts.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 9 to 10, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

ALPHA SOLWAY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 2002

AUDITORS

A resolution to re-appoint Armstrong Watson as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Factory 1
Queensberry Street
Annan
Dumfriesshire
DG12 5BL

Signed by order of the directors



MR A WRIGHT
Company Secretary

Approved by the directors on 6/8/03

ALPHA SOLWAY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE COMPANY

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts which comprise the profit and loss account, balance sheet, cash flow statement and the related notes, together with the financial statements of the company for the year ended 31st December 2002 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act, and the abbreviated accounts on pages 5 to 18 are properly prepared in accordance with those provisions.

Fairview House
Victoria Place
Carlisle
Cumbria
CA1 1HP

9th May 2003



ARMSTRONG WATSON
Chartered Accountants
& Registered Auditors

ALPHA SOLWAY LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2002

	Note	2002 £	2001 £
GROSS PROFIT		622,920	723,450
Distribution Costs		(232,605)	(253,026)
Administrative expenses		(256,040)	(270,592)
OPERATING PROFIT	2	134,275	199,832
Interest receivable		2	1,085
Interest payable and similar charges		(22,145)	(29,301)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		112,132	171,616
Tax on profit on ordinary activities	6	(25,065)	(33,689)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		87,067	137,927
Dividends	7	69,000	(69,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		156,067	68,927
Balance brought forward		305,089	236,162
Balance carried forward		<u>461,156</u>	<u>305,089</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

ALPHA SOLWAY LIMITED
ABBREVIATED BALANCE SHEET
31ST DECEMBER 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	334,658	368,460
Investments	9	461,906	461,906
		<u>796,564</u>	<u>830,366</u>
CURRENT ASSETS			
Stocks	10	361,777	352,358
Debtors	11	466,040	441,034
Cash at bank and in hand		1,296	1,104
		<u>829,113</u>	<u>794,496</u>
CREDITORS: Amounts falling due within one year	12	<u>(565,332)</u>	<u>(588,708)</u>
NET CURRENT ASSETS		<u>263,781</u>	<u>205,788</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,060,345</u>	<u>1,036,154</u>
CREDITORS: Amounts falling due after more than one year	13	<u>(49,189)</u>	<u>(179,358)</u>
		<u>1,011,156</u>	<u>856,796</u>
Government grants	17	—	1,707
		<u>1,011,156</u>	<u>855,089</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	5,000	5,000
Share premium account		545,000	545,000
Profit and Loss Account		461,156	305,089
SHAREHOLDERS' FUNDS	20	<u>1,011,156</u>	<u>855,089</u>

These accounts have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the 6th May 2003 and are signed on their behalf by:



 MR A WRIGHT



 MR MW GIBBONS.

The notes on pages 9 to 18 form part of these financial statements.

ALPHA SOLWAY LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31ST DECEMBER 2002

	2002	2001
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	106,919	135,794
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	2	1,085
Interest paid	(21,366)	(28,569)
Interest element of finance leases	(779)	(732)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(22,143)	(28,216)
TAXATION	(36,065)	(35,789)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(2,100)	(6,761)
Receipts from sale of fixed assets	—	2,826
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(2,100)	(3,935)
EQUITY DIVIDENDS PAID	—	(69,000)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	46,611	(1,146)
FINANCING		
Repayment of bank loans	(125,000)	(125,000)
Capital element of finance leases	(8,647)	4,079
NET CASH OUTFLOW FROM FINANCING	(133,647)	(120,921)
DECREASE IN CASH	(87,036)	(122,067)

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	£	£
Operating profit	134,275	199,832
Depreciation	35,902	39,135
Amortisation of government grants	(1,707)	(1,707)
Increase in stocks	(9,419)	(17,186)
(Increase)/Decrease in debtors	(25,006)	17,163
Decrease in creditors	(27,126)	(101,443)
Net cash inflow from operating activities	106,919	135,794

The notes on pages 9 to 18 form part of these financial statements.

ALPHA SOLWAY LIMITED

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31ST DECEMBER 2002

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002	2001
	£	£
Decrease in cash in the period	(87,036)	(122,067)
Net cash outflow from bank loans	125,000	125,000
Cash outflow in respect of finance leases	<u>8,647</u>	<u>(4,079)</u>
	46,611	(1,146)
Change in net debt	46,611	(1,146)
Net debt at 1 January 2002	<u>(375,209)</u>	<u>(374,063)</u>
Net debt at 31 December 2002	<u><u>(328,598)</u></u>	<u><u>(375,209)</u></u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2002 £	Cash flows £	At 31 Dec 2002 £
Net cash:			
Cash in hand and at bank	1,104	192	1,296
Overdrafts	<u>(64,705)</u>	<u>(87,228)</u>	<u>(151,933)</u>
	<u>(63,601)</u>	<u>(87,036)</u>	<u>(150,637)</u>
Debt:			
Debt due within 1 year	(125,000)	–	(125,000)
Debt due after 1 year	<u>(172,698)</u>	125,000	<u>(47,698)</u>
Finance lease agreements	<u>(13,910)</u>	8,647	<u>(5,263)</u>
	<u>(311,608)</u>	<u>133,647</u>	<u>(177,961)</u>
Net debt	<u><u>(375,209)</u></u>	<u><u>46,611</u></u>	<u><u>(328,598)</u></u>

The notes on pages 9 to 18 form part of these financial statements.

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 2% straight line
Plant & Machinery	- 10% straight line
Fixtures & Fittings	- 10% to 25% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Research and development expenditure

Research and development expenditure is written off in the profit and loss account in the year in which it is incurred.

Consolidation

The financial statements contain information about Alpha Solway Limited as an individual company and do not contain consolidation financial information as the parent of the group. The company is exempt under Section 248 of the Companies Act 1985 from the requirement to prepare group accounts as the company and its subsidiary undertakings comprise a medium-sized group.

Deferred government grants

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002	2001
	£	£
Amortisation of government grants re fixed assets	(1,707)	(1,707)
Depreciation	35,902	39,135
Loss on disposal of fixed assets	—	677
Auditors' remuneration		
- as auditors	4,704	4,560
Operating lease costs:		
Plant and equipment	6,312	3,917
Vehicles	25,112	27,123

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No.	No.
Number of production staff	43	47
Number of distribution staff	2	2
Number of administrative staff	3	3
Number of selling staff	7	7
Number of indirect admin staff	3	4
Number of maintenance staff	2	2
	<u>60</u>	<u>65</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	680,516	726,584
Social security costs	58,058	63,321
Other pension costs	33,333	32,872
	<u>771,907</u>	<u>822,777</u>

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002	2001
	£	£
Aggregate emoluments	142,930	142,708
Value of company pension contributions to money purchase schemes	15,718	14,011
	<u>158,648</u>	<u>156,719</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2002	2001
	No.	No.
Money purchase schemes	<u>2</u>	<u>2</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Interest payable on bank borrowing	22,019	27,132
Finance charges	779	732
Other similar charges payable	(653)	1,437
	<u>22,145</u>	<u>29,301</u>

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 19.25% (2001 - 20%)	25,000	36,000
Over/under provision in prior year	65	(2,311)
Total current tax	<u>25,065</u>	<u>33,689</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.25% (2001 - 20%) .

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>112,132</u>	<u>171,616</u>
Profit/(loss) on ord actvs by rate of tax	21,585	34,323
Excess depreciation over capital allowances	2,639	1,695
Items disallowable for tax purposes	428	437
Increase/decrease in provisions	250	(804)
Car leasing adjustment	398	414
Over/under provision re previous years	65	(2,311)
Other adjustments	(300)	(65)
Total current tax (note 6(a))	<u>25,065</u>	<u>33,689</u>

7. DIVIDENDS

The following dividends have been proposed in respect of the year:

	2002 £	2001 £
Proposed dividend on ordinary shares	<u>(69,000)</u>	<u>69,000</u>

The dividends proposed at 31st December 2001 amounting to £69,000 were not approved by the shareholders and will not be paid hence they have been written back during the period to 31st December 2002.

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

8. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Total £
COST				
At 1st January 2002	318,984	235,625	71,685	626,294
Additions	—	1,100	1,000	2,100
At 31st December 2002	<u>318,984</u>	<u>236,725</u>	<u>72,685</u>	<u>628,394</u>
DEPRECIATION				
At 1st January 2002	54,144	148,408	55,282	257,834
Charge for the year	6,380	17,925	11,597	35,902
At 31st December 2002	<u>60,524</u>	<u>166,333</u>	<u>66,879</u>	<u>293,736</u>
NET BOOK VALUE				
At 31st December 2002	<u>258,460</u>	<u>70,392</u>	<u>5,806</u>	<u>334,658</u>
At 31st December 2001	<u>264,840</u>	<u>87,217</u>	<u>16,403</u>	<u>368,460</u>

Finance lease agreements

Included within the net book value of £334,658 is £19,187 (2001 - £21,674) relating to assets held under finance lease agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £2,487 (2001 - £2,487).

9. INVESTMENTS

VIENNA HOLDINGS LIMITED

	£
COST	
At 1st January 2002 and 31st December 2002	<u>901,419</u>
AMOUNTS WRITTEN OFF	
At 1st January 2002 and 31st December 2002	<u>439,513</u>
NET BOOK VALUE	
At 31st December 2002	<u>461,906</u>
At 31st December 2001	<u>461,906</u>

Aggregate capital and reserves

	2002 £	2001 £
Vienna Holdings Limited (dormant)	33,233	33,233

The company owns 100% of the issued share capital of Vienna Holdings Limited, a company incorporated in Scotland.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

10. STOCKS

	2002 £	2001 £
Raw Materials	117,251	112,419
Work in progress	30,595	18,635
Finished goods	213,931	221,304
	<u>361,777</u>	<u>352,358</u>

11. DEBTORS

	2002 £	2001 £
Trade debtors	447,063	419,509
Other debtors	59	200
Prepayments and accrued income	18,918	21,325
	<u>466,040</u>	<u>441,034</u>

12. CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Other loans	—	30,784
Bank loans and overdrafts	276,933	189,705
Trade creditors	133,404	114,074
Other creditors including taxation and social security:		
Corporation tax	25,000	36,000
PAYE and social security	17,055	15,452
VAT	44,909	52,078
Finance lease agreements	3,772	7,250
Dividends payable	—	69,000
Other creditors	30,377	30,963
	<u>121,113</u>	<u>210,743</u>
Accruals and deferred income	33,882	43,402
	<u>565,332</u>	<u>588,708</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2002 £	2001 £
Bank loans and overdrafts	276,933	189,705
Finance leases	3,772	7,250
	<u>280,705</u>	<u>196,955</u>

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

13. CREDITORS: Amounts falling due after more than one year

	2002 £	2001 £
Bank loans and overdrafts	—	125,000
Amounts owed to group undertakings	28,233	28,233
Other creditors:		
Finance lease agreements	1,491	6,660
Other creditors	<u>19,465</u>	<u>19,465</u>
	<u>20,956</u>	<u>26,125</u>
	<u>49,189</u>	<u>179,358</u>

The bank loans are secured by the company as follows:

- a) Standard security over the freehold property.
- b) Floating charge over the assets and undertakings of the company.

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2002 £	2001 £
Bank loans and overdrafts	—	125,000
Finance leases	<u>1,491</u>	<u>6,660</u>
	<u>1,491</u>	<u>131,660</u>

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	2002 £	2001 £
Amounts owed to group undertakings	<u>28,233</u>	<u>28,233</u>

14. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2002 £	2001 £
In one year or less, or on demand	280,705	227,739
Between one and two years	1,491	130,168
Between two and five years	—	1,492
In five years or more	<u>47,698</u>	<u>47,698</u>
	<u>329,894</u>	<u>407,097</u>
	2002 £	2001 £
Less: included in creditors: amounts falling due within one year (note 12)	<u>125,000</u>	<u>125,000</u>

ALPHA SOLWAY LIMITED
NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2002

15. COMMITMENTS UNDER FINANCE LEASE AGREEMENTS

Future commitments under finance lease agreements are as follows:

	2002	2001
	£	£
Amounts payable within 1 year	3,772	7,250
Amounts payable between 1 and 2 years	1,491	5,168
Amounts payable between 3 and 5 years	—	1,492
	<u>5,263</u>	<u>13,910</u>

16. PENSIONS

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 in the profit and loss account of £33,332 (2001 £32,872) represents the employers contributions payable.

There were no prepaid contributions at the balance sheet date.

17. GOVERNMENT GRANTS

	2002	2001
	£	£
Received and receivable:		
At 1st January 2002	6,828	6,828
At 31st December 2002	<u>6,828</u>	<u>6,828</u>
Amortisation:		
At 1st January 2002	5,121	3,414
Credit to profit and loss account	1,707	1,707
At 31st December 2002	<u>6,828</u>	<u>5,121</u>
Net balance at 31st December 2002	<u>—</u>	<u>1,707</u>

18. COMMITMENTS UNDER OPERATING LEASES

At 31st December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	2002		2001	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	4,000	23,986	4,500	—
Within 2 to 5 years	—	7,999	—	24,026
	<u>4,000</u>	<u>31,985</u>	<u>4,500</u>	<u>24,026</u>

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

19. SHARE CAPITAL

Authorised share capital:

	2002	2001
	£	£
49,000 Ordinary shares of £0.10 each	4,900.00	4,900.00
1,000 "A" Ordinary shares of £0.10 each	100.00	100.00
	<u>5,000.00</u>	<u>5,000.00</u>

Allotted, called up and fully paid:

	2002		2001	
	No.	£	No.	£
Ordinary shares	49,000.00	4,900.00	49,000.00	4,900.00
"A" Ordinary shares	1,000.00	100.00	1,000.00	100.00
	<u>50,000.00</u>	<u>5,000.00</u>	<u>50,000.00</u>	<u>5,000.00</u>

The Ordinary Shares and the "A" Ordinary Shares have the same rights and rank pari passu in all respects (including any dividends), except as noted below.

Voting Power of "A" Ordinary Shares

"A" Ordinary Shares are entitled to 16.33 votes per Ordinary Share. The number of votes per "A" Ordinary Share shall be adjusted in accordance with the following provisions:-

- i) for every £9,270 of dividend declared (excluding any tax credit) at each AGM and paid to the investors, the number of votes on each "A" Ordinary Share shall with effect from the date on which the investors receive payment of the dividend declared at such AGM be increased by one.
- ii) notwithstanding paragraph (i) above, the maximum number of votes on each "A" Ordinary Share shall in no circumstances exceed 73.5 votes per Ordinary Share.

In the event that the number of votes exercisable by any person holding "A" Ordinary Shares in respect of his entire holding of shares does not constitute a whole number of votes, the number of votes exercisable by him in respect of his entire holding of "A" Ordinary Shares shall be rounded down to the nearest whole number.

ALPHA SOLWAY LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2002

19. SHARE CAPITAL *(continued)*

Bonus

On the day following payment of the dividend declared at the AGM held in the year 2003 or, if no dividend is declared at the AGM held in the year 2003, on the day following such AGM (such day in either case being 'the Conversion Date') and provided that the following conditions have been satisfied viz:-

(a) the amount due by the Company under the Bank Debt at 31 July 2003 does not exceed £62,500; and

(b) no Event of Default has occurred in a situation where the Bank has demanded and/or is likely to demand early repayment of the Facilities and is outstanding at the Conversion Date; and

(c) the Executives are still employed by the Company and have not resigned as Directors of the Company on or before the Conversion Date; then:-

(i) every one 'A' Ordinary Share held shall convert to one Ordinary Share ('the Conversion'); and
(ii) each of the Executives shall be issued with such number of Ordinary Shares as represent the total number of votes to which such Executive shall be entitled by virtue of their holding of 'A' Ordinary Shares prior to the Conversion less the number of Ordinary Shares to which such Executive becomes entitled pursuant to the Conversion ('the Bonus Issue').

The Ordinary Shares resulting from the Conversion and the Bonus Issue shall have the same rights and shall rank pari passu in all respects with the other Ordinary Shares in the capital of the Company.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	87,067	137,927
Dividends	69,000	(69,000)
	<u>156,067</u>	<u>68,927</u>
Opening shareholders' equity funds	855,089	786,162
Closing shareholders' equity funds	<u>1,011,156</u>	<u>855,089</u>