

REPORT OF THE DIRECTORS

The Directors submit their 129th Annual Report together with the Group accounts for the year ended 31 December 2002.

Principal Activities and Review of the Business

Hawtin is the holding company of a group of manufacturing, distribution and property businesses. The Group's activities and future prospects are detailed in the Chairman's Statement and the Operations Report (Pages 3 to 5) and should be read as part of this report.

Dividends

The dividends on the 6.5% Cumulative Preference Shares for the 6 months to 30th June 2002 and 31st December 2002 were paid on the due dates. The Directors do not recommend a dividend on the Ordinary Shares.

Substantial Interests

As at 2003 the Company was aware of the following interests (other than Directors' interests shown overleaf) in 3% or more of the total issued Ordinary Share Capital of the Company:

	Ordinary Shares	
	Number	%
Aberdeen Asset Managers	6,323,014	8.82
P J Dovey	6,137,343	8.56

Payment Terms

It is Group policy to agree terms of payment in advance with individual suppliers and abide by those terms based upon the timely receipt of an accurate invoice. The Group supports and follows the CBI Prompt Payers Code, a copy of which can be obtained from the CBI at Centre Point, 103 New Oxford Street, London WC1A 1DU.

The Group's average number of days purchases outstanding in respect of Trade Creditors at 31st December 2002 was 45 days (at 31st December 2001 60 days)

Employment Policies

It is the policy of the Group that there should be no unfair discrimination in considering applications for employment including those from disabled persons. All employees, including the disabled, are given equal opportunities in terms of career development and promotion.

The Company remains committed to its policy of keeping employees fully informed about all matters which concern them. Formal communications are used to achieve this objective, including notice board announcements and newsletters. Employee involvement takes different forms in each subsidiary, ranging from formal committee meetings to less formal discussion groups.

Schemes have been implemented to ensure that employees are properly rewarded for performance and loyalty.

Statement of Directors' Responsibilities

United Kingdom 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 the Group as at the end of the financial year, and of the profit or loss of the Group for that year. 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;

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

REPORT OF THE DIRECTORS

Directors' Shareholdings

	Ordinary Shares of 5p each 31st December 2002	Ordinary Shares of 5p each 31st December 2001
L Dovey	11,270,912	13,270,912
R P Morgan	4,553,057	4,553,057
R S Atkinson	-	n/a
W J Dixon	250,000	250,000
<i>All the above interests are beneficial</i>		

There have been no changes in the shareholdings of the Directors between 31st December 2002 and the date of this report.

Details of the Directors' interests in share options are given in the Directors' Remuneration Report on pages 10 and 11.

No Director has any interest in the Preference Shares.

Corporate Governance

The Board have for a number of years sought to apply the principles of corporate governance as outlined in the Combined Code as far as possible in the management of the Group given its size and nature. The disappointing results of the previous two years have caused a re-evaluation of strategy and a consequent change in Group activities and management structure. During the period of retrenchment that is under way, the adherence to the detailed principles relating to the Board's structure will be superceded by the restructuring process.

The Board is required by the 'Listing Rules' to report on how the Principles of Corporate Governance have been applied to the Group and on compliance with the provisions of the 'Combined Code' during the period.

The Directors consider that the Group has complied with all of the provisions of the 'Combined Code' throughout the year ended 31st December 2002 with the following exceptions:

(Provision A.1.6) The Group does not have a formal training programme for Directors either on appointment or subsequently. Continuing professional development is a matter for each Director individually although each is qualified by experience.

(Provision A.2) Until the appointment of Mr R. Atkinson on 1st June 2002, there was no Chief Executive. As outlined in the Chairman's statement, Mr Atkinson resigned on xx April 2003, at which point Mr L. Dovey became joint Chairman and Chief Executive.

(Provision A.3) During the period prior to Mr R. Atkinson's appointment, the Board comprised only three members which led to a lack of distinction between executive and non-executive duties and independent status. The non-executive directors exercised independent judgement in Board matters and in Audit Committee throughout the period despite the indistinction between executive and non-executive status that subsisted at various times.

(Provision A.6.1) There are no set limits to the length of Non-Executive Directors' appointments to the Board subject to their requirement to seek re-election periodically.

(Provision A.6.2) The Company's Memorandum and Articles of Association do not require Executive Directors to stand for re-election except at the first Annual General Meeting following their appointment. Non-Executive Directors are required to retire by rotation and seek re-election at the Annual General Meeting.

(Provision B.1.9) No explicit provision for compensation is currently made in Directors' service contracts in the event of early termination of contracts.

(Provision D.3.1) The Audit Committee comprises the two Non- Executive Directors rather than the three prescribed by the Combined Code.

Notwithstanding the above departures from the Combined Code, the Directors consider that the current function of the Board is sufficient in the short term for the present size and composition of the Group. The Board of Directors are however aware that the roles of Chief Executive and Chairman should not be combined for an extended period. The medium term structure of the Board is under review in conjunction with the changing strategy and direction of the Group.

A Nomination Committee has not been established given the size of the Board.

Internal Control

The Board of Directors are responsible for the Group's system of internal controls and for reviewing its effectiveness and note that the system can only provide a reasonable but not an absolute assurance against material mis-statement or loss. The Directors have reviewed the effectiveness of the system of internal control which has been in place throughout the year under review and up to the date of approval of this Annual Report and Accounts. This process is regularly reviewed by the Board and steps are taken to deal with areas of improvement which come to the Board's attention.

The discovery during 2002 of a significant prior year adjustment to the results of the Group suggests that the corporate governance principles and practice had failed in respect of Spaform stock accounting practices. Inaccurate costings were not discovered until a change of management and a full business review. Remedial action has been taken to implement continuous stock records and systematic verification of product costings.

The Board relies on the following established framework:-

Risk Assessment: Key areas of risk have been identified by the Directors and senior managers of the Group and a 'Risk Register' has been established. Review and implementation of procedures to measure and reduce the risk areas are given a high priority by the Board and the Audit Committee. This process has been in place throughout the year to 31st December 2002 and up to the date of approval of the financial statements.

Financial Control: The Group has a comprehensive system for reporting financial results by business unit. Monthly accounts which include key performance indicators are produced and circulated and reviewed against forecast. Results are analysed and discussed at frequent board meetings. Forecasts are reviewed and revised regularly.

Organisational Structure: A formal framework of appropriate responsibility and authorisation has been in place for some time. This is constantly reviewed for compliance and completeness.

Procedural Controls: Certain functions are concentrated at the Group centre notably the Treasury functions, cash monitoring and Fixed Asset Investment appraisal.

Going Concern

The Directors, after making enquiries, have deliberated on the future prospects of the Group and, at the date of approving the accounts, have a reasonable expectation that it will have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these accounts.

Audit Committee

The Audit Committee, which comprised the two Non-Executive Directors Mr L. Dovey (Chairman) and Mr R. P. Morgan, meets regularly and maintains a close contact with the Company's Auditors. The Audit Committee, which has written terms of reference, continues to monitor the requirement for an internal audit function. On the conclusion of the current restructuring process the Audit Committee intends to reinstate the internal audit function. The Audit Committee also monitors the effectiveness and independence of the external auditors including the provision of non-audit services.

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

S H P Morgan
Secretary
2003

DIRECTORS' REMUNERATION REPORT

Introduction The Directors' Remuneration Report Regulations 2002 introduced new requirements for the disclosure of Directors' remuneration. A resolution to approve this Remuneration Report will be proposed at the forthcoming Annual General Meeting. The Regulations require the auditors to report to the company members on aspects of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985.

Unaudited information

The Committee The Remuneration Committee consists of the Non-Executive Directors Mr L. Dovey (Chairman) and Mr R. P. Morgan.

The Committee is responsible for the determination of remuneration policy for the Executive Directors. It has access to and takes professional advice. The fees of the Non-Executive Directors are determined by the Board.

Policy The basic objective of the policy is that Executive Directors should receive remuneration which is appropriate to their position of responsibility, and which will attract, motivate and retain executives of the necessary calibre.

Basic Salary and Performance Bonus Remuneration of the Executive Directors consists of annual salary, taxable benefits in kind, pension contributions and a performance related bonus based on Group profit and individual performance.

There is an annual review at which the Committee approves the basic salary for each Executive Director, and sets the bonus targets for the ensuing year. No changes were made to basic salaries in 2002. The salary of Mr R. Atkinson was determined by the Remuneration Committee on his appointment. Details of Directors' salaries, benefits, bonuses and share options can be found on the following page.

No performance related bonus payments were made in respect of 2002, although Mr R. Atkinson received a contractual loyalty bonus payment in February 2003 on completion of an introductory period of service.

Benefits Benefits for Executive Directors comprise a fully expensed company car, pension and private medical insurance.

Share Options Executive Directors hold share options under the Hawtin PLC Executive Share Option Scheme 1995. Share options held and granted during the year ended 31st December 2002 are shown on page 11. The Committee grants options to Executive Directors and other employees to encourage long term commitment to the Company. There are no performance conditions attached to existing share options. Mr. R. Atkinson was granted 500,000 share options in June 2002 under the terms of his appointment.

The Non-Executive Directors are not entitled to participate in the Company's share option schemes.

Service Contracts Mr. R. Atkinson was offered a one year rolling contract on completion of an introductory period. He has now agreed with the Board that he will leave the company on xx April 2003. Compensation amounting to £120,000 will be paid in this respect. Mr. W. J. Dixon has a one-year rolling contract in accordance with the recommendations of the Combined Code. The Non-Executive Directors do not have service contracts.

Pensions Messrs R. Atkinson and W. J. Dixon operate a money purchase Personal Pension Scheme into which the Company makes payments. Directors are entitled to convert part of their pension into a lump sum payment, receive life assurance cover of four times salary during employment, and allow part of their pension to be payable to dependants upon their death.

Performance graph!

DIRECTORS' REMUNERATION REPORT

Audited Information

Executive Directors	Salary	Bonus	Benefits	Total 2002	Total 2001	Pension Contributions 2002	Contributions 2001
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R S Atkinson*	67	17	-	-	Nil	7	Nil
W J Dixon	103	20	12	135	109	10	10
R.D.Hollis	-	-	-	-	121	-	22
	214	20	22	256	256	32	32
Non-Executive Directors							
L Dovey	25	-	-	25	25	-	-
R P Morgan	20	-	-	20	20	-	-
	259	20	22	301	301	32	47

Share Options	As at 1st January 2002	Lapsed in the year	Exercised during the year	Options granted during the year	As at 31st December 2002	Exercise Price
R S Atkinson	-	-	-	500,000-	500,000	10.75p
W J Dixon	250,000	-	-	-	250,000	15.5p

The options granted may be exercised at dates before February 2010..

The market price at 31st December 2002 of Hawtin PLC 5p Ordinary Shares was []p and the range during the year was [] to []p.

* Appointed with effect 1st June 2002. Emoluments are from the date of appointment to 31st December 2002.

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

S H P Morgan
Secretary
2003

AUDITORS' REPORT TO THE MEMBERS OF HAWTIN PLC

We have audited the financial statements of Hawtin PLC for the year ended 31 December 2002 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheets, the consolidated cash flow statement, the reconciliation of movements in shareholders' funds and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

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 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 or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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 affairs of the Company and the Group as at 31 December 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants
& Registered Auditors
2003

Blenheim House
Fitzalan Court
Newport Road
Cardiff CF24 0TS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 2002

		(restated note 32)					
		Continuing	Discontinued	2002	Continuing	Discontinued	2001
	Notes	operations	operations	Total	operations	operations	Total
		£000	£000	£000	£000	£000	£000
Turnover	2	49,280	3,919	53,199	47,876	2,531	50,407
Acquired business		700	-	700	-	-	-
		49,980	3,919	53,899	47,876	2,531	50,407
Cost of sales		(39,656)	(3,474)	(43,130)	(39,017)	(2,277)	(41,294)
Gross Profit		10,324	445	10,769	8,859	254	9,113
Distribution costs		(4,015)	(360)	(4,375)	(3,543)	(580)	(4,123)
Administration expenses	3	(12,090)	(1,609)	(13,699)	(8,866)	(732)	(9,598)
Other Operating Income	3,4	261	75	336	2,145	-	2,145
Operating loss	5	(5,464)	(1,449)	(6,913)	(1,405)	(1,058)	(2,463)
Acquired business		(56)	-	(56)	-	-	-
		(5,520)	(1,449)	(6,969)	(1,405)	(1,058)	(2,463)
Exceptional loss on closure of businesses	3	-	-	-	-	(2,467)	(2,467)
Interest receivable		8	-	8	72	-	72
Interest payable	7	(1,114)	-	(1,114)	(1,014)	(102)	(1,116)
Loss on ordinary activities before taxation	2	(6,626)	(1,449)	(8,075)	(2,347)	(3,627)	(5,974)
Taxation	8			375			600
Loss on ordinary activities after taxation				(7,700)			(5,374)
Minority Interests	23			2			-
Loss for the financial year				(7,698)			(5,374)
Dividends	10			36			36
Retained loss for the financial year	22			(7,734)			(5,410)
Earnings per ordinary share of 5p	11			10.78p			7.54p

The results for acquired businesses above are in respect of MMC S.A.R.L. It is not practical to determine the post acquisition results of Sport Engineering Ltd as the trade, assets and liabilities were incorporated into the existing trade, assets and liabilities of the Group and consequently its results are not separately identifiable post acquisition.

Discontinued operations refer to the sunbed business of Ultrabronz which was sold on 31st March 2003 (see note 34).

CONSOLIDATED BALANCE SHEET

as at 31st December 2002

	Notes	(restated note 32)			
		2002 £000	2002 £000	2001 £000	2001 £000
Fixed assets					
Tangible assets	12		22,188		23,957
Intangible assets	13		712		236
			22,900		24,193
Current assets					
Stocks	16	8,597		9,324	
Debtors	17	10,025		10,701	
Cash at bank and in hand		5,747		3,075	
		24,369		23,100	
Creditors: amounts falling due within one year	18	(27,535)		(20,365)	
Net current (liabilities)/assets			(3,166)		2,735
Total assets less current liabilities			19,734		26,928
Creditors: amounts falling due after more than one year	19		(10,084)		(10,058)
Provisions for liabilities and charges	20		(321)		(709)
			9,329		16,161
Capital and Reserves					
Called up share capital	21		4,135		4,135
Share premium account	22		2,586		2,586
Revaluation reserve	22		6,010		5,237
Capital redemption reserve	22		150		150
Profit and loss account	22		(3,569)		4,053
Shareholders funds			9,312		16,161
Minority interests			17		-
			9,329		16,161
Attributable to Equity Shareholders			8,767		15,612
Attributable to Non Equity Shareholders			549		549
			9,312		16,161

These financial statements were approved by the Board of Directors on 2003.

Signed on behalf of the Board of Directors

Leonard Dovey
John Dixon
Directors

COMPANY BALANCE SHEET

as at 31st December 2002

	Notes	2002 £000	2002 £000	2001 £000	2001 £000
Fixed assets					
Tangible assets	12		6,912		6,101
Investments	15		4,075		6,658
			<u>10,987</u>		<u>12,759</u>
Current assets					
Debtors	17	20,157		22,594	
Cash at bank and in hand		4,140		640	
		<u>24,297</u>		<u>23,234</u>	
Creditors: amounts falling due within one year	18	(17,523)		(16,024)	
Net current assets			<u>6,774</u>		<u>7,210</u>
Total assets less current liabilities			17,761		19,969
Creditors: amounts falling due after more than one year	19		(8,534)		(9,973)
Provisions for liabilities and charges	20		-		(175)
			<u>9,227</u>		<u>9,821</u>
Capital and Reserves					
Called up share capital	21		4,135		4,135
Share premium account	22		2,586		2,586
Revaluation reserve	22		1,521		51
Capital redemption reserve	22		150		150
Profit and loss account	22		835		2,899
Shareholders funds			<u>9,227</u>		<u>9,821</u>
Attributable to Equity Shareholders			8,678		9,272
Attributable to Non Equity Shareholders			549		549
			<u>9,227</u>		<u>9,821</u>

These financial statements were approved by the Board of Directors on 2003.

Signed on behalf of the Board of Directors

Leonard Dovey
John Dixon
Directors

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2002

	Notes	(restated note 32)	
		2002 £000	2001 £000
Net cash inflow from operating activities	24		3,579
Returns from investments and servicing of finance			
Interest received		8	72
Interest paid		(1,168)	(1,021)
Preference dividends paid		(36)	(36)
Net cash outflow from returns on investments and servicing of finance		(1,196)	(985)
Taxation received		416	256
Capital expenditure and financial investment			
Payments to acquire subsidiary undertaking		(526)	-
Net cash acquired with subsidiary undertaking		160	-
Payments to acquire tangible fixed assets		(1,190)	(4,243)
Payments to acquire intangible fixed assets		(24)	(39)
Receipts from sale of tangible fixed assets		651	2,327
Net cash outflow from capital expenditure and financial investment		(929)	(1,955)
Net cash (outflow)/inflow before financing		(1,589)	895
Financing			
Capital element of finance lease rentals		(432)	(542)
Loans received		368	12,000
Loans repaid		(1,426)	(4,826)
Net cash (outflow)/inflow from financing		(1,490)	6,632
(Decrease)/increase in cash in the period	26	(3,079)	7,527

STATEMENT OF RECOGNISED GAINS & LOSSES

for the year ended 31st December 2002

	2002	(restated note 32) 2001
	£000	£000
Loss for the financial year	(7,698)	(5,374)
Exchange movements	150	(32)
Unrealised surplus on revaluation of properties	735	-
Total recognised gains and losses for the period	<u>(6,813)</u>	<u>(5,406)</u>

Note on prior year adjustment

Total recognised gains and losses related to the year as above	(6,813)	
Prior year adjustment	(1,651)	
Total gains and losses recognised since the last annual report	<u>(8,464)</u>	

NOTE OF HISTORICAL COST PROFITS

for the year ended 31st December 2002

	2002	(restated note 32) 2001
	£000	£000
Reported loss on ordinary activities before taxation	(8,075)	(5,974)
Realisation of property revaluation loss	(42)	211
Additional depreciation on the revaluation surplus	4	14
Historical cost loss on ordinary activities before taxation	<u>(8,113)</u>	<u>(5,749)</u>
Historical cost loss on ordinary activities after taxation, minority interests and dividends	<u>(7,772)</u>	<u>(5,185)</u>

RECONCILIATION MOVEMENT IN SHAREHOLDERS' FUNDS

for the year ended 31st December 2002

	2002	(restated note 32) 2001
	£000	£000
Loss attributable to members of the Company	(7,698)	(5,374)
Dividends	(36)	(36)
	<u>(7,734)</u>	<u>(5,410)</u>
Unrealised surplus on revaluation of properties	735	-
Exchange movements	150	(32)
Net change to shareholders' funds	<u>(6,849)</u>	<u>(5,442)</u>
Opening shareholders' funds	16,161	21,603
Closing shareholders' funds	<u>9,312</u>	<u>16,161</u>

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

1. Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards. Compliance with Statement of Standard Accounting Practice 19 ("SSAP 19") "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation. An explanation of the departure is given below. The particular accounting policies adopted which have been applied consistently throughout the year are described below.

- a) Accounting Convention These accounts are prepared under the historical cost convention as modified by the revaluation of certain freehold and long leasehold properties.
- b) Consolidation The Group accounts consolidate the accounts of the Company and all subsidiaries for the year ended 31st December 2002. In respect of subsidiaries acquired during the year the results for the period of ownership by the Group are included.
- In respect of subsidiaries which have been sold or ceased trading, results are included to the date of sale or cessation of activities.
- c) Deferred Taxation Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise on current tax breaks and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.
- d) Stocks The basis of valuation of stocks including work-in-progress is the lower of cost and estimated net realisable value. In the case of stock manufactured by the Group, costs include an appropriate addition of factory overheads.
- e) Investments Fixed asset investments are stated at cost less provision for impairment.
- f) Fixed Assets and Depreciation In accordance with "SSAP 19", investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in "SSAP 19". The Directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt "SSAP 19" in order to give a true and fair view.

If this departure from the Act had not been made, the loss for the financial year would have been increased by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Other fixed assets are stated at cost or valuation net of depreciation and any provision for impairment. Depreciation is provided on other assets, by equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Short leasehold land and buildings	Period of lease
Freehold and long leasehold buildings	1% - 2%
Plant and equipment	10% - 50%
Fixtures, fittings and office equipment	15% - 50%
Motor vehicles	25% - 33%

- g) Intangible Fixed Assets Trademarks : Expenditure on acquiring trademarks is capitalised at cost and amortised over the period in which they are anticipated to contribute to profits, not exceeding ten years.
- Goodwill : Goodwill represents the excess of purchase consideration over the fair value of assets acquired. Under the requirements of Financial Reporting Standard 10 ("FRS 10") this amount is capitalised and amortised over the expected period that the goodwill will have an effect on the profits of the Group (not exceeding ten years). Previously goodwill had been written off directly to reserves and will be credited in the profit and loss account on the subsequent disposal of the business to which it related.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

1. Accounting Policies (continued)

- h) Foreign Currencies Assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Gains or losses on exchange arising from trading operations are taken into account in arriving at the trading profit, and differences arising from the retranslation of net assets of subsidiaries at the beginning of the year are dealt with through reserves.
- i) Grants Revenue based grants are credited to the profit and loss account on a receivable basis.
- j) Pension Costs The Group operates defined contribution pension schemes. The charge for the year represents contributions payable in the year.
- k) Leases Assets held under finance leases and hire purchase contracts and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the contracts. The amounts by which the payments exceed the recorded obligations are treated as finance charges which are amortised over each contract term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the lease.
- l) Financial Instruments The only derivative instruments utilised by the Group are forward exchange contracts and interest rate swaps. Interest rate swaps have been used to restrict the effect of future interest rate increases. The Group does not enter into speculative derivative contracts. Forward exchange contracts are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies.

2. Analysis of Results by Division

	2002	2001
(a) Turnover	£000	£000
Continuing operations		
Active Leisure	48,276	46,008
Property	1,704	1,868
Discontinued operations	3,919	2,531
	<u>53,899</u>	<u>50,407</u>
Geographical analysis of turnover by destination:		
United Kingdom	38,716	35,707
Europe	9,010	7,454
Other Countries	6,173	7,246
	<u>53,899</u>	<u>50,407</u>
Geographical analysis of turnover by origination:		
United Kingdom	46,483	43,159
United States of America	3,919	4,918
Europe	3,497	2,330
	<u>53,899</u>	<u>50,407</u>

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

(restated note 32)

2. Analysis of Results by Division (continued)		2002	2002	2001	2001
(b) Operating loss		£000	£000	£000	£000
Continuing operations					
Active Leisure			(5,160)		(1,310)
Central Administration:	Property income	1,418		868	
	Less central costs	(1,778)		(963)	
			(360)		(95)
Discontinued operations					
			(1,449)		(1,058)
	Operating loss		(6,969)		(2,463)
	Exceptional loss on closure of businesses		-		(2,467)
	Interest		(1,106)		(1,044)
	Loss on ordinary activities before taxation		(8,075)		(5,974)
(c) Net Assets			2002		2001
			£000		£000
	Active Leisure				15,497
	Property				8,450
					23,947
	Interest Bearing Liabilities				(14,824)
	Unallocated Net Assets				8,689
	Total Net Assets				17,812

3. Exceptional Items

	2002	2001
	£000	£000
Included in Administration expenses		
Impairment provisions against Powersport International and sunbed assets	(2,194)	-
Included in Other Operating Income		
Proceeds on insurance claim in respect of the fire at Spaform	-	1,745
Exceptional loss on closure of Stewart Singlam Fabrics Ltd and the Health Suite division	-	(2,467)

4. Other Operating Income

	2002	2001
	£000	£000
Other operating income includes the following items:		
Profit on sale of fixed assets	158	41
Royalty income	178	230

5. Operating loss

	2002	2001
	£000	£000
Operating loss is arrived at after charging:		
Depreciation and amortisation - owned assets		1,458
- leased assets		416
Impairment provision		(170)
Rentals under operating leases		461
Auditors' remuneration		14
- audit fees company		59
- audit fees subsidiaries		53
- other fees		

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

6. Information regarding Directors and Employees	2002	2001
(i) The average number employed by the Group within each category of person was:	No.	No.
Production staff	345	355
Sales and distribution staff	92	91
Administration staff	108	132
	<u>545</u>	<u>578</u>
(ii) The costs incurred in respect of these employees were:	£000	£000
Wages and salaries	10,109	11,172
Social security costs	1,002	970
Other pension costs	281	391
	<u>11,392</u>	<u>12,533</u>

Details of Directors' remuneration by Director, which form part of the financial statements, are set out in the Directors' Remuneration Report on pages 10 and 11 and details of their interests in the share capital of the Company are set out in the Directors' Report on page 8.

7. Interest Payable and Similar Charges	2002	2001
	£000	£000
On bank loans, overdrafts and other borrowings	1,053	1,014
Finance charges: finance leases and hire purchase contracts	61	102
	<u>1,114</u>	<u>1,116</u>

8. Tax on loss on Ordinary Activities	2002	2001
	£000	£000
Current taxation		
United Kingdom Corporation Tax:		
Current tax on income for the year at 30% (2001 - 30%)	(436)	(364)
Adjustment in respect of prior year's tax provisions	61	1
	<u>(375)</u>	<u>(363)</u>
Deferred taxation		
Origination and reversal of timing differences	-	(237)
	<u>(375)</u>	<u>(600)</u>

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

8. Tax on loss on Ordinary Activities (continued)

	2002	2001
	£000	£000
<hr/>		
The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge of the current and the previous year differs from the standard rate for the reasons set out in the following reconciliations:		
	£000	£000
<hr/>		
Loss on ordinary activities before tax	(6,340)	(5,974)
Tax on loss on ordinary activities before tax at 30%	(2,440)	(1,792)
<hr/>		
Factors affecting charge for the year		
Expenses not deductible for tax purposes	57	
Capital allowances for the year in excess of depreciation	(152)	
Movement in short-term timing differences	11	
Tax losses	1,769	
Prior period adjustments	61	1
Overseas losses	334	
<hr/>		
Tax on loss on ordinary activities	(360)	(363)
The Group has losses of xxxxxx which are available to offset future taxable profits.		

9. Profit of the Parent Company

As permitted by s.230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £2,028,000 (2001 profit - £881,000).

10. Dividends

	2002	2001
	£000	£000
<hr/>		
Preference dividend on Non-Equity Shares:		
Paid - 6.5% (2000 - 6.5%)	36	36

11. Earnings per Ordinary Share of 5p

The basic earnings per Ordinary Share is based on a loss of £7,734,000 (2001 - £5,410,000) being the profit after taxation and after deducting the preference dividends and on an average number of shares in issue of 71,728,687. Diluted earnings per Ordinary Share is not presented as required by FRS 14 since, for a loss making period, this would assume the exercise of out-of-the-money share options which would be irrational.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

12. Tangible Fixed Assets

The Group	Properties		Plant	Total
	Investment	Other	Equipment and Vehicles	
	£000	£000	£000	£000
Cost or valuation:				
At 1st January 2002 (restated note 32)	5,615	12,086	13,423	31,124
Additions	-	548	842	1,390
On acquisition of subsidiaries	-	115	1,050	1,165
Disposals	-	(486)	(1,240)	(1,726)
Currency adjustment	-	(2)	(12)	(14)
Revaluation surplus/(deficit)	1,470	(1,088)	-	382
Transfers	1,200	(1,200)	-	-
At 31st December 2002	8,285	9,973	14,063	32,321
Depreciation:				
At 1st January 2002	-	1,218	5,949	7,167
Charge for year	-	257	2,502	2,759
Impairment	-	258	1,094	1,352
On acquisition of subsidiaries	-	38	390	428
Disposals	-	(80)	(1,153)	(1,233)
Revaluation surplus/deficit	-	(353)	-	(353)
Currency adjustment	-	1	12	13
At 31st December 2002	-	1,339	8,794	10,133
Net Book Value at 31st December 2002	8,285	8,634	5,269	22,188
Net Book Value at 31st December 2001 (restated note 32)	5,615	10,868	7,474	23,957
The net book value of assets held under finance leases and hire purchase contracts is £				(2001
£418,000).				£000).
Properties	Investment	Other	2002	2001
	£000	£000	£000	£000
Cost	-	326	326	174
Valuation	8,285	8,308	16,593	16,309
	8,285	8,634	16,919	16,483
Freehold	6,845	7,065	13,910	14,088
Long leasehold	1,440	1,451	2,891	2,268
Short leasehold	-	118	118	127
	8,285	8,634	16,919	16,483

The Directors have taken professional advice on Group properties to guide them in coming to the year end valuations included above. The historic cost and net book value of properties are £ and £ 10,473,000 respectively (2001 £12,414,000 and £11,246,000).

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

12. Tangible Fixed Assets (continued)

The Company	Freehold Investment Properties £000	Plant Equipment & Vehicles £000	Total £000
Cost or valuation:			
At 1st January 2002	5,375	816	6,191
Additions	-	59	59
Disposals	-	(74)	(74)
Revaluation surplus	1,470	-	1,470
At 31st December 2002	<u>6,845</u>	<u>801</u>	<u>7,646</u>
Depreciation:			
At 1st January 2002	-	90	90
Charge for year	-	704	704
Disposals	-	(60)	(60)
At 31st December 2002	<u>-</u>	<u>734</u>	<u>734</u>
Net Book Value at 31st December 2002	<u>6,845</u>	<u>67</u>	<u>6,912</u>
Net Book Value at 31st December 2001	<u>5,375</u>	<u>726</u>	<u>6,101</u>

The net book value of assets held under finance leases and hire purchase contracts is £418,000. (2001 £418,000).

The historic cost and net book value of properties is £5,324,000 (2001 £5,324,000)

13. Intangible Fixed Assets

The Group	Goodwill £000	Trademarks £000	Total £000
Cost or Valuation:			
At 1st January 2002	(62)	377	315
Additions	-	24	24
Disposal	138	-	138
On acquisition of subsidiaries	1,430	70	1,500
At 31st December 2002	<u>1,506</u>	<u>471</u>	<u>1,977</u>
Depreciation:			
At 1st January 2002	(158)	237	79
Charge for the year	103	33	136
Impairment	818	24	842
Disposal	138	-	138
On acquisition of subsidiaries	-	70	70
At 31st December 2002	<u>901</u>	<u>364</u>	<u>1,265</u>
Net Book Value at 31st December 2002	<u>605</u>	<u>107</u>	<u>712</u>
Net Book Value at 31st December 2001	<u>96</u>	<u>140</u>	<u>236</u>

14. Future Capital Expenditure

	2002 £000	The Group	2001 £000
Authorised and contracted for but not provided in the accounts			<u>134</u>

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

15. Fixed Asset Investments

Investments in subsidiaries	The Company £000
Cost:	
At 1st January 2002	9,546
Released on striking off dormant subsidiaries	(3,485)
At 31st December 2002	<u>6,061</u>
Provisions:	
At 1st January 2002	2,888
Released on striking off dormant subsidiaries	(902)
At 31st December 2002	<u>1,986</u>
Net Book Value at 31st December 2002	<u>4,075</u>
Net Book Value at 31st December 2001	<u>6,658</u>

PRINCIPAL SUBSIDIARY COMPANIES

Name	Activity
PowerSport International Limited	Fitness Training Equipment Manufacturer & Distributor
Barclay Leisure Limited	Suntanning Equipment Manufacturer & Distributor
Ultrabronz America Inc	Suntanning Equipment Distributor
Certikin International Limited	Swimming Pool Equipment Manufacturer & Spa, Steam and Sauna Distributor
MMC S.A.R.L.	Swimming Pool Equipment Manufacturer
Spaform Limited	Spa Manufacturer
Aquamarine S.A.R.L.	Spa and Bathroom Goods Manufacturer
Gul International Limited	Sportswear Manufacturer & Distributor
Norfleet Properties (Holdings) Limited	Estate Manager

All are wholly-owned subsidiaries of Hawtin PLC with the exception of MMC S.A.R.L. which is a 95% subsidiary of Certikin International Ltd. Ultrabronz America Inc is registered in Delaware USA and operates in the USA. Aquamarine S.A.R.L. is registered and operates in France. All other subsidiaries operate principally in Great Britain and are registered in England and Wales.

16. Stocks

	The Group (restated note 32)		The Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Raw materials and consumables	2,619	2,940	-	-
Work in progress	94	403	-	-
Finished goods and goods for resale	5,884	5,981	-	-
	<u>8,597</u>	<u>9,324</u>	-	-

17. Debtors

	The Group		The Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Trade debtors	8,877	8,923	96	139
Amounts owed by Group companies	-	-	19,813	22,256
Other debtors	511	569	148	193
Prepayments	637	824	100	6
Corporation tax	-	385	-	-
	<u>10,025</u>	<u>10,701</u>	<u>20,157</u>	<u>22,594</u>

Included in the Trade debtors of the Group is £ due in more than one year. (2001 £699,000)

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

18. Creditors: Amounts falling due within one year

	The Group (restated note 32)		The Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Loans and overdrafts	13,925	7,576	10,547	7,555
Trade creditors	6,722	5,970	286	302
Amounts owed to Group companies	-	-	53	1,233
Other creditors	4,585	4,582	6,350	6,577
Corporation tax	54	11	-	-
Other taxation and social security	649	680	18	12
Obligations under finance leases and hire purchase contracts	217	265	106	132
Accruals	1,383	1,281	163	213
	<u>27,535</u>	<u>20,365</u>	<u>17,523</u>	<u>16,024</u>

The bank loans and overdrafts are secured by a fixed and floating charge over certain assets of the Group.

19. Creditors: Amounts falling due after more than one year

	The Group		The Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Obligations under finance leases and hire purchase contracts	128	208	28	123
Loans and overdrafts	9,112	9,850	8,506	9,850
Other creditors and accruals	844	-	-	-
	<u>10,084</u>	<u>10,058</u>	<u>8,534</u>	<u>9,973</u>

The bank loans are secured by a fixed and floating charge over certain assets of the Group and are repayable quarterly as follows:

	2002 £000	2001 £000	2002 £000	2001 £000
1 - 2 years	1,093	1,086	1,093	1,086
2 - 5 years	3,371	3,206	3,160	3,206
5 - 10 years	4,253	5,558	4,253	5,558
Over 10 years	395	-	-	-
	<u>9,112</u>	<u>9,850</u>	<u>8,056</u>	<u>9,850</u>

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

20. Provisions for Liabilities and Charges

	Balance at 1st January 2002 £000	Credited to Profit and Loss Account £000	Balance at 31st December 2002 £000	
The Group				
Deferred Taxation	709	(388)	321	
The Company				
Deferred Taxation	175	(175)	-	
			The Group	
			Provided	Unprovided
The amounts of deferred taxation provided and unprovided in the accounts are:	2002 £000	2001 £000	2002 £000	2001 £000
Capital allowances in excess of depreciation	279	747	-	(26)
Other timing differences	42	79	-	(43)
Losses	-	(117)	-	(456)
	321	709	-	(525)
			The Company	
			Provided	Unprovided
	2002 £000	2001 £000	2002 £000	2001 £000
Capital allowances in excess of depreciation	-	254	-	-
Other timing differences	-	(3)	-	-
Losses	-	(76)	-	-
	-	175	-	-

21. Share Capital

	2002 £000	2001 £000
Authorised:		
90,000,000 Ordinary Shares of 5p each	4,500	4,500
750,000 6.5% Cumulative Preference Shares of £1 each	750	750
Allotted and Fully Paid:		
71,728,687 Ordinary Shares of 5p each	3,586	3,586
548,750 6.5% Cumulative Preference Shares of £1 each	549	549
	4,135	4,135

Options

Options on 1,605,000 Ordinary Shares had been granted and remain unexercised at 31st December 2002 under the Executive Share Option Scheme 1995. In June 2002 options on 500,000 Ordinary Shares were granted to Mr R. Atkinson at 10.75 pence per share. Options on 780,000 Ordinary Shares lapsed during the year. The remaining options may be exercised at between 10.75p and 34.5p before 2010.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

21. Share Capital (continued)

Class Rights

The Cumulative Preference Shares are entitled to a dividend of 6.5% per annum payable on 31st December and 30th June. The holders of these shares have first call on their nominal value on a return of assets plus a premium based on excess over par of the average of the daily nominal quotation on the London Stock Exchange in the previous 6 months after accounting for arrears of dividend.

22. Statement of Movement on Reserves

	Share Premium £000	Revaluation Reserve £000	Capital Redemption Reserve £000	Profit and Loss Account £000
The Group				
As at 1st January 2002 (restated note 32)	2,586	5,237	150	4,053
Additional depreciation on the revaluation surplus	-	(4)	-	4
Revaluation surplus	-	735	-	-
Released on disposal of properties	-	42	-	(42)
Retained loss for the financial year	-	-	-	(7,734)
Exchange movements	-	-	-	150
At 31st December 2002	2,586	6,010	150	(3,569)

Goodwill totalling £3,103,000 (2001 £3,103,000) has been charged directly to reserves.
Of the revaluation reserve, £3,852,000 (2001 £3,121,000) is in respect of investment properties.

The Company

As at 1st January 2002	2,586	51	150	2,899
Retained loss for the financial year	-	-	-	(2,064)
Revaluation surplus	-	1,470	-	-
At 31st December 2002	2,586	1,521	150	835

24. Net Cash Inflow from Operating Activities

(restated note 32)

	2002 £000	2001 £000
Operating loss	(6,969)	(2,463)
Exceptional loss on closure of businesses	-	(2,467)
Exchange movements	177	(58)
Depreciation of tangible fixed assets	2,759	1,801
Amortisation of intangible fixed assets	136	73
Impairment	2,194	(170)
Profit on sale of fixed assets	(158)	(41)
Exceptional loss on sale of fixed assets	-	175
Decrease in stock	1,597	3,423
Decrease in debtors	1,270	3,200
(Decrease)/increase in creditors	(886)	106
Net cash inflow from operating activities	120	3,579

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

25. Analysis of Net Debt

	At 1st January 2002 £000	Cash Flow £000	Other Non-cash Changes £000	On Acquisition £000	At 31st December 2002 £000
Cash in hand and at bank	3,075	2,672	-	-	5,747
Overdrafts	(5,279)	(5,751)	-	-	(11,030)
	(2,204)	(3,079)	-	-	(5,283)
Loans	(12,147)	1,058	-	(918)	(12,007)
Finance leases and hire purchase agreements	(473)	432	(200)	(104)	(345)
	(14,824)	(1,589)	(200)	(1,022)	(17,635)

26. Reconciliation of Net Cash Flow to Movement in Net Debt

	2002 £000	2001 £000
(Decrease)/increase in cash	(3,079)	7,527
Cash outflow from lease financing	432	542
Loan received	(367)	(12,000)
Bank loan repaid	1,425	4,826
Change in net debt resulting from cash flows	(1,589)	895
Inception of finance leases	(200)	(417)
On acquisition	(1,022)	-
Movement in net debt in the period	(2,811)	478
Net debt at the start of the year	(14,824)	(15,302)
Net debt at the end of the year	(17,635)	(14,824)

27. Contingent Liabilities

(i) The Company has guaranteed overdrafts of certain subsidiaries which at 31st December 2002 amounted to £2,688,000 (31st December 2001 £21,000).

(ii) A customer has threatened to enter into litigation against one of the Group businesses in respect of the sale of sunbeds that are alleged to be of unmerchantable quality. The lawyer acting for the claimant has stated that he intends to act on behalf of other purchasers. Following legal advice, the Directors consider that no material liability currently exists in relation to the threatened action.

(iii) One of the electrical components in products supplied by the group have demonstrated higher than expected failure rates. If the rate of failure increases significantly, it may lead to a product recall of selected units. Having taken legal advice, the Directors are of the opinion that in the event of a product recall, the company would have a claim against the component supplier and no material liability would accrue to the Group.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

28. Pension Schemes

The Group operates a number of defined contribution schemes. The pension charge for the year under these schemes was £281,000 (2001 - £211,000). The assets of the schemes are held separately from the Group in independently administered funds.

Schemes previously operated by Stewart Singlam Fabrics Ltd. The scheme was closed in 2001 and a members voluntary liquidation of the company was completed in 2002.

The pension charge for 2001 under these schemes was £180,000.

29. Transactions with Directors

(i) During 2001 expenditure was incurred in respect of purchases of electronic consultancy services from a company of which Mr L Dovey is a Director and Shareholder to a value of £69,000. No expenditure was incurred in this respect during 2002.

(ii) In September 2002, Certikin International Ltd raised an unsecured loan in order to finance the initial consideration for the acquisition of MMC S.A.R.L. Mr L. Dovey and Mr R. P. Morgan loaned £135,000 and £137,000 respectively. There are no fixed repayment terms and the loans attract a commercial rate of interest.

(iii) Mr L. Dovey purchased motor vehicles at a market value of £30,000 from the Group in December 2002.

No other contract or arrangement has been entered into during the year, nor subsisted at the year end in which a Director had a material interest.

30. Operating Lease Commitments

At 31st December the Group was committed to making the following payments during the next year in respect of operating leases.

	Land and Buildings	
	2002	2001
	£000	£000
Leases which expire:		
Within one year	-	11
Within two to five years	-	194
After five years	-	256
	-	461

31. Financial Instruments

The Group's policies as regards derivatives and financial instruments are set out in the Operations Report on page 5 and the accounting policies on page 19. The Group does not trade in financial instruments.

As permitted by FRS 13 short term debtors and creditors have been omitted from all disclosures other than foreign currency debtors and creditors which at 31 December 2002 were insignificant. There were no material gains or losses recognised or carried forward at the year end.

At 31 December 2002 the Group had entered into forward exchange contracts for US \$2,500,000 which are exercisable at \$1.5803 / £1 and Euro1,500,000 at E1.55/£1 respectively on 20 June 2003 (2001 \$1,000,000 and Euro nil).

On 23 January 2003 the company entered into an interest rate swap on £6,000,000 for 7 years at a rate fixed at 5.37% plus margin.

Details of non-equity shares issued by the Group are given in note 21.

The interest rate risk profile of the Group's financial assets and liabilities is as follows:-

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

31. Financial Instruments (continued)

	Financial Assets	
	Floating Rate	
	2002	2001
	£000	£000
Sterling	5,352	2,718
US \$	301	118
Other	94	239
Comprising: Cash at Bank	5,747	3,075

Financial Liabilities

	2002		2001		2001 Total £'000
	Floating £'000	Fixed £'000	Floating £'000	Fixed £'000	
Comprising: Sterling					
Bank Overdrafts	11,030	-	5,279	-	5,279
Bank Loans	6,007	6,000	12,147	-	12,147
Finance Leases and Hire Purchase	-	345	-	473	473
Preference Shares	-	549	-	549	549
	17,037	6,894	17,426	1,022	18,448

The weighted average interest rate for the fixed rate liabilities was 7.3% over the 12 month period ended 31st December 2002 (2001 12.7%). A right of offset exists for the bank accounts which is used to offset the interest charged on the floating rate overdraft liabilities which bear interest at rates based on LIBOR.

Further details of the financial liabilities at 31 December 2002 are shown in notes 19 and 21.

There is no significant difference between the book value and the fair value of the Group's financial assets and liabilities.

32. Prior Year Adjustment

	Fixed Assets £000	Stock £000	Accruals £000	Profit and Loss Account £000
As previously reported	24,078	10,731	(1,158)	5,704
Overstatement of stock 2001	-	(1,407)	-	(1,407)
Understatement of liabilities 2000	-	-	(123)	(123)
Fixed assets incorrectly capitalised	(121)	-	-	(121)
	(23,957)	(9,324)	(1,281)	(4,053)

Following the resignation of the executive Directors of Spaform, new management started to reappraise the business and discovered that the business was performing substantially worse than that had been previously reported. Extensive investigation into bills of materials and stock costings revealed errors that made it necessary to adjust stock as at 31st December 2001. Further adjustments to accruals and fixed assets have also been made as prior year items.

NOTES TO THE ACCOUNTS

for the year ended 31st December 2002

33. Acquisitions

	Acquired	Fair Value	MMC	Acquired	Fair Value	Sport	Total
	£000	Adjustments	£000	£000	Adjustments	Engineering	£000
		£000			£000	£000	£000
Tangible fixed assets	449	166	615	216	(94)	122	737
Intangible fixed assets	25	-	25	-	-	-	25
Stocks	579	(10)	569	422	(141)	301	870
Debtors	710	(31)	679	188	112	300	979
Creditors and Provisions	(738)	-	(738)	(1,307)	(165)	(1,472)	(2,210)
Hire Purchase	-	-	-	(104)	-	(104)	(104)
Cash at Bank	160	-	160	-	-	-	160
Loans	(918)	-	(918)	-	-	-	(918)
	267	125	392	(565)	(288)	(853)	(461)
Goodwill (including costs of acquisition)			553	853			1,406
Minority interest			(19)	-			(19)
			926	-			926
Satisfied by							
Cash			526	-			526
Deferred consideration			400	-			400
			926	-			926

34. Post Balance Sheet events

(i) Two of the Group's investment properties have been sold since 31st December 2002 for gross proceeds of £7,325,000. The properties were revalued to their anticipated realisable value in the 2002 accounts, hence no profit or loss will arise in this respect in 2003.

(ii) On 31st March 2003, the Group sold its US based sunbed distribution business along with intellectual property rights associated with sunbed manufacture owned by Barclay Leisure Limited for a gross consideration of \$1,000,000. The sale necessitated an impairment provision of £456,000 against business assets that was charged in the year to 31st December 2002.

23. Minority interests

	£000
At 1st January 2002	-
Acquisition of MMC S.A.R.L.	19
Loss on ordinary activities after taxation	(2)
At 31st December 2002	17

PROFESSIONAL ADVISERS

Auditors

Deloitte & Touche
Chartered Accountants
Cardiff

Bankers

Bank of Wales PLC
Cardiff

Stockbrokers

Bell Lawrie White
& Co Limited
Glasgow

Solicitors

Eversheds
Cardiff

Registrars

Computershare Services PLC
Bristol

ANALYSIS OF ORDINARY SHAREHOLDERS

Shareholder Analysis	No of holders	%	No of Shares	%
By size of holding*				
1 - 5,000	-	-	-	-
5,001 - 10,000	-	-	-	-
10,001 - 50,000	-	-	-	-
50,001 - 100,000	-	-	-	-
100,001 - 1,000,000	-	-	-	-
1,000,001+	-	-	-	-
	-	100.00	-	100.00
By Category*				
Individuals	-	-	-	-
Nominees	-	-	-	-
Trustee and Investment Companies	-	-	-	-
Limited Companies	-	-	-	-
	-	100.00	-	100.00

* as at 30th April 2003

INFORMATION FOR SHAREHOLDERS

Financial Calendar	<p>6 months to 30th June 2002 12 months to 31st December 2002</p> <p>Annual General Meeting 2003</p>
Company website and Share Price Information	<p>Visit www.hawtin.co.uk for information on the Group and its subsidiaries. By accessing the Financial News icon there is an automatic link to Hemscott web pages and up to date share information.</p> <p>Hawtin's current share price can be obtained from the Financial Times Cityline on 0906 843 2856. Calls cost 51p per minute at all times, inclusive of VAT. The share price is also available on page 527 of Teletext and page 226 of Ceefax. Hawtin's corporate brokers are Bell Lawrie White & Co Limited of 48 St Vincent Street, Glasgow, G2 5TS.</p>
Share Information	<p>General shareholders' enquiries, requests for additional copies of the Annual Report and Accounts or Interim Statements and any queries about shareholdings (eg lost certificates, dividend payments, amalgamation of holdings or change of personal details) should be directed to the Company's Registrar, Computershare Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH.</p> <p>Telephone enquiries may be addressed to the telephone helpline operated by the Company's Registrars on 0870 702 0001.</p> <p>The Ordinary Share price for Capital Gains Tax purposes in March 1982 was 7.75p.</p> <p>The Ordinary Shares of the Group are classified as an alpha stock on the International Stock Exchange under Household Goods and Textiles. Information concerning the day to day movement of the share price can be found in the Financial Times, the Daily Telegraph and the Western Mail.</p>
Registered Office	<p>Hawtin PLC, Ocean Buildings, Bute Crescent, Cardiff, CF10 5RT. Hawtin PLC is registered in England and Wales (No 7317).</p>
Literature Shareholder Comments	<p>If you would like information about Hawtin products, please ring 029 2073 9480.</p> <p>If there are any matters on which you wish to comment, please write to the Company Secretary at Beechwood House, Greenwood Close, Cardiff Gate Business Park, Cardiff CF23 8RD.</p>

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and twenty eighth Annual General Meeting of Hawtin PLC will be held in the Coch Suite at the Copthorne Hotel, Cardiff on July 2003 at 10 am for the purpose of considering and, if thought fit, passing the following ordinary resolutions.

Ordinary Business

- Resolution No 1** To receive and adopt the accounts for the 12 months ended 31st December 2002 together with the reports of the Directors and Auditors thereon.
- Resolution No 2** To re-elect the following Director who does not have a service contract and who retires by rotation.
R P Morgan
- Resolution No 3** To re-appoint Deloitte & Touche as Auditors for the ensuing year and authorise the Directors to fix their remuneration.

By Order of the Board
S H P Morgan
2003

Registered Office: Beechwood House, Greenwood Close, Cardiff Gate Business Park, Cardiff CF23 8RD.

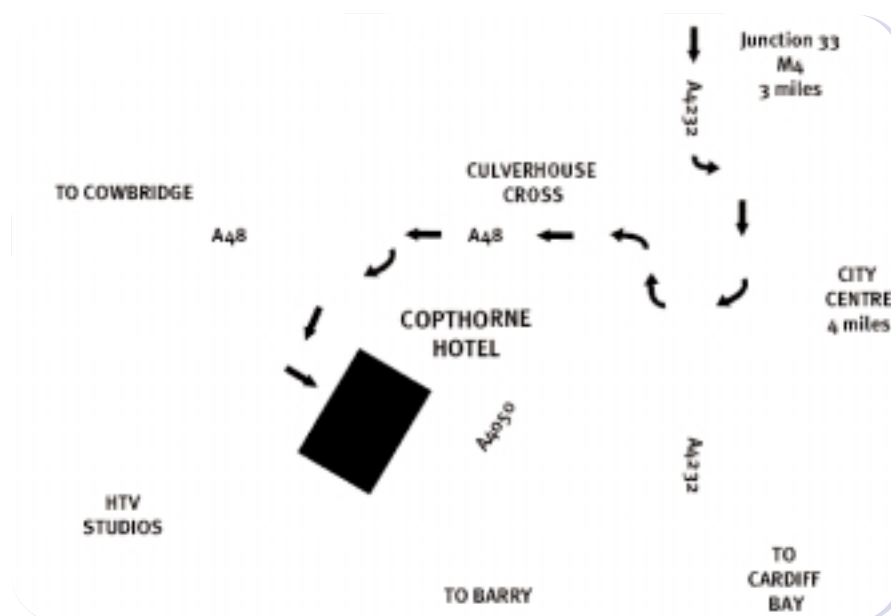
Notes

1. Preference shareholders are advised that they are not entitled to attend or vote at the Annual General Meeting.
2. A holder of Ordinary Shares entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member. To be valid, the proxy and the instrument appointing a proxy if any, must reach the Company's registrars, Computershare Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, not less than 48 hours before the time for holding of the Annual General Meeting.
3. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company gives notice that only those shareholders entered on the Register of Members of the Company at the close of business on 2003 will be entitled to attend and vote at the aforesaid meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the Register after the close of business on 2003 will be disregarded in determining the rights of any person to attend or vote at the meeting.
4. There will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday excepted) from the date of this notice to the conclusion of the Annual General Meeting and at the meeting itself, statements covering the period from the last Annual General Meeting to the date of the above notice, of all transactions of Directors and of their family interests in the equity share capital of the Company and copies of the contracts of service of the Directors of the Company.

FIVE YEAR RECORD

		15 months				
		2002	2001	2000	1999	1998
		£000	£000	£000	£000	£000
Turnover			50,407	52,692	60,854	48,666
Profits	(Loss)/profit before taxation		(4,446)	448	1,620	4,004
	Earnings per ordinary share		(5.41)p	0.8p	2.0p	3.9p
Assets employed	Fixed assets		24,314	21,085	21,180	19,713
	Net current assets		4,265	3,670	5,606	7,198
	Total assets less current liabilities		28,579	24,755	26,786	26,911
	Creditors: Amounts falling due after more than one year		(10,058)	(2,083)	(5,106)	(5,652)
	Deferred taxation		(709)	(946)	(935)	(565)
			17,812	21,726	20,745	20,694
Capital employed	Preference share capital	549	549	549	549	549
	Ordinary share capital		3,586	3,586	3,736	3,731
	Reserves		13,677	17,591	16,460	16,414
			17,812	20,726	20,745	20,694

DIRECTIONS TO THE ANNUAL GENERAL MEETING



Leaving the M4 Motorway at Junction 33 follow the Ely Link Road (A4232) in the direction of Cardiff for approximately 3 miles to the first junction at Culverhouse Cross.