THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Ordinary Shares in AWG Services plc, please send this document together with the accompanying Form of Proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Application will be made for the whole of the issued and to be issued ordinary share capital of AWG Services plc to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM").

AIM is a market designed primarily for emerging or small companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, after consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

It is expected that dealings in the Ordinary Shares comprising the Enlarged Issued Ordinary Share Capital will commence on 2 December, 2003.

This document, which has been drawn up in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the Enlarged Issued Ordinary Share Capital on AIM. This document does not constitute a prospectus and a copy has not been delivered to the Registrar of Companies in England and Wales for registration under Regulation 4(2) of the Public Offers of Securities Regulations 1995. This document does not constitute an offer or invitation to purchase any shares.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors, whose names are set out on page 3, accept responsibility accordingly, including individual and collective responsibility for compliance with the AIM Rules.

The Proposed Directors accept responsibility for the information contained in this document relating to themselves and their associates and collectively for the information relating to Oak Holdings Limited and its subsidiary. To the best of the knowledge and belief of each of the Proposed Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document for which he accepts responsibility is in accordance with the facts and there is no omission likely to affect the importance of that information.

The whole of the text of this document should be read and your attention is drawn to the Risk Factors set out in Part II of this document.

AWG Services plc

(Incorporated in England under the Companies Act 1985 with registered number 2929801)

Proposals for the Acquisition of Oak Holdings Limited,
change of name to Oak Holdings plc,
issue of Warrants to Shareholders,
amendment to the Articles of Association and
re-admission to trading on the Alternative Investment Market

Nominated Adviser	*Broker*
City Financial Associates Limited	**Fiske plc**

SHARE CAPITAL ON ADMISSION

Authorised			*Issued*	
Amount	*Number*		*Amount*	*Number*
£11,000,000	1,100,000,000	Ordinary Shares of 1p each	£6,537,984.47	653,798,447

Copies of this document will be available to the public free of charge at the offices of City Financial Associates Limited during normal business hours on any weekday (excluding Saturdays and public holidays) from the date of this document until the expiry of one month after Admission.

City Financial Associates Limited, which is regulated by The Financial Services Authority, is the Company's Nominated Adviser for the purposes of the AIM Rules. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director. City Financial Associates Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of City Financial Associates Limited or for advising any other person on the Proposals and other arrangements described in this document.

Fiske plc, which is regulated by The Financial Services Authority and is a member of the London Stock Exchange, is the Company's broker. Fiske plc will not be responsible to anyone other than the Company for providing the protections afforded to customers of Fiske plc or for advising any other person on the Proposals or other arrangements described in this document.

A notice of an Extraordinary General Meeting of the Company to be held at 35 Vine Street, London EC3N 2AA at 10.00 a.m.on 1 December 2003 is set out at the end of this document. A Form of Proxy for use at the meeting is enclosed with this document and should be returned as soon as possible and in any event so as to be received by Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3FA no later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the Form of Proxy will not preclude a Shareholder from attending and voting at the Extraordinary General Meeting if he or she wishes to do so.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Stephen George Thomson, *Executive Chairman* Michael Thomas Albert Hill, ACA, *Finance Director* David Leonard Court OBE, *Non-executive Director* All of Tibbenham House 112-114 Thorpe Road Norwich NR1 1RT
Proposed Directors	Malcolm George Savage, FRICS, *Proposed Executive Chairman* Stephen Barry Lewis, FRICS, DipProjMan (RICS), *Proposed Chief Executive* Graham Axford, BCom, MSI, *Proposed Non-executive Director* Charles St. John Hartnell, OBE, Hon DSc, FRICS, *Proposed Non-executive Director* Peter David Collins, *Proposed Non-executive Director* All of 15 Half Moon Street London W1J 7AT
Company Secretary and Registered Office	Michael Hill, ACA, Tibbenham House, 112-114 Thorpe Road, Norwich NR1 1RT
Nominated Adviser	City Financial Associates Limited 6 Laurence Pountney Hill London EC4R 0BL
Broker	Fiske plc Salisbury House London Wall London EC2M 5QS
Reporting Accountants and Auditors	Hazlewoods Chartered Accountants Windsor House Barnett Way Barnwood Gloucester GL4 3RT
Solicitors to the Company	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
Bankers to the Company	Lloyds TSB Bank plc, 41 Prince of Wales Road Norwich NR1 1BL
Registrars to the Company	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Solicitors to Oak	Nicholson Graham & Jones 110 Cannon Street London EC4N 6AR

Financial advisers to Oak	Corporate Finance Partners Limited Abbey Chambers 11-13 Verulam Road St Albans Hertfordshire AL3 4DA
Auditors to Oak	Venthams The Old Tannery Oakdene Road Redhill Surrey RH1 6BT

DEFINITIONS

The following terms apply in this document unless the context requires otherwise:

"Acquisition"	the proposed acquisition by the Company of the entire issued share capital of Oak as described in this document
"Acquisition Agreement"	the agreement dated 7 November 2003 between the Company (1), Peter Collins (2) and the shareholders of Oak (3) under which AWG has conditionally agreed to acquire the entire issued share capital of Oak, further details of which are set out in Part I and paragraph 8(a) of Part VI of this document
"Act"	Companies Act 1985, as amended
"AIM"	the Alternative Investment Market operated by the London Stock Exchange
"AIM Rules"	the rules regulating AIM published by the London Stock Exchange from time to time
"Approved Scheme"	the AWG approved employee share option scheme, details of which are set out in paragraph 7(a) of Part VI of this document
"Articles"	the Articles of Association of the Company
"Board" or "Directors"	the Directors of the Company at the date of this document whose names are set out on page 3 of this document
"CFA"	City Financial Associates Limited
"City Code"	The City Code on Takeovers and Mergers
"Company" or "AWG"	AWG Services plc
"Concert Party"	the shareholders of Oak as more fully described in Part I and paragraph 4 of Part VI of this document
"Consideration Shares"	the 490,313,105 new Ordinary Shares to be issued as consideration for the Acquisition
"CREST"	the computerised settlement system operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
"CRESTCo"	CRESTCo Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001
"Enlarged Group"	the Group as enlarged following completion of the Acquisition
"Enlarged Issued Ordinary Share Capital"	a total of 653,798,447 Ordinary Shares, comprising the Existing Shares, the Consideration Shares and the new Ordinary Shares to be issued to Fiske referred to in paragraph 8 of Part VI of this document
"Existing Shares"	the 162,271,750 Ordinary Shares currently in issue
"Existing Shareholders"	holders of Existing Shares

"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company which has been convened for 10.00 a.m. on 1 December, 2003, notice of which is set out on pages 140 to 142 of this document
"Fiske"	Fiske plc, the broker to the Company
"Form of Proxy"	the form of proxy for use by Existing Shareholders in connection with the EGM
"FSA"	Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000
"Group"	the Company and its subsidiary undertakings at the date of this document
"London Stock Exchange"	London Stock Exchange plc
"Notice"	the notice of EGM set out at the end of this document
"Oak"	Oak Holdings Limited
"Oak Directors"	the directors of Oak at the date of this document
"Oak Group"	Oak and its subsidiary undertaking at the date of this document
"Official List"	the Official List of the UK Listing Authority
"Optionholders"	holders of options under the Approved Scheme and the Unapproved Scheme
"Options"	options granted under either the Approved Scheme or the Unapproved Scheme
"Ordinary Shares"	ordinary shares of 1p each in the capital of the Company
"Panel"	The Panel on Takeovers and Mergers
"PDA"	The Preferred Developer Agreement entered into between Oak and Rotherham Metropolitan Borough Council on 16 May 2003
"POS Regulations"	the Public Offers of Securities Regulations 1995, as amended
"Proposals"	the Acquisition, change of name, issue of the Warrants, amendments to the Articles of Association and Admission
"Proposed Directors"	Malcolm Savage, Stephen Lewis, St. John Hartnell, Graham Axford and Peter Collins
"RMBC"	Rotherham Metropolitan Borough Council
"Re-admission"	the re-admission of the Enlarged Issued Ordinary Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
"Record Date"	the date of entitlement of Existing Shareholders to the proposed issue of Warrants, being 6 November, 2003
"Resolutions"	the resolutions set out in the Notice
"Shareholders"	holders of Ordinary Shares
"UK"	United Kingdom of Great Britain and Northern Ireland

"UK Listing Authority"	The UK Listing Authority, a division of the FSA, the competent authority for listing in the UK
"Unapproved Scheme"	the AWG unapproved executive share option scheme, details of which are set out in paragraph 7(b) of Part VI of this document
"Undertakings to Subscribe"	the undertakings to subscribe for new shares in the Enlarged Group by the shareholders of Oak as more fully described in paragraph 8(a) of Part VI of this document
"Waiver"	the waiver by the Panel of Rule 9 of the City Code as described in Part I of this document
"Warrants"	Warrants conditionally to subscribe for up to 101,419,843 new Ordinary Shares to be issued to Existing Shareholders on the basis and terms described in Parts I and V of this document
"Yes"	Yorkshire Entertainment Sensation Limited, Oak's sole subsidiary
"Yes Project"	The project described in the PDA and summarised in Part I of this document

EXPECTED TIMETABLE

	2003
Record Date for the issue of the Warrants	6 November
Despatch of Warrant certificates	14 November
Latest time and date for receipt of forms of proxy for the Extraordinary General Meeting	10.00 a.m. on 29 November
Extraordinary General Meeting	1 December
Completion of the Acquisition	2 December
Admission effective and dealings commence in the Enlarged Issued Ordinary Share Capital on AIM	2 December

PART I

LETTER FROM THE CHAIRMAN OF AWG

AWG Services plc

(registered in England number 2929801)

Directors
Stephen Thomson *Executive Chairman*
Michael Hill *Finance Director*
David Court OBE *Non-executive Director*

Registered Office
Tibbenham House
112-114 Thorpe Road
Norwich NR1 1RT

7 November 2003

To Shareholders and, for information only, to Optionholders.

Dear Shareholder

Proposals for the Acquisition of Oak, change of name to Oak Holdings plc, issue of Warrants to Shareholders, amendments to the Articles of Association and re-admission to trading on the Alternative Investment Market

Introduction

The Board of AWG announced earlier today that AWG had conditionally agreed to acquire the entire issued share capital of Oak. Oak will be acquired in consideration of the issue of the Consideration Shares, which will represent approximately 75 per cent. of the Enlarged Issued Ordinary Share Capital.

In view of the fact that the Acquisition will result in a change of control of the Group and a fundamental change in its business, the Acquisition will constitute a reverse takeover of AWG under the AIM Rules and therefore requires the prior approval of Shareholders at an extraordinary general meeting. In view of the size of the shareholding of the Concert Party in the Company following implementation of the Proposals, completion of the Acquisition will represent a change of control under the City Code and would require an offer for the balance of the shares unless a waiver from this requirement is approved by Shareholders at an extraordinary general meeting. If the Resolutions numbered 1 and 2 are duly passed at the EGM, AWG's existing share quotation on AIM will be cancelled and AWG will apply for the Enlarged Issued Ordinary Share Capital to be re-admitted to AIM. Your Board unanimously considers that the Acquisition and the Waiver are in the best interests of Shareholders and recommends Shareholders to vote in favour of the Proposals and, voting on a poll, to approve the Waiver. Shareholders should note that the Proposals are interconditional. If the Proposals are approved by Shareholders it is expected that dealings in the Enlarged Issued Ordinary Share Capital will commence on 2 December 2003. The full recommendation of the Board is set out at the end of Part I of this document.

Shareholders should read this entire document and your attention is drawn to Parts II to VI of this document, which contain important information in relation to the Proposals and the Waiver.

Background to, and reasons for, the Proposals and information on Oak

History of the business

Oak was formed in 2000 as a property development company. The founding shareholders and directors of the company included St. John Hartnell, Malcolm Savage, Stephen Lewis and Peter Collins.

In 2000, the Yes Project, a leisure development project located near Rotherham in Yorkshire, was identified and, since then, the Oak management team has worked towards being appointed the preferred developer for the project. This goal was achieved and is reflected in the PDA signed on 16 May 2003.

Business strategy

Oak was formed to develop out of town property investments anchored by a multi-let all year round leisure and entertainment centre. Oak's strategic approach is one of measured risk and limited exposure.

Oak's strategy, having identified a project and a site, is to negotiate with a number of key anchor tenants at this early stage to ensure that their requirements are incorporated by the design team into the master plan. The Oak Directors believe that these key occupiers, having in this way allied themselves to the scheme, are then more disposed to support the planning process and to take pre-lets of space. This, in turn, should facilitate the raising of development finance and lettings of other space in the development. No construction commitments will be made until pre-lets to key occupiers are in place.

Oak's prime current intention is to develop the Yes Project described below and to identify other mixed use leisure-oriented development schemes, along with other smaller property development opportunities in strategic locations. Oak will be prepared to make modest investments (usually of time) in potential development projects where it believes there is a realistic prospect of achieving a viable and profitable outcome. It will not, however, make significant financial commitments to a project unless it has an appropriate level of letting commitments to provide confidence as to the success of the project or a clearly defined exit strategy. The Group does not intend to become an operator of leisure attractions.

Having completed a development, Oak would intend to replace the development loan with long-dated, fixed rate loan finance. Surplus annual net cash flow will be used to invest in other sites as well as, from time to time, in investment properties.

Oak's management has experience of implementing significant property development projects.

Terms of the Acquisition

Under the terms of the Acquisition Agreement, AWG has conditionally agreed to acquire the entire issued ordinary share capital of Oak for a consideration to be satisfied by the issue of 490,313,105 Consideration Shares, which will represent approximately 75 per cent. of the Enlarged Issued Ordinary Share Capital. Oak is the party to which the Preferred Developer Agreement was granted.

The terms of the Acquisition have been determined by reference to a combination of the experience of Oak's management team and the potential valuation of the Yes Project assuming planning permission is obtained and the development is completed and let as anticipated in Oak's business plan.

Oak has one subsidiary Yes, which following this transaction will be a wholly owned dormant subsidiary.

Further details of the Acquisition Agreement are contained in paragraph 8 of Part VI of this document.

Details of the Yes Project

The Oak Directors, whose skills encompass a variety of aspects of property investment and related finance, chose as Oak's first project the development of the Pithouse West site adjoining the Rother Valley Country Park in South Yorkshire. Oak became aware of the possibilities for this site over two years ago and, since then, has worked with RMBC and Yorkshire Forward, the regional development agency for Yorkshire, to promote the benefits of a comprehensive integrated leisure scheme.

The Pithouse West site is a 327 acre site controlled by RMBC who are keen to see it developed in an innovative and sensitive way to create a *"new tourist destination of national and international repute"* to complement the adjacent 684 acre Rother Valley Country Park. The Oak Directors believe that RMBC is now convinced that the project that Oak has conceived will bring much needed economic and employment benefits together with substantial prestige for the Borough as a whole.

The site is located approximately 7 miles from Sheffield city centre and approximately 2 miles from Junction 31 of the M1, served by the A57, which runs adjacent to part of the site. The A57 links to the A61, which is the main Chesterfield to Sheffield road. With the existing road connections, it is estimated that 4.2 million people live within a 1 hour drive and 17 million within a 2 hour drive.

The Oak Directors believe that there is a prospect that local rail, tram and bus links will be extended in due course to serve the Yes Project. Doncaster Finningley Airport (under development) and East Midlands Airport are both within a reasonable distance of the site.

Following preliminary identification of the site, the Oak Directors invested their own time and resources in analysis and research to enable them to develop a viable concept for the site. To support the submission for preferred developer status and to ensure that Oak's views of the viability of the project were justified, Oak assembled a team of professional firms to harness their expertise on this development.

Oak commissioned a report on the Yes Project's viability from the research consultancy, Economic Research Associates and the resulting research has been used in the development of plans for the Yes Project.

The Oak Directors and their team of professional consultants have worked with RMBC and other Government agencies to ensure the concept has their support and meets their expectations. RMBC advertised the opportunity for a leisure development on the site and, following a two stage selection process directed by DTZ Debenham Tie Leung, a subsidiary of DTZ Holdings plc, Oak was selected to be the sole party with whom RMBC would negotiate a preferred developer agreement in November 2002.

Following this selection, negotiations on the PDA with RMBC were embarked upon which culminated in the PDA being executed on 16 May 2003. This formally specifies the key constituents of the Yes Project being:

- a theatre facility which can stage "West End" type productions, expected to seat between 2,000 and 2,500 people;
- a multi-function auditorium with a capacity of 1,000 seats, which would double up as a media centre/studio facility;
- a covered media/entertainment based leisure destination, which will be a national visitor attraction as the centrepiece of the development;
- a hotel of at least 4 star standing, ideally to incorporate conference facilities;
- retail space not exceeding 5 per cent. of the total floor area of the development and precluding national comparison retailers which could damage the vitality and viability of existing local shopping centres.

Pursuant to the PDA, Oak has a two year exclusive period in which to progress the Yes Project and, if an implementable planning consent is obtained, will be granted a 250 year lease on not only the Pithouse West site, but also the adjoining Rother Valley Country Park. These new leases will be granted with no premium being payable by Oak. A development agreement is proposed to be entered into between Oak and RMBC under which RMBC will derive its investment return after an agreed hurdle rate of return has been achieved by Oak.

After the key constituents of the Yes Project became clear, Oak began discussions with potential key tenants, several of whom are now showing interest in the Yes Project.

The Oak Directors anticipate that an Outline Planning Application will be submitted in around January 2004, with an indication of the likely decision expected from July 2004. The application will need to address the status of the site which is currently zoned as Green belt as the proposed development would not fit within this zoning although stated Government Policy permits "sympathetic development of recreational facilities in the Urban Fringe" within sites currently zoned as Green belt. Oak has, as part of its team of professional consultants, engaged RPS Group PLC, one of the country's leading planning consultants, to advise. The Oak Directors believe that there is a good prospect that re-zoning and outline planning permission will be granted given the strong support being given by the Regional Development Agency ("RDA") and local representative bodies. This view is reinforced by the knowledge that the site was advertised in the public arena by RMBC, supported by the RDA, as a major development opportunity.

Oak has prepared a cost estimate supported by analysis from its professional team for the various stages of the scheme. Oak anticipates further expenditure of approximately £1.75 million (including professional fees, the costs of the Proposals and the corporate overheads of the Enlarged Group) during the expected period to the grant of outline planning permission in July 2004. Sources of funding will include the Enlarged Group's existing cash resources, proceeds from sale of the assets of the Enlarged Group, an overdraft facility and the Undertakings to Subscribe.

Once Outline Planning Consent has been granted, a detailed application will be submitted. The Oak Directors estimate that a development loan will be available to be drawn down within 2 months of the grant of Outline Planning Consent and is reliant upon fulfillment of conditions precedent, *inter alia,* key tenants being signed up. Once development finance is in place and the key pre-lets are in place, construction will commence with the aim of completing the Yes Project in early 2007. It is anticipated that Oak will fund this phase of development by way of bank loans.

The Oak Directors estimate that the Yes Project will cost, in aggregate, around £220 million. As the Yes Project is still at a preliminary stage, cost variances are inevitable. In compiling their estimate of costs, the Oak Directors have drawn on their own experience and the experience of a leading firm of cost consultants.

South Yorkshire has European Regional Development Fund Objective 1 status until 2006. The site of the Yes Project is located within the Objective 1 M1 Corridor Strategic Economic Zone and tourism is a target sector within the programme. As a result, the Yes Project may be capable of attracting grants to assist the funding of certain aspects of the project.

In addition, the Oak Directors have consulted a relevant expert firm to obtain their view of likely rental values for the various parts of the Yes Project and have thereby calculated the possible overall rental income once the Yes Project is fully let. The Oak Directors estimated, on this basis, that the Yes Project could generate over £17 million per annum of rent. In addition, income would be generated, inter alia, from operation of the car park and from advertising and sponsorship. The Oak Directors have assumed that the operation of the Rother Valley Country Park will be revenue- and cash-neutral.

On completion of the Yes Project, the Oak Directors expect to replace the development loans by long-term loans secured against the site and/or its income.

Management and employees

The Oak Directors are Malcolm Savage, Stephen Lewis, Peter Collins, St. John Hartnell and Graham Axford. Brief details on each of these are set out below.

Oak and Yes have no employees at the current time. Upon Admission, Stephen Lewis will become an employee of the Enlarged Group. The work to be carried out on the Yes Project up to the time that planning permission is granted will be carried out by the board of the Enlarged Group in conjunction with the external consultants.

Financial record

Oak has not, to date, generated any cash apart from small amounts of interest received on bank deposits. Expenditure totalled £340,000 between the date of Oak's incorporation and 30 April 2003. The bulk of these costs relate to the Yes Project.

Oak's consolidated balance sheet at 30 April 2003 showed net liabilities of £240,053 supported by amounts funded by the Oak Directors of £147,408 derived from Directors' loan accounts and provisions for their uninvoiced professional fees. These amounts funded by Oak shareholders, together with a further £17,107 are being formalised as part of the Acquisition as being interest free loans and not due for payment (subject to acceleration in certain defined circumstances) before June 2007, the anticipated date for completion of the Yes Project.

Information on AWG Services plc

AWG was formerly an owner and operator of narrowboats. Following the disposal of the bulk of the narrowboat fleet in July 2002, the Company has negligible current trading activities. The remaining assets of the Company are cash of approximately £1.24 million as at 30 September 2003, one remaining narrowboat and 5.67 acres of freehold land at Great Haywood, which together have a net book value of £159,150. The Board does not expect the disposal proceeds of the Company's remaining assets to be less than their book values.

The interim results of AWG for the 6 months ended 30 April 2003 are set out in full in Part IV of this document.

With almost all of the Group's assets now converted into cash, the strategy of the Board has been to identify an attractive acquisition which the Board believes has the potential for high reward for their shareholders which almost by definition demands a higher level of risk. A significant number of opportunities have been reviewed and we have looked in depth at some of these in the hope of negotiating an attractive deal for Shareholders. This has been a time consuming process and has resulted in our identifying and negotiating the Acquisition described in this document. It is the belief of the Board that the acquisition of Oak is the one closest to our chosen strategy to date.

Directors

The current Board of Directors comprises myself (*Executive Chairman*), Michael Hill (*Finance Director*) and David Court OBE (*Non-executive Director*).

On completion of the Proposals and Re-admission there will be several changes to the existing Board. I will move from my position as Executive Chairman to take up the position of Deputy Chairman, Michael Hill will remain Finance Director and Company Secretary and David Court will step down from the Board. The Proposed Directors will join the board. They are Malcolm Savage, who will become Executive Chairman, Stephen Lewis who will become Chief Executive, and St. John Hartnell, Graham Axford and Peter Collins who will become Non-executive Directors. Brief details of the Proposed Directors are set out below.

Proposed Directors

Malcolm Savage, FRICS, aged 59, Executive Chairman

Malcolm Savage trained as a structural engineer and as a chartered building surveyor and has over 35 years experience of property development. He has worked for National Car Parks, Town and City Properties and Artagen Properties Ltd (subsequently taken over by Sun Life). He worked for St. Martins Property Corporation, a multi-national property company owned by the State of Kuwait from 1979 until 2000, where he was, successively, Deputy Managing Director, Managing Director and latterly Chief Executive. Major projects undertaken under Mr Savage's direction included London Bridge City, Windmill Business Park Swindon and Tour Manhattan in Paris. Malcolm is a past President of the European Property Federation.

Stephen Lewis, FRICS, DipProjMan (RICS), aged 48, Chief Executive Officer

Stephen Lewis trained as a building surveyor, qualifying as an associate of the Royal Institute of Chartered Surveyors ("RICS") in 1981. He was one of the youngest Fellows of the RICS ever elected. He has twenty-seven years experience of major development projects for blue chip companies, fifteen of which were at director level. He has expertise in developing comprehensive mixed use schemes in the leisure and retail sectors. Mr Lewis spent ten years to 1984 at St. Martins Property Corporation and was part of the team on the London Bridge City scheme. He has also worked for the Grosvenor Estate at Wheatsheaf Investments, Heron International, Estates & General plc, Prudential Portfolio Managers Limited and Planet Hollywood (Europe) Limited. His primary role has been to facilitate major joint venture projects and establish new concepts. Major projects in which he has been involved include Castle Mall in Norwich, Cribbs Causeway in Bristol, the UK headquarters for AIB in Uxbridge, the Sound Sam Republic Concept in London and New York, and establishing the Heron City Concept in Europe.

St. John Hartnell, OBE, Hon DSc, FRICS, aged 64, Non-executive Director

St. John Hartnell became senior partner and chairman of the family firm of surveyors and commercial property consultants of Hartnell Taylor Cook in 1979. His more important development consultancies include the privatisation and subsequent management of over 2,500 acres of the Port of Bristol, and planning, development and letting advice on major shopping centres including The Mall at Cribbs Causeway and the Galleries in Bristol. Mr Hartnell has twice been UK President of The International Property Federation (FIABCI) and President of The Bristol Property Agents Association and has also been High Sheriff of Bristol.

Graham Axford, aged 58, Non-executive Director

Graham Axford worked for twenty years for James Capel & Co, where he was an equity partner and managing director of the corporate finance department. While there, he was instrumental in creating the first centralised mortgage provider (National Home Loans Corporation plc) and raised the original funding for Satellite T.V, which became BSkyB. He was subsequently a consultant to James Capel, and then was head of UK corporate finance at Credit Lyonnais Laing between 1992 and 1997. Mr Axford now advises a small number of clients at Corporate Finance Partners Limited and is Deputy Chairman of Parallel Media Group Plc, an AIM quoted company.

Peter Collins, aged 51, Non-executive Director

Peter Collins has worked on corporate insurance programmes for blue chip organisations including IBM, Michelin Tyre and Hays plc. He handled the insurance and risk management requirements of Hays plc for twenty years while developing external business. Mr Collins has worked on project policies including those for London Bridge City and Castle Mall Norwich.

Change of name

In line with the Proposals, the Company is proposing to change its name from AWG Services plc to Oak Holdings plc following completion of the Acquisition.

Amendments to the Articles of Association

In connection with the Proposals, it is proposed that the Company's Articles of Association are amended to remove the restrictions on the Company's authority to borrow money, to increase the aggregate ordinary remuneration which may be paid to the directors from £20,000 per annum to £100,000 per annum or such sum as is determined by the Company's shareholders from time to time and to make the Chairman, Deputy Chairman and Chief Executive subject to retirement by rotation.

Corporate governance

The Directors recognise the importance of sound corporate governance whilst taking into account the size and nature of the Company. As the Company grows, the Directors and the Proposed Directors intend that the Company should develop policies and procedures which reflect the principles of good governance and Code of Best Practice, as published by the Financial Reporting Council (commonly known as the "Combined Code") to the extent that they are appropriate to the size of the Company.

To reflect the change in the Board on Admission the Audit Committee will adopt new terms of reference and will comprise me, as Chairman, with Peter Collins and Graham Axford. It will continue to be responsible for ensuring that the financial performance of the Enlarged Group is properly reported on and monitored, for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. In addition the Remuneration Committee will adopt new terms of reference and will consist of Malcolm Savage, as Chairman, St. John Hartnell and Peter Collins. It will continue to review the performance of executive directors, set the scale and structure of their remuneration and determine the grant of options under any share option scheme, in all cases having due regard to the interests of Shareholders.

The Directors and, following Admission, the Proposed Directors, will comply with Rule 19 of the AIM Rules relating to Directors' dealings and will take all proper steps to ensure compliance by the Company's applicable employees as well.

The Board has also adopted terms of reference for a further committee. The Working Capital Committee which will comprise Michael Hill, as chairman, and Graham Axford will be responsible for reviewing the adequacy of working capital available to the Enlarged Group and resolving whether the Company should call for additional funds pursuant to the overdraft and to the Undertakings to Subscribe from members of the Concert Party.

Lock-ins

On Admission the Directors (except for David Court) will be interested in an aggregate of 7,995,579 Ordinary Shares, representing approximately 1.2 per cent. of the Enlarged Issued Ordinary Share Capital. Such Directors have undertaken not to dispose of any interest in Ordinary Shares (except in certain limited circumstances as set out in paragraph 8(a)(vii) of Part VI of this document) for a period of 12 months following Admission.

Each of the Proposed Directors (together with shareholders of Oak associated with each of them) has agreed that (except in limited circumstances as set out in paragraph 8(a)(vi) of Part VI of this document) he will not dispose of any interest in Ordinary Shares during the first year after Admission or during the second year save with the consent of the Nominated Adviser to the Company. Each of the Proposed Directors has further agreed with CFA and the Company to dispose of any interest in Ordinary Shares held by him only through the Company's broker for a further 12 months following the second anniversary of the date of Admission.

The remaining shareholders of Oak (including the minority shareholders of Yes, the sole subsidiary of Oak, who are exchanging their aggregate 10 per cent. shareholding in Yes for a 10 per cent. shareholding in Oak as part of the Proposals) have also entered into lock-in agreements, as described further in paragraphs 8(a)(viii) and 8(a)(ix) of Part VI of this document.

Undertakings to Subscribe

As referred to above, each member of the Concert Party will enter into an undertaking to subscribe for further shares at a price of 2.06 pence per share in proportion to their holdings in Oak, following the receipt of the requisite notice from the Company. In aggregate, these undertakings, if enforced, would raise £250,000 for the Company by the issue of approximately 12.1 million new Ordinary Shares. In the event that the Working Capital Committee (referred to above) resolves during the 12 months following Admission that there is insufficient working capital for the purposes of the Enlarged Group's activities, a call will be made in respect of these undertakings.

Warrants

The Board is proposing that there will be an issue of Warrants to all Existing Shareholders on the basis of five Warrants for every eight Existing Shares held on the Record Date. Fractional entitlements will not be allotted. The total number of Warrants in issue will be up to 101,419,843, equivalent to approximately 13 per cent. of the Enlarged Issued Ordinary Share Capital following completion of the Acquisition and exercise of all the Warrants. It is not currently intended that the Warrants will be quoted on AIM and they will not be transferable. Each Warrant will entitle the holder to subscribe one new Ordinary Share at an exercise price of 2.38 pence per Ordinary Share. There will be an opportunity to exercise the Warrants on 1 December in any one of the years 2003 to 2013 and the Warrants will expire on 1 December 2013. Further details of the Warrants are set out in Part V of this document. If the Warrants were exercised in full, a further £2,413,792.26 would be raised for the Company at an exercise price of 2.38 pence per Ordinary Share.

Current trading and prospects of the Enlarged Group

At the present time, the Group has minimal trading activities.

Oak's current activities are (working with its team of consultants and with RMBC and other interested parties) centred on developing the concept of the Yes Project into a detailed plan for which outline planning permission can be sought. At the same time, Oak continues to hold discussions with key prospective tenants with a view to ensuring they formally commit to the scheme at the appropriate time. Oak is also commencing discussions with the potential providers of the development finance which will be required to fund the application for detailed planning permission and commence construction work. These activities will be the main focus of the board of the Enlarged Group for the coming months. It is unlikely that the Yes Project will generate significant revenues until 2007.

Following completion of the Acquisition, it is the intention of the board of the Enlarged Group to undertake a review of the Company's freehold property at Great Haywood with a view to establishing how to optimise the value of the site to the Enlarged Group. Following this review, it is anticipated that the board of the Enlarged Group will make a decision to realise the value of this property.

Working capital

The Directors and Proposed Directors believe that the cash and credit facilities currently available to the Enlarged Group will provide sufficient working capital for the Company's present requirements, that is to enable it to pursue an application for outline planning permission for at least the next 12 months. In the event that there is a material delay in outline planning permission for the Yes Project being obtained beyond 31 July 2004, the date anticipated by the Directors and Proposed Directors for the grant of outline planning permission, it is likely that the Company will need to raise additional funds. In the event that outline planning permission is granted, the Directors and Proposed Directors plan to fund the development phase with a development loan.

Dividend policy

It is the intention of the Directors and the Proposed Directors to aim for capital growth and, as the Company is at an early stage of implementing its strategy, it is inappropriate to give an indication of the likely level or timing of any future dividends. However, once the Yes Project is completed and cash generative for the Enlarged Group, it is the Directors' and the Proposed Directors' intention to pursue a dividend policy which takes into account both the requirements of the business and the expectations of the shareholders.

Share option schemes

The Company currently has in place the Approved Scheme and the Unapproved Scheme. A total of 1,245,720 and 5,833,220 options have been granted (and have not lapsed) under the Approved Scheme and Unapproved Scheme respectively.

There is no current intention of granting any options under these schemes.

Taxation

Information regarding taxation is set out in paragraph 10 of Part VI of this document. If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

The City Code on Takeovers and Mergers

The Acquisition gives rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford to the Shareholders are described below. The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by both the UK government and other UK regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the UK should conduct themselves in matters relating to takeovers in accordance with the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeovers and merger transactions, however effected, where the offeree company is, *inter alia,* a listed or unlisted public company resident in the UK and to certain categories of private limited companies. AWG is such a company and its shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code ("Rule 9"), any person who acquires shares, which taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all its shareholders to acquire for cash the remaining shares in that company at not less than the highest price paid by him or any persons acting in concert with him within the preceding twelve months.

Rule 9 of the City Code also provides, inter alia, that where any person, together with persons acting in concert with him, holds shares carrying not less than 30 per cent. but not more than 50 per cent. of a company's voting rights, and such person, or any other person acting in concert with him, acquires additional shares which increase his percentage of the voting rights of such company, that person is normally required to make a general offer to all shareholders of that company for the shares not owned by him at not less than the highest price paid by him or any person acting in concert with him within the preceding twelve months. This provision may apply to the future acquisition of ordinary shares by any member of a concert party in these circumstances.

If any person, together with persons acting in concert with him, holds shares carrying more than 50 per cent. of a company's voting rights, then there are no further constraints on such a person or, save as indicated in the following paragraph, on a group of persons acting in concert acquiring further shares.

Each individual member of a concert party will normally incur an obligation to make a general offer should he or she (together with any associates) acquire shares which have the effect of increasing his or her respective shareholding to 30 per cent. or more of the issued share capital of that company.

Under the terms of the City Code, all of the shareholders of Oak and of Yes (other than Oak) are deemed to be acting in concert with each other in relation to AWG in the context of the Acquisition. The key members of the Concert Party are the Oak Directors and their related interests. A full list of the shareholders of Oak and of Yes (other than Oak) together with their potential interest in AWG is set out in paragraph 4 of Part VI below. Details of the Oak Directors are set out above under "Proposed Directors" and some brief details of the other shareholders are set out in paragraph 4 of Part VI below.

The Concert Party does not currently have an interest in the share capital of the Company. On completion of the Proposals, the Concert Party will hold 490.3 million Ordinary Shares in aggregate, representing approximately 75 per cent. of the Enlarged Issued Ordinary Share Capital (assuming that no Options or Warrants are exercised by Existing Shareholders and the Undertakings to Subscribe are not enforced). If the Undertakings to Subscribe are enforced (again assuming no Options or Warrants are exercised), the Concert Party would hold approximately 502.4 million Ordinary Shares in aggregate, representing approximately 75.4 per cent. of the further enlarged issued ordinary share capital. Accordingly, the issue of the Ordinary Shares to the Concert Party (or the exercise by the Company of the Undertakings to Subscribe against the Concert Party) would normally give rise to an obligation on the Concert Party to make a Rule 9 offer to the Shareholders.

The Panel has been consulted and has agreed, subject to the passing on a poll by Shareholders (who for the avoidance of doubt do not include members of the Concert Party) of Resolution 1 set out in the Notice, to waive the obligation on the Concert Party to make a general offer to Shareholders under Rule 9 of the City Code which would otherwise arise upon completion of the Proposals or upon the subsequent enforcement of the Undertakings to Subscribe.

In the event that the waiver is confirmed, Shareholders should be aware that, for so long as the Concert Party remains constituted as at present, that the Concert Party as a whole may acquire any number of further Ordinary Shares without being obliged to make a general offer to all other Shareholders. As noted above, each individual member of the Concert Party will normally incur an obligation to make a general offer should he or she (together with associates) acquire shares which have the effect of increasing his or her holding to 30 per cent. or more of the Company's issued voting share capital at that time.

No member of the Concert Party has purchased Ordinary Shares in the 12 months preceding the date of this document. The Waiver, which the Panel has agreed, will be invalid if purchases of Ordinary Shares are made by any member of the Concert Party in the period between the date of this document and the EGM. Each member of the Concert Party has undertaken to the Company that he will not make any such purchases of Ordinary Shares.

CREST

The Ordinary Shares are eligible for CREST settlement. The Consideration Shares will be made eligible for settlement in CREST on 2 December 2003. Accordingly, the settlement of a transaction in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Extraordinary General Meeting

You will find set out at the end of this document a Notice convening the Extraordinary General Meeting to be held at 35 Vine Street, London EC3N 2AA at 10.00 a.m. on 1 December, 2003. At the meeting, the Resolutions will be proposed as follows:

(1) An ordinary resolution to approve the Acquisition and the Waiver. This resolution will be taken on a poll.

(2) A special resolution to:

(a) increase the authorised share capital of the Company by £8,500,000 to £11,000,000 by the creation of 850,000,000 Ordinary Shares of 1p each;

(b) give the directors authority under Section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £8,250,000, such authority expiring at the conclusion of the Company's next Annual General Meeting; and

(c) disapply the statutory pre-emption rights contained in Section 89(1) of the Act for the purposes of certain future issues, including the allotment of equity securities in connection with the issue of the Warrants and for the allotment of equity securities for cash up to an aggregate nominal amount of £1,310,080, such authority expiring at the conclusion of the Company's next Annual General Meeting.

(3) A special resolution to change the name of the Company to Oak Holdings plc.

(4) A special resolution to amend the Company's Articles of Association so that the aggregate ordinary remuneration which may be paid to the directors is increased from £20,000 per annum to £100,000 per annum or such sum as is determined by the Company's shareholders from time to time, to remove the restrictions on the Company's authority to borrow money and to make the Chairman, Deputy Chairman or Chief Executive subject to retirement by rotation.

Resolutions 2 and 3 are conditional upon the Acquisition becoming unconditional.

No member of the Concert Party owns any Ordinary Shares and so no Existing Shareholders will be precluded from voting on Resolution number 1 at the Extraordinary General Meeting.

Irrevocable Undertakings to approve the Proposals

All of the Directors and certain Existing Shareholders have irrevocably undertaken to vote in favour of the Resolutions to be proposed at the EGM, including the Resolutions to approve the Acquisition, in respect of their holdings and those of their immediate families and connected persons (within the meaning of section 346 of the Act) totalling 58,489,112 Ordinary Shares, representing approximately 36.04 per cent. of the Existing Shares.

Further details of these irrevocable undertakings are set out in paragraph 4(g) of Part VI of this document.

Further information

Your attention is drawn to Parts II to Part VI of this document, which provide additional information.

Action to be taken

A Form of Proxy is enclosed for use by Existing Shareholders at the EGM. Whether or not Existing Shareholders intend to be present at the EGM they are asked to complete, sign and return the Form of Proxy to the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3FA as soon as possible but in any event so as to arrive no later than 48 hours before the EGM. The completion and return of a Form of Proxy will not preclude Existing Shareholders from attending the EGM and voting in person should they wish to do so.

Recommendation

As stated above, the Board has reviewed a number of potential acquisition opportunities in the hope of negotiating an attractive deal for Shareholders. Given that the Company has limited resources, the Board has taken the view that if Shareholders are to have a reasonable prospect of a high return, the chosen acquisition target will, by its nature, need to be of a higher than usual risk. The Board fully recognises that in this Acquisition, the Yes Project is at an early stage and planning consent for the project may be delayed or may not, ultimately, be forthcoming, by which time the Company may have spent the bulk, if not all of its cash resources. In these circumstances, the Company will require additional working capital and there is no guarantee that this could be raised at that time. On the other hand, Oak has an experienced management team that firmly believes that planning consent will be forthcoming and if this can be achieved, Oak would then have a substantial asset in the form of a long term lease on the Rotherham site which would provide the prospect of a substantial return to Shareholders. The Board believes that it is important that Shareholders are aware of the nature of the risk in the Acquisition and should bear this in mind in considering how to vote at the forthcoming EGM.

Your Board, which has been so advised by CFA, considers the Acquisition and the Resolutions, including the Waiver, to be in the best interests of the Company and its Shareholders as a whole. In providing its advice to the Board, CFA has taken into account the Board's commercial assessments. Your Directors therefore unanimously recommend all Shareholders to vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 8,085,579 Existing Shares, representing approximately 4.98 per cent. of the Existing Shares.

Yours faithfully

Stephen Thomson
Chairman

PART II

RISK FACTORS

The Directors consider the following risks and other factors to be the most significant for the Enlarged Group. The risks listed are not exclusive and are not set out in any particular order of priority. If any of the following risks actually occur, the Enlarged Group's business, financial condition, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline.

(i) Property development is inherently a high risk activity.

(ii) The business plan of Oak assumes that a decision on the Outline Planning Application is expected from July 2004 and the Company's ability to fund the Yes Project is conditional on this application being approved during 2004. In the event that the Outline Planning Application is not approved during 2004, additional working capital is likely to be required even if all residual assets are realised and all undertakings to subscribe exercised.

(iii) The success of the Enlarged Group in the short term will be significantly influenced by the progress of the Yes Project. At this time, the land on which the Yes Project is proposed to be developed is not zoned satisfactorily and no outline planning permission has been granted. The Proposed Directors have worked closely with relevant parties who might influence the decisions so far as is possible and it has no reason to believe that re-zoning and a suitable outline planning permission will not be granted. There can, however, be no guarantee that the necessary permissions will be granted or, if granted, will be granted on a basis which will enable the project to be completed as a commercially viable project. If no such permission is granted, the Enlarged Group will not have any asset to represent its costs to date.

(iv) The Company will need to raise further funds in the future to complete the proposed Yes Project (following the grant of a suitable outline planning permission) and other property projects. It may also need to raise further working or development capital for its own requirements. There is no guarantee that the market conditions at the time such funding is required will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares or provide loan or other forms of capital on acceptable terms. At best this would lead to a delay in proceeding with the Yes Project, but could lead to the need to sell the property interest at an inappropriate time or accept funding on terms which would otherwise be considered unacceptable.

(v) The costs and completed financial value of the Yes Project are subject to variation as full details and costings for the Yes Project have not yet been finalised.

(vi) The success of the Enlarged Group will depend largely upon the expertise of the Directors and the Proposed Directors and their ability to identify, acquire, develop and realise suitable property opportunities. The retention of their services or the services of any future management team cannot be guaranteed.

(vii) For the development of the Yes Project to be commercially successful, the Enlarged Group will need to attract tenants to lease parts of the property from it. There can be no guarantee that, when the final plan is agreed, it will be such as will enable the current expressions of interest in becoming tenants to be converted into a firm commitment to become a tenant. Without such commitments, the Enlarged Group would not wish to proceed with the development.

(viii) In the event that the Yes Project proceeds, there will be risks associated with the construction of the structures envisaged for the Yes Project and the nature of the terrain. The Proposed Directors intend to minimise such risks and to ensure that no untried methods are used in the construction, but there can be no guarantee that unexpected problems will not arise and have a serious negative impact on the cost or end-value of the project.

(ix) The market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets or profits.

(x) The share prices of public companies are often subject to significant fluctuations. Following Admission, the market price of the Ordinary Shares may be volatile.

(xi) The market for shares in smaller companies may be less liquid than for larger companies. The Company's Ordinary Shares may not be suitable as a short-term investment. Consequently, the Company's Ordinary Shares may be difficult to buy and sell and may be subject to fluctuations. Investors may therefore not realise their original investment. Investment in shares traded on AIM carries a higher degree of risk than an investment in shares quoted on the Official List.

PART III

FINANCIAL INFORMATION ON OAK HOLDINGS LIMITED

The financial information set out below has been extracted without material adjustment from the audited consolidated accounts of Oak for the period ended 31 May 2002 and for the period from 1 June 2002 to 30 April 2003 and from the audited accounts of Oak for the year ended 31 May 2001.

1. Audited consolidated accounts of Oak for the period to 30 April 2003

DIRECTORS' REPORT

The directors present their report and the financial statements for the period ended 30 April 2003.

Principal activity

The company's principal activity is that of property development.

Directors and their interests

The directors who served during the period and their beneficial interests were:

	Ordinary Shares of £1 each	
	30 April 2003	*31 May 2002*
St. John Hartnell	16,450	12,000
Malcolm Savage	16,450	12,000
Peter Collins	16,450	12,000
Stephen Lewis	16,450	12,000
Darren Mercer (resigned 18.12.2002)	—	—
Graham Axford (appointed 30.10.2002)	4,150	—

Auditors

Venthams were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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. They 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

Stephen Lewis
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OAK HOLDINGS LIMITED

We have audited the financial statements of Oak Holdings Limited on pages 22 to 28 for the period ended 30 April 2003. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

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 the directors and auditors

As described in the statement of directors' responsibilities on page 20, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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 30 April 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Venthams
Chartered Accountants
Registered Auditor
31 July 2003

The Old Tannery
Oakdene Road
Redhill
Surrey
RH1 6BT

PROFIT AND LOSS ACCOUNT
for the period ended 30 April 2003

	Notes	*2003* £	*2002* £
Turnover		—	—
Cost of sales		(85,410)	(93,481)
		(85,410)	(93,481)
Distribution costs		(275)	—
Administrative expenses		(56,356)	(67,328)
Operating loss	2	(142,041)	(160,809)
Loss on ordinary activities before taxation		(142,041)	(160,809)
Tax on profit on ordinary activities	3	(20)	—
Retained loss for the period		(142,061)	(160,809)

CONSOLIDATED BALANCE SHEET
at 30 April 2003

	Notes	2003		2002	
		£	£	£	£
Current assets					
Debtors	6	—		3,000	
Cash at bank and in hand		10,612		—	
		10,612		3,000	
Creditors: amounts falling due within one year	6	(103,257)		(40,422)	
Net current liabilities			(92,645)		(37,422)
Creditors: amounts falling due after more than one year	7		(147,408)		(104,570)
Total assets less current liabilities			(240,053)		(141,992)
Capital and reserves					
Called up share capital	8		100,000		56,000
Profit and loss account	9		(340,053)		(197,992)
Shareholders' funds			(240,053)		(141,992)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 29 July 2003.

Stephen Lewis
Director

BALANCE SHEET
at 30 April 2003

	Notes	*2003* £	£	*2002* £	£
Fixed assets					
Investments	4		1		1
Current assets					
Debtors	5	—		3,000	
Cash at bank and in hand		10,612		—	
		10,612		3,000	
Creditors: amounts falling due within one year	6	(103,258)		(40,423)	
Net current liabilities			(92,646)		(37,423)
Creditors: amounts falling due after more than one year	7		(147,408)		(104,570)
Total assets less current liabilities			(240,053)		(141,992)
Capital and reserves					
Called up share capital	8		100,000		56,000
Profit and loss account	9		(340,053)		(197,992)
Shareholders' funds			(240,053)		(141,992)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 29 July 2003.

Stephen Lewis
Director

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 April 2003

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.2 Investments

Current asset investments are stated at cost less provision for diminution in value.

2 Operating loss

The loss on ordinary activities before taxation is stated after charging:

	2003	*2002*
	£	*£*
Auditor's remuneration	15,275	—
Directors' emoluments	9,892	30,411
Pension costs	—	—

3 Taxation

	2003	*2002*
	£	*£*
Prior year adjustment	20	—
	20	—

There is no charge to taxation arising in the period.

4 Fixed asset investments

	Shares in group undertakings and participating interests
	£
Cost	
At 1 June 2002 and at 30 April 2003	1

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	*Country of registration or incorporation*	*Class*	*Share held %*
Subsidiary undertakings			
Yorkshire Entertainment Sensation Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital & reserves 2003	*profit for year 2003*
	£	*£*
Yorkshire Entertainment Sensation Limited	1	—

5 Debtors

	Group		Company	
	2003	*2002*	*2003*	*2002*
	£	*£*	*£*	*£*
Due within one year:				
Other debtors	—	3,000	—	3,000

6 Creditors: amounts falling due within one year

	Group		Company	
	2003	*2002*	*2003*	*2002*
	£	*£*	*£*	*£*
Bank overdraft	—	10,002	—	10,002
Other creditors	85,605	17,100	85,605	17,100
Taxation and social security	17,652	13,320	17,652	13,320
Owed to subsidiary company	—	—	1	1
	103,257	40,422	103,258	40,423

7 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	*2002*	*2003*	*2002*
	£	*£*	*£*	*£*
Other creditors and accruals	147,408	104,570	147,408	104,570

Other creditors includes £147,408 due to the directors (2002: £104,570).

8 Share capital

	2003	*2002*
Authorised		
102,565 Ordinary shares of £1 each	102,585	100,000
Issued		
100,000 Ordinary shares of £1 each	100,000	56,000

9 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 June 2002	(197,992)
Retained loss for the period	(142,061)
Balance at 30 April 2003	(340,053)

10 Post balance sheet event

In May 2003, the company entered into a Preferred Developer Agreement ("PDA") with Rotherham Borough Council ("RBC") in respect of the development project at Pithouse West near Rotherham. The PDA appointed Oak Holdings Limited ("Oak") as the sole preferred developer for the project. Pursuant to this agreement, inter alia, the parties have agreed to work together to agree a scheme for the site. In addition, Oak has agreed to prepare a masterplan for the scheme, submit an application for planning permission for the scheme within twelve months of the date of the agreement, to secure funding for the scheme and to market the scheme appropriately. For its part RBC has agreed to procure vacant possession of the property for the scheme and to assist Oak in obtaining planning permission. RBC has also agreed that, upon the grant of an implementable planning consent, it will grant a lease of the site to the company for a period of at least 250 years with a provision for a profit share in favour of RBC.

At such time as planning permission and a lease are granted for the project on the basis outlined above, it is the directors' intention that the company's then leasehold interest will be independently valued and that such valuation will be reflected in the company's balance sheet as a tangible asset.

11 Related party transactions

Included in other creditors: amounts falling due after more than one year are amounts due to the directors as follows:

	2003	*2002*
	£	*£*
St. John Hartnell	30	170
Malcolm Savage	1,630	170
Peter Collins	500	170
Stephen Lewis	66	170
Graham Axford	830	—
Darren Mercer (former director)	—	12,500
	3,056	13,180

During the period the company also incurred professional fees in respect of the development project at Pithouse West, near Rotherham, included in cost of sales, from professional firms in which the following directors have an interest:

	2003	*2002*
	£	*£*
St. John Hartnell	14,700	15,500
Malcolm Savage	15,000	16,640
Peter Collins	14,500	6,500
Stephen Lewis	55,262	52,750
Graham Axford	12,000	—
	111,462	91,390

These amounts have not yet been invoiced to the company and are included in other creditors and accruals falling due after more than one year, except for an amount of £28,500 which has been invoiced to the company by the professional firm in which Stephen Lewis has an interest.

The total amounts due to directors at the period end in respect of their loan accounts and uninvoiced professional fees are:

	2003	*2002*
	£	*£*
St. John Hartnell	25,730	15,670
Malcolm Savage	29,270	16,810
Peter Collins	13,500	6,670
Stephen Lewis	69,078	52,920
Graham Axford	9,830	—
Darren Mercer (former director)	—	12,500
	147,408	104,570

2. Audited accounts of Oak for the year ended 31 May 2002

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 May 2002.

Principal activity

The company's principal activity is that of property development.

Directors and their interests

The directors who served during the year and their beneficial interests were:

	Ordinary Shares of £1 each	
	31 May 2002	*31 May 2001*
St. John Hartnell	12,000	—
Malcolm Savage	12,000	—
Peter Collins	12,000	1
Stephen Lewis	12,000	—
Darren Mercer (resigned 18.12.2002)	—	—
Graham Axford (appointed 30.10.2002)	—	—

Auditors

Venthams were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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. They 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.

Under section 245 of the Companies Act 1985 the directors have the authority to revise financial statements or a directors' report if they do not comply with the Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 1990 and in accordance therewith do not take account of events which have taken place after the date on which the original financial statements were approved. The regulations require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

Stephen Lewis
Director

INDEPENDENT REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF OAK HOLDINGS LIMITED

We have audited the revised financial statements of Oak Holdings Limited on pages 32 to 37 for the year ended 31 May 2002. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein. The revised financial statements replace the original financial statements approved by the directors on 14 January 2003.

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 the directors and auditors

As described in the statement of directors' responsibilities on page 29, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors.

We report to you our opinion as to whether the revised 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 revised 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

The audit of revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 revised 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 revised financial statements.

Opinion

In our opinion the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the company's affairs as at 31 May 2002 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 1990.

In our opinion the original financial statements for the year ended 31 May 2002 failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors in the statement contained in note 11 to these financial statements.

Venthams
Chartered Accountants
Registered Auditor
31 July 2003

The Old Tannery
Oakdene Road
Redhill
Surrey
RH1 6BT

PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2002

	Notes	£	£
Turnover		—	—
Cost of sales		(93,481)	(25,948)
		(93,481)	(25,948)
Distribution costs		—	(1,761)
Administrative expenses		(67,328)	(9,666)
Operating loss	2	(160,809)	(37,375)
Interest receivable		—	192
Loss on ordinary activities before taxation		(160,809)	(37,183)
Tax on loss on ordinary activities	3	—	—
Retained loss for the year		(160,809)	(37,183))

CONSOLIDATED BALANCE SHEET
at 31 May 2002

	Notes	*2002* £	£
Current assets			
Debtors	5	3,000	
Creditors: amounts falling due within one year	6	(40,422)	
Net current liabilities			(37,422)
Creditors: amounts falling due after more than one year	7		(104,570)
Total assets less current liabilities			(141,992)
Capital and reserves			
Called up share capital	8		56,000
Profit and loss account	9		(197,992)
Shareholders' funds			(141,992)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 29 July 2003.

Stephen Lewis
Director

BALANCE SHEET
at 31 May 2002

		2002		2001	
	Notes	*£*	*£*	*£*	*£*
Fixed assets					
Investments	4		1		—
Current assets					
Debtors	5	3,000		—	
Cash at bank and in hand		—		11,903	
		3,000		11,903	
Creditors: amounts falling due within one year	6	(40,423)		(12,586)	
Net current liabilities			(37,423)		(683)
Creditors: amounts falling due after more than one year	7		(104,570)		(36,499)
Total assets less current liabilities			(141,992)		(37,182)
Capital and reserves					
Called up share capital	8		56,000		1
Profit and loss account	9		(197,992)		(37,183)
Shareholders' funds			(141,992)		(37,182)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 29 July 2003.

Stephen Lewis
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 May 2002

1 Accounting policies

1.1 *Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.2 *Investments*

Fixed asset investments are stated at cost less provision for diminution in value.

2 Operating loss

The loss on ordinary activities before taxation is stated after charging:

	2002	*2001*
	£	*£*
Auditor's remuneration	—	—
Directors' emoluments	30,411	—
Pension costs	—	—

3 Taxation

There is no charge to taxation arising in the year.

4 Fixed asset investments

	Shares in group undertakings and participating interests
	£
Cost	
At 1 June 2001	—
Additions	1
At 31 May 2002	1

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	*Country of registration or incorporation*	*Share held* *Class*	*%*
Subsidiary undertakings			
Yorkshire Entertainment Sensation Limited	England & Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital & reserves 2002	*Profit for year 2002*
	£	*£*
Yorkshire Entertainment Sensation Limited	1	—

5 Debtors

	Group	*Company*	
	2002	*2002*	*2001*
	£	*£*	*£*
Due within one year:			
Other debtors	3,000	3,000	—

6 Creditors : amounts falling due within one year

	Group	*Company*	
	2002	*2002*	*2001*
	£	£	£
Bank overdraft	10,002	10,002	—
Other creditors	17,100	17,100	12,586
Taxation and social security	13,320	13,320	—
Owed to subsidiary company	—	1	—
	40,422	40,423	12,586

7 Creditors: amounts falling due more than one year

	Group	*Company*	
	2002	*2002*	*2001*
	£	£	£
Other creditors and accruals	104,570	104,570	36,499

Other creditors includes £104,570 (2001: £36,499) due to the directors.

8 Share capital

	2002	*2001*
Authorised		
100,000 Ordinary shares of £1 each	100,000	100
Issued		
56,000 Ordinary shares of £1 each	56,000	1

9 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 June 2001	(37,183)
Retained loss for the year	(160,809)
Balance at 31 May 2002	(197,992)

10 Related party transactions

Included in other creditors: amounts falling due after more than one year, are amounts due to the directors as follows:

	2002	*2001*
	£	£
St. John Hartnell	170	6,000
Malcolm Savage	170	6,000
Peter Collins	170	5,999
Stephen Lewis	170	6,000
Graham Axford	—	—
Darren Mercer	12,500	12,500
	13,180	36,499

During the year the company also incurred professional fees in respect of the development project at Pithouse West near Rotherham, included in cost of sales, from professional firms in which the following directors had an interest:

	2002	*2001*
	£	*£*
St. John Hartnell	15,500	—
Malcolm Savage	16,640	—
Peter Collins	6,500	—
Stephen Lewis	52,750	—
	91,390	Nil

These amounts have not yet been invoiced to the company and are included in other creditors and accruals falling due after more than one year.

The total amounts due to the directors in respect of their loan accounts and uninvoiced professional fees are therefore:

	2002	*2001*
	£	*£*
St. John Hartnell	15,670	6,000
Malcolm Savage	16,810	6,000
Peter Collins	6,670	5,999
Stephen Lewis	52,920	6,000
Graham Axford	—	—
Darren Mercer	12,500	12,500
	104,570	36,499

11 Directors' statement: revision by replacement

These revised accounts:

i replace the original annual accounts for the year ended 31 May 2002.

ii are now the statutory accounts of the company for the financial year ended 31 May 2002.

iii have been prepared as at the date of the original annual accounts and not as at the date of revision and accordingly do not deal with events between these dates.

The original annual accounts did not comply with the requirements of the Act in respect of the issued share capital at 31 May 2002, did not include project development costs incurred in the period and incorrectly reflected the investment in subsidiary.

Consequently the issued share capital has been adjusted from 73,000 £1 ordinary shares to 56,000, £1 ordinary shares. The adjustment in respect of project development costs has expensed £160,809 of costs incurred in the year through the profit and loss account which had incorrectly been capitalised in the Yorkshire Entertainment Sensation Limited inter-company account. Further adjustments have been made to correct the position in respect of the directors loan accounts and accruals for professional fees incurred on the project. The investment in the subsidiary, Yorkshire Entertainment Sensation Limited, has been adjusted from £100,000 to £1 to reflect the actual authorised and issued shares in the subsidiary.

As a result of the remedying of these defects the authorised and issued share capital have been restated and the project development costs have been accounted for.

3. Audited accounts of Oak for the period ended 31 May 2001

DIRECTORS' REPORT

The directors present their report and the financial statements for the period ended 31 May 2001.

Principal activity

The company was incorporated on 18 May 2000 and its principal activity is that of property development.

Directors and their interests

The directors who served during the period and their beneficial interests were:

	Ordinary Shares of £1 each 31 May 2001
St. John Hartnell	—
Malcolm Savage	—
Peter Collins	1
Stephen Lewis	—
Darren Mercer (resigned 18.12.2002)	—
Graham Axford (appointed 30.10.2002)	—

Auditors

Venthams were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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. They 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.

Under section 245 of the Companies Act 1985 the directors have the authority to revise financial statements or a directors' report if they do not comply with the Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 1990 and in accordance therewith do not take account of events which have taken place after the date on which the original financial statements were approved. The regulations require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

Stephen Lewis
Director

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF OAK HOLDINGS LIMITED

We have audited the revised financial statements of Oak Holdings Limited on pages 41 to 44 for the period ended 31 May 2001. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

The revised financial statements replace the original financial statements approved by the directors on 28 March 2002.

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 the directors and auditors

As described in the statement of directors' responsibilities on page 38, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors.

We report to you our opinion as to whether the revised 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 revised 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

The audit of revised financial statements includes the performance of additional procedures to assess whether the revising made by the directors are appropriate and have been properly made.

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 revised 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 revised financial statements.

Opinion

In our opinion the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the company's affairs as at 31 May 2001 and of its loss for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 1990.

In our opinion the original financial statements for the period ended 31 May 2001 failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors in the statement contained in note 9 to these financial statements.

Venthams
Chartered Accountants
Registered Auditor
31 July 2003

The Old Tannery
Oakdene Road
Redhill
Surrey
RH1 6BT

PROFIT AND LOSS ACCOUNT
For the period ended 31 May 2001

	Notes	2001 £
Turnover		—
Cost of sales		(25,948)
		(25,948)
Distribution costs		(1,761)
Administrative expenses		(9,666)
Operating loss	2	(37,375)
Interest receivable		192
Loss on ordinary activities before taxation		(37,183)
Tax on loss on ordinary activities	3	—
Retained loss for the period		(37,183)

BALANCE SHEET
At 31 May 2001

	Notes	*2001* £	£
Current assets			
Cash at bank and in hand		11,903	
Creditors: amounts falling due within one year	4	(12,586)	
Net current liabilities			(683)
Creditors: amounts falling due after more than one year	5		(36,499)
Total assets less current liabilities			(37,182)
Capital and reserves			
Called up share capital	6		1
Profit and loss account	7		(37,183)
Shareholders' funds			(37,182)

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 29 July 2003.

Stephen Lewis
Director

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 May 2001

1 Accounting policies

1.1 *Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

2 Operating loss

The loss on ordinary activities before taxation is stated after charging:

	2001
	£
Auditor's remuneration	—
Directors' emoluments	—
Pension costs	—

3 Taxation

There is no charge to taxation arising in the period.

4 Creditors: amounts falling due within one year

	2001
	£
Other creditors and accruals	12,586

5 Creditors: amounts falling due after more than one year

	2001
	£
Other creditors	36,499

Other creditors includes £36,499 due to the directors.

6 Share capital

	2001
Authorised	
100 Ordinary shares of £1 each	100
Issued	
1 Ordinary shares of £1 each	1

7 Statement of movements on profit and loss account

	Profit and loss account
	£
Retained loss for the period	37,183
Balance at 31 May 2001	(37,183)

8 Related party transactions

Included in Creditors : amounts falling due after more than one year, are amounts due to the directors as follows:

	2001
	£
St. John Hartnell	6,000
Malcolm Savage	6,000
Peter Collins	5,999
Stephen Lewis	6,000
Graham Axford	—
Darren Mercer	12,500
	36,499

9 Directors statement: revision by replacement

These revised accounts:

i replace the original annual accounts for the period ended 31 May 2001.

ii are now the statutory accounts of the company for the financial period ended 31 May 2001.

iii have been prepared as at the date of the original annual accounts and not as at the date of revision and accordingly do not deal with events between these dates.

The original annual accounts did not comply with the requirements of the Act in respect of the authorised and issued share capital at 31 May 2001. Consequently the authorised share capital has been adjusted from 100,000 £1 ordinary shares to 100 £1 ordinary shares and the issued share capital has been adjusted from £73,000 to £1. Further adjustments have been made to eliminate the debtor in respect of unpaid share capital from £37,000 to nil and to increase creditors by £35,999.

As a result of the remedying of these defects the authorised and issued share capital have been restated.

PART IV

FINANCIAL INFORMATION ON AWG SERVICES PLC

(A) Interim statement of AWG for the 6 months ended 30 April 2003

The following is the full text of the interim statement of AWG for the 6 months ended 30 April 2003.

Report of the Directors

The directors have pleasure in presenting their report, together with the interim accounts of the Group for the 6 months ended 30 April 2003.

Results and appropriations

The Group's loss for the period after taxation was £103,860.

The directors are unable to recommend the payment of a dividend, given the deficit on distributable reserves.

Creditor payment policy

The Group's policy concerning the payment of creditors is to:

— settle the terms of payment with suppliers when agreeing the terms of each transaction,

— ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and

— pay in accordance with the Group's contractual and other legal obligations.

The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the period end as a proportion of the amounts invoiced by suppliers during the period was 30 days (2002: 30 days).

Directors

The directors who served during the period are listed below:

S G Thomson
M T A Hill
D L Court

Directors' interests

The directors' beneficial interests in the share capital of the Company as at 30 April 2003 were:

	Ordinary shares at 30 April 2003 of 1 pence each	*Ordinary shares at 31 October 2002 of 10 pence each*
S G Thomson	5,957,250	5,957,250
M T A Hill	2,500,000	2,500,000
D L Court	90,000	90,000

Information concerning directors' share options are disclosed in note 21 to the interim accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 6 months ended 30 April 2003

	Note	*2003* £	*2002* £
Turnover		2,656	76,419
Cost of sales		(3,558)	(84,716)
Gross loss		(902)	(8,297)
Operating expenses		(126,712)	(235,785)
Operating loss	2	(127,614)	(244,082)
Loss on the disposal of discontinued operations		—	(504,249)
Loss on ordinary activities before interest		(127,614)	(748,331)
Interest	3	23,754	32,784)
Loss on ordinary activities before taxation		(103,860)	(781,115)
Taxation	5	—	42,000
Retained loss for the period		(103,860)	(739,115)
Basic loss per share (in pence)	6	(0.1)	(0.5)

There were no recognised gains or losses other than the result for the period as shown above.

The results for the period shown above relate to the management and administration of the Group and the realisation of the remaining trading assets.

The current period results relate to the 6 months ended 30 April 2003. The comparative results relate to the year ended 31 October 2002.

BALANCE SHEETS
30 April 2003

	Note	*Group 2003 £*	*Group 2002 £*	*Company 2003 £*	*Company 2002 £*
Fixed assets					
Tangible assets	7	128,237	128,292	128,237	128,292
Investments	8	—	—	610,424	610,424
		128,237	128,292	738,661	738,716
Current assets					
Stocks	9	73,611	97,506	57,749	86,639
Debtors	10	9,890	18,632	102,476	18,632
Cash at bank and in hand		1,326,827	1,415,484	1,326,735	1,414,844
		1,410,328	1,531,622	1,486,960	1,520,115
Creditors – amounts falling due within one year	11	(145,499)	(156,933)	(735,425)	(737,309)
Net current assets/(liabilities)		1,264,829	1,374,689	751,535	782,806
Total assets less current liabilities		1,393,066	1,502,981	1,490,196	1,521,522
Creditors – amounts falling due after more than one year	12	(19,567)	(25,622)	(19,567)	(25,622)
Provisions for liabilities and charges	14	—	—	(88,282)	(18,689)
		1,373,499	1,477,359	1,382,347	1,477,211
Capital and reserves					
Called up share capital	15	1,622,718	1,622,718	1,622,718	1,622,718
Share premium	16	2,778,007	2,778,007	2,778,007	2,778,007
Capital redemption reserve	16	164,667	164,667	164,667	164,667
Profit and loss account	16	(3,824,193)	(3,720,333)	(3,183,045)	(3,088,181)
Capital reserve	16	632,300	632,300	—	—
Shareholders' funds	17	1,373,499	1,477,359	1,382,347	1,477,211

These interim accounts have been prepared by Mr M T A Hill, the Company's financial director, Tibbenham House, 114 Thorpe Road, Norwich NR1 1RT.

The interim accounts have been properly prepared in accordance with the Companies Act 1985. I consent to the inclusion of the interim accounts in the Prospectus dated 7 November 2003 and accept responsibility for these accounts for the purposes of paragraph 45(10)(a) of Schedule 1 of the Public Offers of Securities Regulations 1995.

M T A Hill
Director

7 November 2003

CONSOLIDATED CASH FLOW STATEMENT
for the 6 months ended 30 April 2003

	2003		2002	
	£	£	£	£
Net cash outflow from operating activities (Note 18)		(91,389)		(310,279)
Returns on investments and servicing of finance				
Net interest received/(paid)		23,754		(32,784)
Taxation		—		—
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(1,230)		—	
Receipts from the sale of tangible fixed assets	—		2,128,332	
Receipts from the sale of investments	—		1	
Net cash (outflow)/inflow from capital expenditure and financial investment		(1,230)		2,128,333
Cash (outflow)/inflow before financing		(68,865)		1,785,270
Financing				
Repayment of loans		(19,792)		(679,593)
(Decrease)/increase in cash		(88,657)		1,105,677

NOTES TO THE INTERIM ACCOUNTS
for the 6 months ended 30 April 2003

1 Accounting policies

The interim accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the Group are set out below.

Turnover

Turnover is stated net of VAT and represents the invoice value of goods and services supplied by the Group. All sales arise in the United Kingdom.

Stock

Stock has been valued at the lower of cost and net realisable value.

Depreciation

Depreciation is calculated to write off the cost of fixed assets to estimated residual value over their expected useful lives by the straight line method at the following rates per annum:

Plant and equipment	10%-20% of cost per annum
Motor vehicles	20% of cost per annum

Freehold land is not depreciated.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution.

Deferred taxation

In accordance with Financial Reporting Standard 19 Deferred Tax, full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale of fixed assets unless there is a commitment to the disposal of the assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

Leasing commitments

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account on a straight line basis.

The cost of and income from operating leases is respectively charged and credited to the profit and loss account on a straight line basis over the lease term.

Pension Costs

The Company contributes to individual personal pension policies on behalf of certain employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Consolidated interim accounts

The consolidated interim accounts consolidate the interim accounts of AWG Services plc and its subsidiary undertakings at 30 April 2003 using the acquisition method. Goodwill, being the excess of the costs of interests acquired over the fair value of underlying net tangible assets, is fully written off against reserves in the year of acquisition.

In the Company's interim accounts, investments in subsidiary undertakings are stated at cost.

No company profit and loss account is presented in accordance with the exemptions provided by S.230 of the Companies Act 1985. Of the consolidated loss for the period attributable to the shareholders of AWG Services plc, a loss of £94,864 (2002: £572,277) has been dealt with in the interim accounts of the company.

2 Operating loss

	2003 £	2002 £
Operating loss is stated after charging:		
Directors' remuneration	71,483	102,992
Auditors' remuneration:		
—audit services	—	5,500
—non audit services	13,464	4,350
Depreciation of tangible assets	420	60,373

Directors' emoluments were:

	£	£
Emoluments for qualifying services	70,100	98,953
Company pension contributions to a personal pension scheme, 1 director (2002: 1 Director)	1,383	4,039
	71,483	102,992

Details of directors' share options are given on note 21 to these interim accounts.

3 Interest

	2003 £	2002 £
Interest payable and similar charges:		
On bank overdraft and loans	693	38,907
On other loans	1,400	11,189
Other interest	—	42
	2,093	50,138
Interest receivable:		
Bank deposit interest	(25,847)	(17,354)
Net interest (receivable)/payable	(23,754)	32,784

4 Staff numbers and costs

	2003 No	2002 No
Number of employees		
The average number of employees (including executive directors) of the Group during the period was:		
Administration	2	2
	2	2

Employment costs	£	£
Wages and salaries	66,456	119,016
Social security costs	3,644	8,780
Other pension costs	1,383	4,899
	71,483	132,695

Details of directors' emoluments are given in note 2 to these interim accounts.

5 Taxation

	2003 £	2002 £
Deferred taxation	—	(42,000)

No taxation charge arises based on the loss for the period.

	2003 £	2002 £
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(103,860)	(781,115)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2002: 30%)	(31,158)	(234,335)
Effects of:		
Non deductible expenses	—	3,451
Capital allowances in excess of depreciation	—	(4,798)
Depreciation in excess of capital allowances	81	—
Profit on disposal of assets	—	77,080
Increase in general provisions	—	9,000
Disposal of discontinued operations	—	62,651
Tax losses arising in the period not utilised	(31,239)	86,951
Current tax charge	—	—

6 Loss per share

Basic loss per ordinary share is calculated using the net basis on the Group loss for the period after tax of £103,860 (2002: £739,115) and on the weighted average number of shares in issue of 162,271,750 (2002: 162,271,750).

7 Tangible fixed assets

Group and Company	*Freehold land & buildings* £	*Plant & equipment* £	*Total* £
Cost			
At 1 November 2002	126,708	2,847	129,555
Additions	—	1,230	1,230
Disposals	—	(1,554)	(1,554)
At 30 April 2003	126,708	2,523	129,231
Depreciation			
At 1 November 2002	—	1,263	1,263
Charge for the period	—	420	420
Disposals	—	(689)	(689)
At 30 April 2003	—	994	994
Net book value			
At 30 April 2003	126,708	1,529	128,237
At 31 October 2002	126,708	1,584	128,292

8 Fixed asset investments

Investment in subsidiary undertakings

	Company £
Cost	
At 1 November 2002 and 30 April 2003	1,599,766
Provision for diminution in value	
At 1 November 2002 and 30 April 2003	(989,342)
Net book value	
At 1 November 2002 and 30 April 2003	610,424

Investments have been written down to their estimated recoverable amounts.

The Company's subsidiary undertakings, all of which have been consolidated, are as follows:

Name of Undertaking	*Principal activity*	*Interest in Ordinary share capital at 30 April 2003*
Time Afloat Limited	Timeshare	100%
Boating Bargains Limited	Dormant	100%
Harborough Marine Limited	Dormant	100%
Anglo-Welsh Waterways Holidays Limited	Dormant	100%
Trevor Wharf Services Limited	Dormant	100%
Dartline Boatbuilders (Bunbury) Limited	Dormant	100%
Dartline Cruisers Limited	Dormant	100%
Dartline Tardebigge Limited	Dormant	100%
Shropshire Union Cruises Limited	Dormant	100%
Canal Pleasurecraft (Stourport) Limited	Dormant	100%
New Mills Wharf Limited	Dormant	100%
Anglo-Welsh Engineering Limited	Dormant	100%
The Dockland Restaurant Boat Company Limited	Dormant	100%

All subsidiary undertakings are incorporated in England and Wales.

Time Afloat Limited ceased trading activities in March 2002.

9 Stocks

	Group 2003 £	*Group 2002* £	*Company 2003* £	*Company 2002* £
Net realisable value of residual assets held for resale	73,611	97,506	57,749	86,639

10 Debtors

	Group 2003 £	*Group 2002* £	*Company 2003* £	*Company 2002* £
Trade debtors	—	3,895	—	3,895
Amounts owed by group undertakings	—	—	92,586	—
Other debtors	2,974	5,029	2,974	5,029
Prepayments and accrued income	3,403	6,195	3,403	6,195
Other taxes and social security	3,513	3,513	3,513	3,513
	9,890	18,632	102,476	18,632

11 Creditors – amounts falling due within one year

	Group 2003 £	*Group 2002* £	*Company 2003* £	*Company 2002* £
Bank loan	16,020	29,757	—	—
Other loans	12,111	12,111	12,111	12,111
Trade creditors	40,309	40,309	40,309	40,309
Amounts owed to group undertakings	—	—	610,576	610,576
Other taxes and social security	8,935	9,030	5,947	11,329
Accruals and deferred income	68,124	65,726	66,482	62,984
	145,499	156,933	735,425	737,309

Details of security are given in note 13 of these interim accounts.

12 Creditors – amounts falling due after more than one year

	Group 2003 £	*Group 2002* £	*Company 2003* £	*Company 2002* £
Other loans	19,567	25,622	19,567	25,622

13 Borrowings and financial instruments

	Group 2003 £	*Group 2002* £	*Company 2003* £	*Company 2002* £
The aggregate amount of borrowings was repayable as follows:				
Due within one year	28,130	41,868	12,111	12,111
Due between one and two years	7,143	9,627	7,143	9,627
Due between two and five years	12,424	15,995	12,424	15,995
	47,697	67,490	31,678	37,733
Amounts subject to fixed rates of interest	26,710	30,281	26,710	30,281
Amounts subject to variable rates of interest	20,987	37,209	4,968	7,452
	47,697	67,490	31,678	37,733
Weighted average rate of interest – on fixed interest loans	9.1%	9.1%	9.1%	9.1%
Weighted average unexpired term of fixed interest loans	45 months	51 months	45 months	51 months

Borrowings were secured as follows:

	Group 2003 £	*Group 2002* £	*Company 2003* £	*Company 2002* £
Fixed and floating charges over all assets	16,020	29,757	—	—
Marine mortgages over specific narrow boats	31,677	37,733	31,678	37,733
	47,697	67,490	31,678	37,733

The Group has not used financial instruments for financial risk management or hedging purposes. All assets and liabilities are denominated in sterling, financial assets and liabilities are considered to be stated at their fair value to the Group.

14 Provisions for liabilities and charges

	Group 2003 £	*Group 2002 £*	*Company 2003 £*	*Company 2002 £*
Group company guarantee				
At 1 November 2002	—	—	18,689	70,377
Transfer (to)/from profit and loss account	—	—	69,593	(51,688)
At 30 April 2003	—	—	88,282	18,689

The above relates to a provision for estimated liabilities that will be met by the parent company on the closure of Time Afloat Limited.

15 Called up share capital

	2003 £	*2002 £*
Authorised:		
250,000,000 ordinary shares of 1 pence each	2,500,000	2,500,000
Allotted issued and fully paid:		
162,271,750 ordinary shares of 1 pence each	1,622,718	1,622,718

16 Reserves

Group

	Share premium account £	*Capital redemption reserve £*	*Profit & loss account £*	*Capital reserve £*
At 1 November 2002	2,778,007	164,667	(3,720,333)	632,300
Retained loss for the period	—	—	(103,860)	—
At 30 April 2003	2,778,007	164,667	(3,824,193)	632,300

The capital reserve arose from the acquisition of Harborough Marine Limited on 12 October 1994 and relates to negative goodwill.

Company

	Profit & loss account £	*Share premium account £*	*Capital redemption reserve £*
At 1 November 2002	(3,088,181)	2,778,007	164,667
Retained loss for the period	(94,864)	—	—
At 30 April 2003	(3,183,045)	2,778,007	164,667

17 Reconciliation of movements in shareholders' funds

Group

	2003 £	2002 £
Loss for the period	(103,860)	(739,115)
Net decrease in shareholders' funds	(103,860)	(739,115)
Opening shareholders' funds	1,477,359	2,216,474
Closing shareholders' funds	1,373,499	1,477,359

Company

	2003 £	2002 £
Loss for the period	(94,864)	(572,277)
Net decrease in shareholders' funds	(94,864)	(572,277)
Opening shareholders' funds	1,477,211	2,049,488
Closing shareholders' funds	1,382,347	1,477,211

18 Reconciliation of operating loss to operating cash flows

	2003 £	2002 £
Operating loss	(127,614)	(244,082)
Loss/(profit) on disposal of tangible fixed assets	865	(40,205)
Depreciation	420	60,373
Decrease in stock	23,895	7,133
Decrease in debtors	8,742	134,590
Increase/(decrease) in creditors	2,303	(228,088)
Net cash outflow from operating activities	(91,389)	(310,279)

19 Reconciliation of cash flow to movement in net debt

	2003 £	2002 £
(Decrease)/increase in cash in the period	(88,657)	1,105,677
Repayment of loans	19,792	679,593
Change in net funds	(68,865)	1,785,270
Net funds/(debt) at 1 November 2002	1,347,994	(437,276)
Net funds at 30 April 2003	1,279,129	1,347,994

20 Analysis of changes in net (debt)/funds

	At 1 November 2002 £	*Cash flows* £	*At 30 April 2003* £
Cash at bank and in hand	1,415,484	(88,657)	1,326,827
Debt due within one year	(41,868)	13,737	(28,131)
Debt due after more than one year	(25,622)	6,055	(19,567)
Total	1,347,994	(68,865)	1,279,129

21 Share options

At 30 April 2003 the following directors held options to acquire Company shares:

Approved share option scheme:

Director	*Number of Shares*	*First date of exercise*	*Late date of exercise*	*Exercise price per share*
S G Thomson	622,860	28 July 2003	28 July 2007	£0.0465
M T A Hill	622,860	28 July 2003	28 July 2007	£0.0465

Unapproved share option scheme:

Director	*Number of Shares*	*First date of exercise*	*Late date of exercise*	*Exercise price per share*
S G Thomson	833,220	28 July 2003	28 July 2007	£0.0465
S G Thomson	2,500,000	17 January 2004	17 January 2011	£0.0212
M T A Hill	2,500,000	17 January 2004	17 January 2011	£0.0212

22 Guarantees and charges

Company

The Company has provided a guarantee secured by a fixed and floating charge on its own assets, in respect of borrowings of its subsidiary company Time Afloat Limited. The net indebtedness in respect of these borrowings at 30 April 2003 was £15,927 (2002: £29,757).

(B) Financial statement for the year ended 31 October 2002

The financial information set out below has been extracted without material adjustment for its audited consolidated accounts of AWG for the 3 years ended 31 October 2002.

1. Audited accounts of AWG for the year ended 31 October 2002

CHAIRMAN'S STATEMENT

I am pleased to report your Company's results for the year ended 31 October, 2002. This financial year has seen almost all the assets in AWG Services converted into cash and a substantial part of our time being spent looking for a suitable reverse candidate. The Company's suitability as a reverse vehicle is excellent and this has seen a high number of opportunities presenting themselves.

In the year under review the group incurred an operating loss of £244,082 (2001: £822,582) on a turnover of £76,419 (2001: £340,849).

The loss on ordinary activities before taxation of £781,115 (2001: £1,103,810) includes a charge for losses incurred on the disposal of the Company's discontinued narrowboat operations of £504,249.

In view of this trading result the directors are not recommending the payment of a dividend (2001: Nil).

Assets Sales and Discontinued Operations

The Company announced on 9 July 2002 that it had disposed of 92 narrowboats held in Anglo-Welsh Overseas Limited, a wholly owned subsidiary of the Company. Under the terms of this transaction, Anglo-Welsh Overseas Limited was sold for a consideration of £1 and the outstanding inter-company loan of £1.74 million due from Anglo-Welsh Overseas Limited was repaid. Total financial obligations relating to the narrowboats, amounting to £340,000, and a group bank loan, amounting to £60,000, have been discharged. The net cash proceeds available to the Company as a result of this transaction amounted to approximately £1.33 million.

As part of the sale of the narrowboats the management agreement for the 92 boats was novated to the acquiring company. The income under this management agreement which accrued to the Company for the period ended 31 May 2002 amounted to £43,890.

The loss resulting from the disposal of Anglo-Welsh Overseas Limited amounted to £404,167. The loss on boats sold by the Company amounted to £74,105 and the write-down of the remaining narrowboat stock to estimated residual values amounted to £25,977.

Following further disposals since 31 October 2002 the Company has two remaining narrowboats, of which one is currently being marketed for sale.

The closure of the Watertime Club, our timeshare business, is almost complete and I anticipate this being concluded in the near future.

The licenses required to transfer all the Company's boatyard leases were received and actioned during the year.

We continue to actively market for sale our attractive marina site at Great Haywood which has planning permission for a marina, restaurant and hotel complex.

Current Trading

Following the disposal of the narrowboats in July 2002 the Company has no current trading activities.

At this time the remaining assets in the Company are cash of approximately £1.36 million and two narrowboats and the land site at Great Haywood which, in aggregate, have a net book value of £167,000. The Board does not expect the disposal proceeds from the remaining assets to be less than their net book value.

Strategy

With almost all assets converted into cash, the focus of your directors has been to identify an attractive reverse candidate that the Board believes will, in time, reward investors with share price appreciation. To date we have investigated a significant number of potential opportunities. This has entailed activity ranging from initial business plan reviews, through in-depth discussions to drafting structures for potential reverse candidates. This is an extremely time consuming process, but vital in our determination to make a beneficial transaction on your behalf. Time spent in this way is the best form of due diligence and ensures that we concentrate on those prospects offering the most potential.

Stephen Thomson
9 April 2003

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report, together with the financial statements of the Group for the year ended 31 October 2002.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group 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 any applicable accounting standards have been followed subject to any departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and business review

A review of activities is given in the Chairman's Statement.

Results and appropriations

The Group's loss for the year after taxation was £739,115.

The directors are unable to recommend the payment of a dividend, given the deficit on distributable reserves.

Creditor payment policy

The group's policy concerning the payment of creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the group's contractual and other legal obligations.

The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the year end as a proportion of the amounts invoiced by suppliers during the year was 30 days (2001: 32 days).

Directors

The directors who served during the year are listed below:

S. G. Thomson
M. T. A. Hill
D. L. Court

Directors' interests

The directors' beneficial interests in the share capital of the Company as at 31 October 2002 were:

	Ordinary shares at 31 October 2002 of 1 pence each	*Ordinary shares at 31 October 2001 of 10 pence each*
S. G. Thomson	5,957,250	5,957,250
M. T. A. Hill	2,500,000	2,500,000
D. L. Court	90,000	90,000

Information concerning directors' share options are disclosed in note 25 to the financial statements.

Auditors

A resolution for the re-appointment of Hazlewoods as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board on 9 April 2003.

M. T. A. Hill
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AWG SERVICES PLC

We have audited the financial statements for the year ended 31 October 2002 which comprise the profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out therein.

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 auditors 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 options we have formed.

Respective responsibilities of the directors and auditors

As described in the directors' report the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 and other members of the Group is not disclosed.

We read the directors' report and chairman's statement and consider the implications for our audit 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 the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 October 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.

HAZLEWOODS
Chartered Accountants
Registered Auditors — 9 April 2003
Windsor House
Barnett Way
Barnwood
Gloucester
GL4 3RT

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 October 2002

	Note	*2002* £	*2001* £
Turnover		76,419	340,849
Cost of sales – normal	3	(84,716)	(288,883)
– exceptional	3	—	(375,000)
Gross loss		(8,297)	(323,034)
Operating expenses	4	(235,785)	(499,548)
Operating loss	5	(244,082)	(822,582)
Loss on the disposal of discontinued operations	2	(504,249)	(158,187)
Provision for loss on operations to be discontinued	2	—	(49,952)
Loss on ordinary activities before interest		(748,331)	(1,030,721)
Interest	6	(32,784)	(73,089)
Loss ordinary activities before taxation		(781,115)	(1,103,810)
Taxation	8	42,000	100,615
Retained loss for the financial year		(739,115)	(1,003,195)
Basic loss per share (in pence)	9	(0.5)	(0.7)

There were no recognised gains or losses other than the result for the year as shown above.

All material trading activities have been discontinued during the year. The only ongoing costs and income relate to the management and administration of the Group and the realisation of the remaining trading assets.

BALANCE SHEETS
31 October 2002

	Note	*Group 2002 £*	*Group 2001 £*	*Company 2002 £*	*Company 2001 £*
Fixed assets					
Tangible assets	10	128,292	2,867,681	128,292	249,241
Investments	11	—	—	610,424	610,426
		128,292	2,867,681	738,716	859,667
Current assets					
Stocks	12	97,506	18,000	86,639	—
Debtors	13	18,632	153,222	18,632	2,562,583
Cash at bank and in hand		1,415,484	309,807	1,414,844	302,503
		1,531,622	481,029	1,520,115	2,865,086
Creditors — amounts falling due within one year	14	(156,933)	(736,770)	(737,309)	(1,278,869)
Net current assets/(liabilities)		1,374,689	(255,741)	782,806	1,586,217
Total assets less current liabilities		1,502,981	2,611,940	1,521,522	2,445,884
Creditors — amounts falling due after more than one year	15	(25,622)	(353,466)	(25,622)	(326,019)
Provisions for liabilities and charges	17	—	(42,000)	(18,689)	(70,377)
		1,477,359	2,216,474	1,477,211	2,049,488
Capital and reserves					
Called up share capital	18	1,622,718	1,622,718	1,622,718	1,622,718
Share premium	19	2,778,007	2,778,007	2,778,007	2,778,007
Capital redemption reserve	19	164,667	164,667	164,667	164,667
Profit and loss account	19	(3,720,333)	(2,981,218)	(3,088,181)	(2,515,904)
Capital reserve	19	632,300	632,300	—	—
Shareholders' funds	20	1,477,359	2,216,474	1,477,211	2,049,488

The financial statements were approved by the board of directors on 9 April 2003 and signed on its behalf by

S. G. Thomson
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 October 2002

	2002		*2001*	
	£	£	£	£
Net cash outflow from operating activities (Note 21)		(310,279)		(904,523)
Returns on investments and servicing of finance				
Net interest paid		(32,784)		(73,089)
Taxation		—		(685)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	—		(19,380)	
Receipts from the sale of tangible fixed assets	2,128,332		63,126	
Receipts from the sale of Investments	1		13,326	
Net receipts from the sale of operations	—		699,524	
Net cash inflow from capital expenditure and financial investment		2,128,333		756,596
Cash inflow/(outflow) before financing		1,785,270		(221,701)
Financing				
Repayment of loans	(679,593)		(1,200,008)	
Net proceeds from issue of new shares	—		2,260,703	
		(679,593)		1,060,695
Increase in cash		1,105,677		838,994

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the Group are set out below.

Turnover

Turnover is stated net of VAT and represents the invoice value of goods and services supplied by the Group. All sales arise in the United Kingdom.

Stock

Stock has been valued at the lower of cost and net realisable value.

Depreciation

Depreciation is calculated to write off the cost of fixed assets to estimated residual value over their expected useful lives by the straight line method at the following rates per annum:

Plant and equipment	10%–20% of cost per annum
Motor vehicles	20% of cost per annum

Freehold land is not depreciated.

Depreciation on narrow boats was calculated on an individual basis. An estimated residual value based upon normal market conditions is calculated on the boat's planned retirement age. Depreciation is then charged on a straight line basis to achieve the estimated residual value at the end of the boats useful life to the Group which is assessed as between 10 and 15 years.

All narrow boats are now held for disposal and have been disclosed as stock at 31 October 2002 stated at their estimated net realisable value.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution.

Deferred taxation

In accordance with Financial Reporting Standard 19 Deferred Tax, full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale of fixed assets unless there is a commitment to the disposal of the assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

Leasing commitments

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account on a straight line basis.

The cost of and income from operating leases is respectively charged and credited to the profit and loss account on a straight line basis over the lease term.

Pension Costs

The Company contributes to individual personal pension policies on behalf of certain employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Group Financial Statements

The Group financial statements consolidate the financial statements of AWG Services plc and its subsidiary undertakings at 31 October 2002 using the acquisition method. Goodwill, being the excess of the costs of interests acquired over the fair value of underlying net tangible assets, is fully written off against reserves in the year of acquisition.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost.

No company profit and loss account is presented in accordance with the exemptions provided by S.230 of the Companies Act 1985. Of the consolidated loss for the financial year attributable to the shareholders of AWG Services plc, a loss of £572,277 (2001: £870,592) has been dealt with in the financial statements of the company.

2 Discontinued operations

On 1 November 2001 the Company's wholly owned subsidiary Anglo-Welsh Overseas Limited transferred certain narrow boats to AWG Services plc ("AWG"). The majority of the boats transferred were sold during the year generating a loss of £74,105. Those boats not sold have been transferred to stock where they have been written down by £25,977 to their recoverable value.

On 8 July 2002 the Company sold its subsidiary company Anglo-Welsh Overseas Limited creating a loss on disposal of the subsidiary undertakings of £404,167.

A summary of the losses incurred on the disposal of the Group's narrow boats operations is shown below:

	£
Loss on disposal of Anglo-Welsh Overseas Limited	404,167
Loss on disposal of narrow boats sold by AWG	74,105
Write down of narrow boat stock to estimated residual values	25,977
	504,249

The loss arising on disposals of discontinued operations in the year ended 31 October 2001 relates to a net loss of £39,432 on the disposal of the hire business and costs pertaining thereto. A further loss of £88,755 arose on the disposal of the Group's boat building activities. A loss of £30,000 arose in respect of the write off of unpaid consideration from the sale of the agricultural machinery business in the previous year as a consequence of the subsequent insolvency of the purchaser of that business.

The provision for loss on operations to be discontinued in the year ended 31 October 2001 relates to the provision for losses to be incurred in the termination of the timeshare activities of Time Afloat Limited.

The carrying value of the assets and liabilities of Time Afloat Limited have been adjusted to reflect costs and provisions arising from the discontinued trade.

3 Cost of sales

	2002 £	*2001* £
Normal	84,716	288,883
Exceptional	—	375,000
	84,716	663,883

During the year ended 31 October 2001 the directors carried out a review of the residual values of its narrow boats. On the basis of their findings, the directors provided an accelerated depreciation charge of £375,000.

4 Operating expenses

	2002 £	*2001* £
Normal	205,785	534,104
Exceptional	30,000	(34,556)
	235,785	499,548

The exceptional operating expense of £30,000 relates to a provision for utility costs in respect of suppliers' invoices previously not rendered.

The exceptional operating credit shown above in the year ended 31 October 2001 of £34,556 relates to the release of provisions made against property rental costs made in previous periods, which are no longer expected to be payable.

5 Operating loss

	2002	*2001*
	£	*£*
Operating loss is stated after charging:		
Directors' remuneration	102,992	110,715
Auditors' remuneration:		
– audit services (company £3,750 (2001: £12,000))	5,500	24,000
– non audit services (company £3,850 (2001: £9,350))	4,350	18,700
Depreciation of tangible assets	60,373	496,495

Directors emoluments were:

	£	*£*
Emoluments for qualifying services	98,953	103,952
Company pension contributions to a personal pension scheme, 1 director (2001: 2 directors)	4,039	6,763
	102,992	110,715

Details of directors' share options are given on note 25 to these financial statements.

6 Interest

	2002	*2001*
	£	*£*
Interest payable and similar charges:		
On bank overdraft and loans	38,907	73,991
On other loans	11,189	12,848
Other interest	42	57
	50,138	86,896
Interest receivable:		
Bank deposit interest	(17,354)	(13,807)
	32,784	73,089

7 Staff numbers and costs

	2002	*2001*
	No	*No*
Number of employees		
The average number of employees (including executive directors) of the Group during the year was:		
Administration	2	3
Operations	1	8
	3	11

Employment costs

	£	*£*
Wages and salaries	119,016	192,862
Social security costs	8,780	17,705
Other pension costs	4,899	7,623
	132,695	218,190

Details of directors' emoluments are given in note 5 to these financial statements.

8 Taxation

	2002 £	2001 £
Current tax charge		
Adjustments in respect of prior years	—	385
Deferred taxation (see note 17)	(42,000)	(101,000)
	(42,000)	(100,615)

No taxation charge arises based on the loss for the year.

Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(781,115)	(1,103,810)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2001: 30%)	(234,335)	(331,143)
Effects of:		
Non deductible expenses	3,451	16,175
Capital allowances in excess of depreciation	(4,798)	—
Depreciation in excess of capital allowances	—	111,227
Adjustments in respect of prior years	—	385
Balancing charge on disposal of assets	—	285,104
Profit on disposal of assets	77,080	47,317
Increase in general provisions	9,000	—
Disposal of discontinued operations	62,651	—
Tax losses arising in the year not utilised	86,951	6,371
Tax losses brought forward utilised	—	(135,051)
Current tax charge	—	385

9 Loss per share

Basic loss per ordinary share of 0.5 pence (2001: 0.7 pence) is calculated using the net basis on the Group loss for the year after tax of £739,115 (2001: £1,003,195) and on the weighted average number of shares in issue of 162,271,750 (2001: 136,200,300).

	2002 *pence*	*2001* *pence*
Basic loss per share	(0.5)	(0.7)

10 Tangible fixed assets

Group

	Freehold land & buildings *£*	*Narrow boats* *£*	*Plant & equipment* *£*	*Total* *£*
Cost				
At 1 November 2001	246,708	4,041,370	2,847	4,290,925
Disposals	(120,000)	(3,886,379)	—	(4,006,379)
Transferred to stock	—	(154,991)	—	(154,991)
At 31 October 2002	126,708	—	2,847	129,555
Depreciation				
At 1 November 2001	—	1,422,930	314	1,423,244
Charge for the period	—	59,424	949	60,373
Disposals	—	(1,439,979)	—	(1,439,979)
Transferred to stock	—	(42,375)	—	(42,375)
At 31 October 2002	—	—	1,263	1,263
Net book value				
At 31 October 2002	126,708	—	1,584	128,292
At 31 October 2001	246,708	2,618,440	2,533	2,867,681

10 Tangible fixed assets (continued)

Company

	Freehold land & buildings £	*Narrow boats* £	*Plant & equipment* £	*Total* £
Cost				
At 1 November 2001	246,708	—	2,847	249,555
Transfer from subsidiary undertaking	—	395,405	—	395,405
Disposals	(120,000)	(289,472)	—	(409,472)
Transferred to stock	—	(105,933)	—	(105,933)
At 31 October 2002	126,708	—	2,847	129,555
Depreciation				
At 1 November 2001	—	—	314	314
Transfer from subsidiary undertaking	—	16,575	—	16,575
Disposals	—	(14,020)	—	(14,020)
Charge for the period	—	—	949	949
Transferred to stock	—	(2,555)	—	(2,555)
At 31 October 2002	—	—	1,263	1,263
Net book value				
At 31 October 2002	126,708	—	1,584	128,292
At 31 October 2001	246,708	—	2,533	249,241

11 Fixed asset investments

Investment in subsidiary undertakings

	Company 2002 £	*Company 2001* £
Cost		
Investments in subsidiary undertakings:		
At 1 November 2001	1,599,768	1,599,768
Additions	247,642	—
Disposals	(247,644)	—
At 31 October 2002	1,599,766	1,599,768
Provision		
At 1 November 2001 and 31 October 2002	(989,342)	(989,342)
Net book value		
At 31 October 2002	610,424	610,426
At 31 October 2001	610,426	610,426

Investments have been written down to their estimated recoverable amounts.

11 Fixed asset investments (continued)

The Company's subsidiary undertakings, all of which have been consolidated, are as follows:

Name of Undertaking	*Principal activity*	*Interest in Ordinary share capital at 31 October 2002*
Time Afloat Limited	Timeshare	100%
Boating Bargains Limited	Dormant	100%
Harborough Marine Limited	Dormant	100%
Anglo-Welsh Waterways Holidays Limited	Dormant	100%
Trevor Wharf Services Limited	Dormant	100%
Dartline Boatbuilders (Bunbury) Limited	Dormant	100%
Dartline Cruisers Limited	Dormant	100%
Dartline Tardebigge Limited	Dormant	100%
Shropshire Union Cruises Limited	Dormant	100%
Canal Pleasurecraft (Stourport) Limited	Dormant	100%
New Mills Wharf Limited	Dormant	100%
Anglo-Welsh Engineering Limited	Dormant	100%
The Dockland Restaurant Boat Company Limited	Dormant	100%

All subsidiary undertakings are incorporated in England and Wales.

Time Afloat Limited ceased trading activities in March 2002.

12 Stocks

	Group 2002 £	*Group 2001 £*	*Company 2002 £*	*Company 2001 £*
Net realisable value of residual assets held for resale	97,506	18,000	86,639	—

13 Debtors

	Group 2002 £	*Group 2001 £*	*Company 2002 £*	*Company 2001 £*
Trade debtors	3,895	3,894	3,895	3,894
Amounts owed by group undertakings	—	—	—	2,409,602
Other debtors	5,029	141,142	5,029	141,142
Prepayments and accrued income	6,195	4,673	6,195	4,432
Other taxes and social security	3,513	3,513	3,513	3,513
	18,632	153,222	18,632	2,562,583

14 Creditors — amounts falling due within one year

	Group 2002 £	*Group 2001 £*	*Company 2002 £*	*Company 2001 £*
Bank loan	29,757	356,362	—	328,914
Other loans	12,111	37,255	12,111	37,255
Trade creditors	40,309	45,245	40,309	44,698
Amounts owed to group undertakings	—	—	610,576	610,576
Other taxes and social security	9,030	14,909	11,329	21,632
Accruals and deferred income	65,726	282,999	62,984	235,794
	156,933	736,770	737,309	1,278,869

Details of security are given in note 16 of these financial statements.

15 Creditors — amounts falling due after more than one year

	Group 2002 £	Group 2001 £	Company 2002 £	Company 2001 £
The aggregate amount of borrowings was as follows:				
Bank loans	—	265,640	—	238,193
Other loans	25,622	87,826	25,622	87,826
	25,622	353,466	25,622	326,019

16 Borrowings and financial instruments

	Group 2002 £	Group 2001 £	Company 2002 £	Company 2001 £
The aggregate amount of borrowings was repayable as follows:				
Due within one year	41,868	393,617	12,111	366,169
Due between one and two years	9,627	138,692	9,627	111,245
Due between two and five years	15,995	214,774	15,995	214,774
	67,490	747,083	37,733	692,188
Amounts subject to fixed rates of interest	30,281	380,214	30,281	380,214
Amounts subject to variable rates of interest	37,209	366,869	7,452	311,974
	67,490	747,083	37,733	692,188
Weighted average rate of interest — on fixed interest loans	9.1%	8.2%	9.1%	8.2%
Weighted average unexpired term of fixed interest loans	51 months	51 months	51 months	51 months
Borrowings were secured as follows:				
Fixed and floating charges over all assets	29,757	315,447	—	260,552
Marine mortgages over specific narrow boats	37,733	431,636	37,733	431,636
	67,490	747,083	37,733	692,188

The Group has not used financial instruments for financial risk management or hedging purposes. All assets and liabilities are denominated in sterling, financial assets and liabilities are considered to be stated at their fair value to the Group.

17 Provisions for liabilities and charges

	Group 2002 £	Group 2001 £	Company 2002 £	Company 2001 £
Deferred taxation – a) below	—	42,000	—	—
Group company guarantee – b) below	—	—	18,689	70,377
At 31 October 2002	—	42,000	18,689	70,337

17 Provisions for liabilities and charges (continued)

(a) Deferred taxation

	Group 2002 £	*Group 2001* £	*Company 2002* £	*Company 2001* £
At 1 November 2001	42,000	143,000	—	—
Transfer to profit and loss account	(42,000)	(101,000)	—	—
At 31 October 2002	—	42,000	—	—

The deferred taxation provision comprises:				
Accelerated capital allowances	—	42,000	—	—

b) Group company guarantee

	Group 2002 £	*Group 2001* £	*Company 2002* £	*Company 2001* £
At 1 November 2001	—	—	70,377	—
Transfer (to)/from profit and loss account	—	—	(51,688)	70,377
At 31 October 2002	—	—	18,689	70,377

The above relates to a provision for estimated liabilities that will be met by the parent company on the closure of Time Afloat Limited.

18 Called up share capital

	2002 £	*2001* £
Authorised		
250,000,000 ordinary shares of 1 pence each	2,500,000	2,500,000
Allotted issued and fully paid:		
162,271,750 ordinary shares of 1 pence each	1,622,718	1,622,718

19 Reserves

Group

	Share premium account £	*Capital redemption account* £	*Profit & loss account* £	*Capital reserve* £
At 1 November 2001	2,778,007	164,667	(2,981,218)	632,300
Retained loss for the year	—	—	(739,115)	—
At 31 October 2002	2,778,007	164,667	(3,720,333)	632,300

The capital reserve arose from the acquisition of Harborough Marine Limited on 12 October 1994 and relates to negative goodwill.

Company

	Profit & loss account £	*Share premium account* £	*Capital redemption reserve* £
At 1 November 2001	(2,515,904)	2,778,007	164,667
Retained loss for the year	(572,277)	—	—
At 31 October 2002	(3,088,181)	2,778,007	164,667

20 Reconciliation of movements in shareholders' funds

Group

	2002	2001
	£	£
Loss for the financial year	(739,115)	(1,003,195)
Proceeds from shares issued in the year	—	2,260,703
Net (decrease)/increase in shareholders' funds	(739,115)	1,257,508
Opening shareholders' funds	2,216,474	958,966
Closing shareholders' funds	1,477,359	2,216,474

Company

	2002	2001
Loss for the financial year	(572,277)	(870,592)
Proceeds from shares issued in the year	—	2,260,703
Net (decrease)/increase in shareholders' funds	(572,277)	1,390,111
Opening shareholders' funds	2,049,488	659,377
Closing shareholders' funds	1,477,211	2,049,488

21 Reconciliation of operating loss to operating cash flows

	2002	2001
	£	£
Operating loss	(244,082)	(822,582)
(Profit)/loss on disposal of tangible fixed assets	(40,205)	29,085
Loss on disposal of investments	—	2,360
Depreciation	60,373	496,495
Decrease in stock	7,133	76,057
Decrease in debtors	134,590	199,594
Decrease in creditors	(228,088)	(885,532)
Net cash outflow from operating activities	(310,279)	(904,523)

22 Reconciliation of cash flow to movement in net debt

	2002	2001
	£	£
Increase in cash in the year	1,105,677	838,994
Repayment of loans	679,593	1,200,008
Loans disposed of with business segment	—	7,700
Change in net debt	1,785,270	2,046,702
Net debt at 1 November 2001	(437,276)	(2,483,978)
Net funds/(debt) at 31 October 2002	1,347,994	(437,276)

23 Analysis of changes in net (debt)/funds

	At 1 November 2001	Cash flows	At 31 October 2002
	£	£	£
Cash at bank and in hand	309,807	1,105,677	1,415,484
	309,807	1,105,677	1,415,484
Debt due within one year	(393,617)	351,749	(41,868)
Debt due after more than one year	(353,466)	327,844	(25,622)
Total	(437,276)	1,785,270	1,347,994

24 Sale of business

On 8 July 2002 the Company sold its subsidiary undertaking, Anglo-Welsh Overseas Limited. Details of the disposal are shown below.

Net assets disposed of:

	Group £	*Company* £
Fixed assets	2,146,333	1,964,706
Creditors (AWG Services plc loan)	—	(1,742,165)
	2,146,333	222,514
Loss on disposal	(404,167)	(222,540)
	1,742,166	1

Satisfied by:

Cash	1,742,166	1

The Group's narrow boats were held at a different valuation in the Company, Anglo-Welsh Overseas Limited to that of the Group. The difference in valuation has given rise to an increased loss on disposal in the Group to that of the Company.

The business sold in the year contributed £40,963 to the group's net operating cash flows.

25 Share options

At 31 October 2002 the following directors held options to acquire Company shares:

Approved share option scheme:

Director	*Number of Shares*	*First date of exercise*	*Late date of exercise*	*Exercise price per share*
S G Thomson	622,860	28 July 2003	28 July 2007	£0.0465
M T A Hill	622,860	28 July 2003	28 July 2007	£0.0465

Unapproved share option scheme:

Director	*Number of Shares*	*First date of exercise*	*Late date of exercise*	*Exercise price per share*
S G Thomson	833,220	28 July 2003	28 July 2007	£0.0465
S G Thomson	2,500,000	17 January 2004	17 January 2011	£0.0212
M T A Hill	2,500,000	17 January 2004	17 January 2011	£0.0212

26 Guarantees and charges

Company

The Company has provided a guarantee secured by a fixed and floating charge on its own assets, in respect of borrowings of its subsidiary company Time Afloat Limited. The net indebtedness in respect of these borrowings at 31 October 2002 was £29,757 (2001: £54,895).

27 Related party transactions

On 9 July 2002 the Company disposed of 92 narrow boats held within its 100% subsidiary Anglo-Welsh Overseas Limited, (see note 2 for details). The subsidiary and the boats held within it were acquired by a small group of private investors who hold 11,250,000 ordinary shares in the Company, which equates to 6.93% of the issued share capital.

2. Audited accounts of AWG for the year ended 31 October 2001

CHAIRMAN'S STATEMENT

I am pleased to report your Company's results for the year ended 31 October 2001. The year under review was one of transition for Anglo-Welsh as we continued with our programme of asset disposals and business restructuring, with the view of streamlining its operations to make the Company a more attractive reverse takeover vehicle.

The streamlining programme has inevitably involved cost and in the year under review the Group incurred an operating loss before exceptional items of £822,582 (2000: £1,344,884) on a turnover of £340,849 (2000: £3,591,928).

In considering the operating loss it is important to note the following:

The re-structuring of the narrowboat business, which included the sale of the boat hire activities, took place on 4 December 2000. The results include approximately £135,000 of operating losses of the former business prior to the re-structuring.

The boat building business continued to operate until the 15 February 2001. During this period operating losses of approximately £78,000 arose, before allocating attributable central management costs or overheads.

A review of the carrying value of the narrowboats and expected residual values was conducted during the year, which resulted in an accelerated depreciation charge of £375,000. The total depreciation charge for the year was £496,495.

In view of this trading result the directors are not recommending the payment of a dividend (2000: Nil).

Assets Sales and Discontinued Operations

The refocusing of the Company's activities and the realisation of cash from our assets has been a lengthy and time consuming process.

In December 2000 the loss making narrowboat hire business was sold to Aquatravel Limited ("Aquatravel") for an initial cash consideration of £800,000 plus a deferred payment of £92,000 in cash, which has been received. A non-recurring loss of £39,000 was incurred upon the disposal of this business.

The generally poor economic climate in 2001, which was further depressed by the events of the 11 September, made almost everyone we had to deal with extremely cautious and sparing with their cash. This caused delay in situations being resolved but despite this we have worked hard to progress our strategy.

The Company used to own three commercial vessels, two trip boats and a restaurant boat, Kyle Blue. Kyle Blue was sold early in 2001 for a price of £32,000 and one of the trip boats has been sold after the year end for £26,000 in cash, receivable in monthly instalments until November 2005. The other trip boat is the subject of a rental contract with an option for the renter to purchase during the current year.

Shareholders will recall that in August 2000 the Company sold the assets of Falcon Agricultural Engineering Limited to Falcon Industries (Midland) Limited for a consideration of £100,000 in cash, the majority of which was on monthly deferred terms. The failure of Falcon Industries (Midlands) Limited, which is now in liquidation, has resulted in its inability to complete the schedule of deferred payments due to us. We estimate that your Company will incur a loss of approximately £30,000 as a result, although negotiations with the liquidator continue. In my interim statement, I reported that we had repossessed the land and buildings which Falcon Industries (Midland) Limited occupied under license, and placed them on the market. I am delighted to report that at the end of April 2002 this industrial site at Great Haywood was sold for £160,000 net of expenses, resulting in a gain of £40,000 over book value.

The boat building business is now completely closed down and our lease on this building has been handed back. The losses on disposal of this business were £89,000.

As a result of the release of 15 boats from our management contract with Aquatravel in November 2001 and two boats that were released from sponsorship agreements, 17 boats have been put up for sale. Of these, approximately half have been sold and it is anticipated that the remainder will be sold over the next few months. The anticipated sales value for these 17 boats was below the net asset value shown in the balance sheet. We have conducted a thorough review of the carrying value of the boats held at the year end which has resulted in the accelerated depreciation charge of £375,000, referred to above.

On reviewing our budget for 2002, it became apparent that Time Afloat Limited ("Time Afloat") our timeshare subsidiary, would be unable to generate sufficient income from maintenance revenue to meet the increased costs of operating The Watertime Club. We therefore decided to transfer these operations to another timeshare club, Holiday Owners Club, and give members of The Watertime Club the option to transfer their membership. This process is progressing and to date more than half the members of The Watertime Club have transferred to the Holiday Owners Club. It is anticipated that it will take several more months before the transfer is complete, at which time we will be able to take a view on what assets, if any, will revert to Time Afloat. In the meantime, a provision of £50,000 has been made against the assets of Time Afloat and the costs of closure of The Watertime Club.

The agreement with Aquatravel for the sale of the boat hire activities provided for the transfer of the various leases that Anglo-Welsh held in boat yards to Aquatravel. This has been a long process, but I am pleased to report that the licenses to transfer these leases are now in the final stages of being completed.

As you can appreciate, resolution of the matters set out above has consumed a large proportion of the time of your two executive directors, but the result has been to reduce our operational activities with a consequential reduction in overheads. Staff levels have been reduced from 111 to today's 3 employees, including your executive directors.

Current Trading

The remaining assets in the Group are the fleet of 92 boats under management agreement with Aquatravel and remaining land site at Great Haywood. The Group's principal income arises from the management agreement with Aquatravel.

The boat hiring season is only now just commencing and from our discussions with Aquatravel we are anticipating a normal year's activity, which will result in a higher level of income than last year, on significantly reduced overheads.

Discussions have started with regard to the sale of the 92 boats for cash, although I am not in a position at this stage to indicate a timescale for resolution.

A review is currently being carried out to understand the best way to achieve value from the remaining land site at Great Haywood, which has canal frontage and planning permission for a marina and pub complex.

Strategy

As shareholders are aware, the board's declared strategic intent has been to dispose of the remaining assets and seek an attractive reverse acquisition. Good progress has been made in delivering the first part of this strategy, but 2001 was a poor year for equity markets and although we were able to identify a number of suitable candidates we were unable, in the pervading climate, to conclude a transaction. Anecdotal evidence and our own experience to date suggests an improvement in confidence in the current year, which should help us to realise our ambitions.

Your directors, having substantially completed the disposal programme referred to above, are now able to focus their efforts on the identification and delivery of a suitable reverse acquisition. We have identified the professional services industry as a growth sector and are currently investigating a number of opportunities in this sector. I hope to be able to report to you further in due course.

At the time of the sale of the narrowboat business, the Company undertook to change its name by the 2002 AGM. The directors had anticipated completing a reverse acquisition by this time, the name of which would have made the choice of a new name for the Company self selecting. Since this has not yet been possible it is proposed to change the name of the Company to AWG Services plc at the forthcoming AGM.

Stephen Thomson
25 April 2002

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report, together with the financial statements of the Group for the year ended 31 October 2001.

Statement oF Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group 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 any applicable accounting standards have been followed subject to any departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal Activity and Business Review

A review of activities is given in the Chairman's Statement.

Results and Appropriations

The Group's loss for the period after taxation was £1,003,195.

The directors are unable to recommend the payment of a dividend, given the deficit on distributable reserves.

Creditor Payment Policy

The group's policy concerning the payment of creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the groups contractual and other legal obligations.

Directors

The directors who served during the year are listed below:

W. M. Furniss (resigned 15 November 2000)
D. L. Court
S. G. Thomson
M. T. A. Hill
D. J. Medlock (resigned 28 November 2000)

Directors' Interests

The directors' beneficial interests in the share capital of the Company as at 31 October 2001 were:

	Ordinary shares at 31 October 2001 of 1 pence each	*Ordinary shares at 31 October 2000 of 10 pence each*
D. L. Court	60,000	6,000
S. G. Thomson	5,957,250	—
M. T. A. Hill	2,500,000	—

Information concerning directors' share options are disclosed in note 25 to the financial statements.

Auditors

A resolution for the re-appointment of Hazlewoods as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

M. T. A. Hill
Secretary

25 April 2002

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ANGLO-WELSH GROUP PLC

We have audited the financial statements for the year ended 31 October 2001 which comprise the profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the directors' report the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 and other members of the Group is not disclosed.

We read the directors' report and chairman's statement and consider the implications for our audit 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 the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 October 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HAZLEWOODS
Chartered Accountants
Registered Auditors
Windsor House
Barnett Way
Barnwood
Gloucester
GL4 3RT

25 April 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 October 2001

	Note	*2001* £	*2000* £
Turnover		340,849	3,591,928
Cost of sales – normal	3	(288,883)	(2,497,648)
– exceptional	3	(375,000)	—
Gross (loss)/profit		(323,034)	1,094,280
Operating expenses	4	(499,548)	(2,439,164)
Operating loss	5	(822,582)	(1,344,884)
Loss on the disposal of discontinued operations	2	(158,187)	(136,446)
Loss on disposal of and diminution in value of tangible fixed assets		—	(258,709)
Provision for loss on operations to be continued	2	(49,952)	—
Loss on ordinary activities before interest		(1,030,721)	(1,740,039)
Interest	6	(73,089)	(285,161)
Loss on ordinary activities before taxation		(1,103,810)	(2,025,200)
Taxation	8	100,615	(152,109)
Retained loss for the financial year		(1,003,195)	(2,177,309)
Basic loss per share (in pence)	9	(0.7)	(6.9)

There were no recognised gains or losses other than the result for the year as shown above.

Information concerning continuing and discontinued activities is disclosed and explained in note 2 to the financial statements.

BALANCE SHEETS
31 October 2001

	Note	*Group 2001* £	*Group 2000* £	*Company 2001* £	*Company 2000* £
Fixed assets					
Tangible assets	10	2,867,681	4,024,981	249,241	3,402,216
Investments	11	—	15,686	610,426	626,112
		2,867,681	4,040,667	859,667	4,028,328
Current assets					
Stocks	12	18,000	321,657	—	258,121
Debtors	13	153,222	384,605	2,562,583	455,097
Cash at bank and in hand		309,807	51,372	302,503	8,725
		481,029	757,634	2,865,086	721,943
Creditors – amounts falling due within one year	14	(736,770)	(3,202,048)	(1,278,869)	(3,649,699)
Net current (liabilities)/assets		(255,741)	(2,444,414)	1,586,217	(2,927,756)
Total assets less current liabilities		2,661,940	1,596,253	2,445,884	1,100,572
Creditors – amounts falling due after more than one year	15	(353,466)	(494,287)	(326,019)	(441,195)
Provisions for liabilities and charges	17	(42,000)	(143,000)	(70,377)	—
		2,216,474	958,966	2,049,488	659,377
Capital and reserves					
Called up share capital	18	1,622,718	319,145	1,622,718	319,145
Share premium	19	2,778,007	1,820,877	2,778,007	1,820,877
Capital redemption reserve	19	164,667	164,667	164,667	164,667
Profit and loss account	19	(2,981,218)	(1,978,023)	(2,515,904)	(1,645,312)
Capital reserve	19	632,300	632,300	—	—
Shareholders' funds	20	2,216,474	958,966	2,049,488	659,377

The financial statements were approved by the board of directors on 25 April 2002 and signed on its behalf by

S. G. Thomson
Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 October 2001

	Note	*2001*		*2000*	
		£	£	£	£
Net cash outflow from operating activities	21		(904,523)		(527,241)
Returns on investments and servicing of finance					
Net interest paid			(73,089)		(285,161)
Taxation			(685)		(18,749)
Capital expenditure					
Payments to acquire tangible fixed assets		(19,380)		(256,932)	
Receipts from the sale of tangible fixed assets		63,126		297,962	
Receipts from the sale of investments		13,326		—	
Net receipts from the sale of operations		699,524		180,000	
			756,596		221,030
Equity dividends paid			—		(15,707)
Cash outflow before financing			(221,701)		(625,828)
Financing					
Repayment of loans		(1,200,008)		(1,193,092)	
New loans		—		2,180,000	
Net proceeds from issue of new shares		2,260,703		46,500	
			1,060,695		1,033,408
Increase in cash			838,994		407,580

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2001

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the Group are set out below.

Turnover

Turnover is stated net of VAT and represents the invoice value of goods and services supplied by the Group. All sales arise in the United Kingdom.

Stock

Stock has been valued at the lower of cost and net realisable value.

Depreciation

Depreciation is calculated to write off the cost of fixed assets to estimated residual value over their expected useful lives by the straight line method at the following rates per annum:

Leasehold buildings	Evenly over the lease term
Plant and equipment	10%–20% of cost per annum
Motor vehicles	20% of cost per annum

Freehold land is not depreciated.

Depreciation on narrow boats is calculated on an individual basis. An estimated residual value based upon normal market conditions is calculated on the boat's planned retirement age. Depreciation is then charged on a straight line basis to achieve the estimated residual value at the end of the boats useful life to the Group which is assessed as between 10 and 15 years.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution.

Deferred taxation

Provision for deferred taxation is made at the appropriate rates in respect of all material differences only to the extent that, in the opinion of the directors, there is a reasonable probability that an asset or liability will crystallise in the foreseeable future.

Leasing commitments

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account on a straight line basis.

The cost of and income from operating leases is respectively charged and credited to the profit and loss account on a straight line basis over the lease term.

Pension Costs

The Company contributes to individual personal pension policies on behalf of certain employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Group Financial Statements

The group financial statements consolidate the financial statements of Anglo-Welsh Group plc and its subsidiary undertakings at 31 October 2001 using the acquisition method. Goodwill, being the excess of the costs of interests acquired over the fair value of underlying net tangible assets, is fully written off against reserves in the year of acquisition.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost.

No company profit and loss account is presented in accordance with the exemptions provided by S.230 of the Companies Act 1985. Of the consolidated loss for the financial year attributable to the shareholders of Anglo-Welsh Group plc, a loss of £870,592 (2000: £3,445,953) has been dealt with in the financial statements of the company.

Going concern

Since 31 October 2001 a decision was made to cease the activity carried on by Time Afloat Limited. The necessary adjustments to the carrying value of assets and liabilities arising from the closure of this activity have been reflected in the Group financial statements. This activity is not shown as a discontinued activity in the consolidated profit and loss account because the business was terminated more than three months after the end of the financial year.

2 Group reorganisation

On 4 December 2000 the Group entered into an agreement with a company known as Aquatravel Limited ("Aqua"), a company in which Mr D. Medlock (a former director) has a material financial interest. Under this agreement Aqua acquired leasehold property, a proportion of the boat fleet and operating stocks. The remaining fleet of boats was sold to a subsidiary company, Anglo-Welsh Overseas Limited. Aqua now maintains and operates the fleet on behalf of the Group and in return receives a management fee in the first year of 90% of all boat hire income. Management fees reduce to 85% of hire income in the following two years and 75% thereafter. The Company's boat building operations were sold on 15 February 2001.

Due to the fundamental changes noted above it is impossible to separately identify the results of those parts of the Group that are continuing as they were previously so closely integrated with overall Group activities.

The loss arising on disposals of discontinued operations in the year ended 31 October 2001 relates to a net loss of £39,432 on the disposal of the hire business to Aqua and costs pertaining thereto. A further loss of £88,755 arose on the disposal of the Group's boat building activities. A loss of £30,000 arose in respect of the write off of unpaid consideration from the sale of the agricultural machinery business in the previous year as a consequence of the subsequent insolvency of the purchaser of that business.

The provision for loss on operations to be discontinued relates to anticipated losses on the termination of the timeshare activities of Time Afloat Limited.

3 Cost of sales

	2001	*2000*
	£	*£*
Normal	288,883	2,497,648
Exceptional	375,000	—
	663,883	2,497,648

During the year the directors have further reviewed the carrying value of the narrow boats, and re-assessed expected residual values. On the basis of their findings, the directors have provided an accelerated depreciation charge of £375,000. This charge is shown as an exceptional cost above.

4 Operating expenses

	2001	*2000*
	£	*£*
Normal	534,104	2,439,164
Exceptional	(34,556)	—
	499,548	2,439,164

The exceptional operating credit shown above of £34,556 relates to the release of provisions made against property rental costs made in previous periods, which are no longer expected to be payable.

5 Operating loss

	2001 £	2000 £
Operating loss is stated after charging:		
Directors' remuneration	110,715	179,395
Auditors' remuneration:		
– audit services	24,000	15,000
– non audit services	18,700	10,000
Depreciation of tangible assets	496,495	272,558
Operating lease costs	—	200,710

	£	£
Directors' emoluments were:		
Emoluments for qualifying services	103,952	114,326
Compensation for loss of office	—	60,000
Company pension contributions to a personal pension scheme, 1 director (2000: 2 directors)	6,763	5,069
	110,715	179,395

Details of directors' share options are given on note 25 to these financial statements.

6 Interest

	2001 £	2000 £
Interest payable and similar charges:		
On bank overdraft and loans	73,991	111,392
On other loans	12,848	66,957
Early termination penalty	—	106,812
Other interest	57	—
	86,896	285,161
Interest receivable:		
Bank deposit interest	(13,807)	—
	73,089	285,161

7 Staff numbers and costs

	2001 No	2000 No
Number of employees		
The average number of employees (including executive directors) of the Group during the year was:		
Administration	3	17
Operations	8	94
	11	111

	£	£
Employment costs		
Wages and salaries	192,862	1,235,372
Social security costs	17,705	80,356
Other pension costs	7,623	11,467
	218,190	1,327,195

Details of directors' emoluments are given in note 5 to these financial statements.

8 Taxation

	2001 £	2000 £
The taxation (credit) charge is based on loss for the year and is made up as follows:		
Adjustments in respect of prior years	385	—
Deferred taxation (see note 17)	(101,000)	113,450
Irrecoverable Advance Corporation Tax	—	38,659
	(100,615)	152,109

9 Loss per share

Basic loss per ordinary share of 0.7 pence (2000: 6.9 pence loss following sub-division) is calculated using the net basis on the Group loss for the year after tax of £1,003,195 (2000: £2,177,309) and on the weighted average number of shares in issue of 136,200,300 (2000: 31,581,700 following sub-division).

	2001 pence	2000 pence
Basic loss per share	(0.7)	(6.9)

The loss per ordinary share has been re-stated for the year ended 31 October 2000 for the sub-division of the 10 pence ordinary shares into 10 ordinary shares of 1 pence each. The sub-division took place on 12 January 2001. See note 18 for details.

10 Tangible fixed assets

Group	*Land and buildings* £	*Narrow boats* £	*Plant and equipment* £	*Motor vehicles* £	*Total* £
Cost					
At 1 November 2000	550,672	4,363,023	684,094	64,957	5,662,746
Additions	—	16,533	2,847	—	19,380
Disposals	(303,964)	(338,186)	(684,094)	(64,957)	(1,391,201)
At 31 October 2001	246,708	4,041,370	2,847	—	4,290,925
Depreciation					
At 1 November 2000	135,650	1,012,257	439,301	50,557	1,637,765
Charge for the period	—	496,181	314	—	496,495
Disposals	(135,650)	(85,508)	(439,301)	(50,557)	(711,016)
At 31 October 2001	—	1,422,930	314	—	1,423,244
Net book value					
At 31 October 2001	246,708	2,618,440	2,533	—	2,867,681
At 31 October 2000	415,022	3,350,766	244,793	14,400	4,024,981

The net book value of land and buildings comprises freehold £246,078 (2000: £246,078) and short leasehold nil (2000: £ 168,314).

10 Tangible fixed assets (continued)

Company	*Land and buildings*	*Narrow boats*	*Plant and equipment*	*Motor vehicles*	*Total*
	£	£	£	£	£
Cost					
At 1 November 2000	550,672	4,363,023	684,094	64,957	5,662,746
Additions	—	—	2,847	—	2,847
Disposals	(303,964)	(4,363,023)	(684,094)	(64,957)	(5,416,038)
At 31 October 2001	246,708	—	2,847	—	249,555
Depreciation					
At 1 November 2000	135,650	1,635,022	439,301	50,557	2,260,530
Charge for the period	—	—	314	—	314
Disposals	(135,650)	(1,635,022)	(439,301)	(50,557)	(2,260,530)
At 31 October 2001	—	—	314	—	314
Net book value					
At 31 October 2001	246,708	—	2,533	—	249,241
At 31 October 2000	415,022	2,728,001	244,793	14,400	3,402,216

The net book value of land and buildings comprises Freehold £246,078 (2000: £246,078) and short leasehold Nil (2000: £168,314).

11 Fixed asset investments

		Group	*Group*	*Company*
				Company
	2001	*2000*	*2001*	*2000*
	£	£	£	£
Investments in subsidiary undertakings (see below)	—	—	610,426	610,426
Other investments	—	15,686	—	15,686
	—	15,686	610,426	626,112

Other investments comprised a holding of shares in co-ownership boats.

	Company 2001	*Company 2000*
	£	£
Investments in subsidiary undertakings:		
Cost	1,599,768	1,599,768
Amounts written off	(989,342)	(989,342)
	610,426	610,426

Investments have been written down to their estimated recoverable amounts.

11 Fixed asset investments (continued)

The Company's subsidiary undertakings, all of which have been consolidated, are as follows:

Name of Undertaking	*Principal activity*	*Interest in ordinary share capital at 31 October 2001*
Time Afloat Limited	Timeshare	100%
Anglo-Welsh Overseas Limited	Narrow boat holidays	100%
Boating Bargains Limited	Dormant	100%
Harborough Marine Limited	Dormant	100%
Anglo-Welsh Waterways Holidays Limited	Dormant	100%
Trevor Wharf Services Limited	Dormant	100%
Dartline Boatbuilders (Bunbury) Limited	Dormant	100%
Dartline Cruisers Limited	Dormant	100%
Dartline Tardebigge Limited	Dormant	100%
Shropshire Union Cruises Limited	Dormant	100%
Canal Pleasurecraft (Stourport) Limited	Dormant	100%
New Mills Wharf Limited	Dormant	100%
Anglo-Welsh Engineering Limited (formerly Falcon Agricultural Machinery Limited)	Dormant	100%
The Dockland Restaurant Boat Company Limited	Dormant	100%

All subsidiary undertakings are incorporated in England and Wales. Time Afloat Limited ceased trading activities in March 2002.

12 Stocks

	Group 2001 £	*Group 2000 £*	*Company 2001 £*	*Company 2000 £*
Raw materials, consumables and goods for resale	18,000	313,655	—	250,119
Work in progress	—	8,002	—	8,002
	18,000	321,657	—	258,121

13 Debtors

	Group 2001 £	*Group 2000 £*	*Company 2001 £*	*Company 2000 £*
Trade debtors	3,894	153,791	3,894	124,899
Amounts owed by group undertakings	—	—	2,409,602	109,259
Other debtors	141,142	55,201	141,142	55,201
Prepayments and accrued income	4,673	175,613	4,432	165,738
Other taxes and social security	3,513	—	3,513	—
	153,222	384,605	2,562,583	455,097

14 Creditors – amounts falling due within one year

	Group 2001 £	*Group 2000 £*	*Company 2001 £*	*Company 2000 £*
Bank loan and overdraft	356,362	1,001,033	328,914	974,487
Other loans	37,255	1,040,030	37,255	1,040,030
Trade creditors	45,245	643,316	44,698	555,938
Amounts owed to group undertakings	—	—	610,576	610,576
Corporation tax	—	300	—	300
Other taxes and social security	14,909	207,733	21,632	191,632
Accruals and deferred income	282,999	309,636	235,794	276,736
	736,770	3,202,048	1,278,869	3,649,699

Details of security are given in note 16 of these financial statements.

15 Creditors – amounts falling due after more than one year

	Group 2001 £	*Group 2000* £	*Company 2001* £	*Company 2000* £
The aggregate amount of borrowings was as follows:				
Bank loans	265,640	362,160	238,193	309,068
Other loans	87,826	132,127	87,826	132,127
	353,466	494,287	326,019	441,195

16 Borrowings and financial instruments

	Group 2001 £	*Group 2000* £	*Company 2001* £	*Company 2000* £
The aggregate amount of borrowings was repayable as follows:				
Due within one year	393,617	2,041,063	366,169	2,014,517
Due between one and two years	138,692	134,938	111,245	108,392
Due between two and five years	214,774	341,522	214,774	314,976
	747,083	2,517,523	692,188	2,437,885
Due after five years	—	17,827	—	17,827
	747,083	2,535,350	692,188	2,455,712
Amounts subject to fixed rates of interest	380,214	1,475,040	380,214	1,475,040
Amounts subject to variable rates of interest	366,869	1,060,310	311,974	980,672
	747,083	2,535,350	692,188	2,455,712
Weighted average rate of interest on fixed interest loans	8.2%	8.0%	8.2%	8.0%
Weighted average unexpired term of fixed interest loans	51 months	28 months	51 months	28 months

Borrowings were secured as follows:

	Group 2001 £	*Group 2000* £	*Company 2001* £	*Company 2000* £
Fixed and floating charges over all assets	315,447	985,917	260,552	906,284
Marine mortgages over specific boats owned by Anglo-Welsh Overseas Limited	431,636	1,549,433	431,636	1,549,428
	747,083	2,535,350	692,188	2,455,712

Loans due in part after more than five years are subject to interest at 9.1% APR. Variable rate loans are subject to an average interest rate of 2.1% over base.

The Group has not used financial instruments for financial risk management or hedging purposes. All assets and liabilities are denominated in sterling, financial assets and liabilities are considered to be stated at their fair value to the Group.

17 Provisions for liabilities and charges

	Group 2001 £	*Group 2000* £	*Company 2001* £	*Company 2000* £
Deferred taxation – (a) below	42,000	143,000	—	—
Group company guarantee — (b) below	—	—	70,377	—
At 31 October 2001	42,000	143,000	70,377	—

(a) Deferred taxation

	Group 2001 £	*Group 2000* £	*Company 2001* £	*Company 2000* £
At 1 November 2000	143,000	29,550	—	29,550
Transfer (to) from profit and loss account	(101,000)	113,450	—	(29,550)
At 31 October 2001	42,000	143,000	—	—

The deferred taxation provision comprises:

Accelerated capital allowances	42,000	324,000	—	199,966
Less: unutilised trading losses available for offset	—	(181,000)	—	(199,966)
	42,000	143,000	—	—

The deferred taxation provision has been made on the assumption that tax will become payable at the small companies rate of 20%.

Provision for deferred taxation has been made in full as it is the Group's intention to eventually dispose of its hire boat fleet.

(b) Group company guarantee

	Group 2001 £	*Group 2000* £	*Company 2001* £	*Company 2000* £
At 1 November 2000	—	—	—	—
Transfer from profit and loss account	—	—	70,377	—
At 31 October 2001	—	—	70,377	—

The above relates to a provision for estimated liabilities that will be met by the parent company on the closure of Time Afloat Limited.

18 Called up share capital

	2001 £	2000 £
Authorised:		
250,000,000 ordinary shares of 1 pence each (2000: 10,000,000 ordinary shares of 10 pence each)	2,500,000	1,000,000
Allotted issued and fully paid:		
162,271,750 ordinary shares of 1 pence each (2000: 3,191,450 ordinary shares of 10 pence each)	1,622,718	319,145

On 12 January 2001 the company issued 130,357,250 new ordinary shares of 1p each at an issue price of 2p per share. On the same date the company passed a special resolution to sub-divide the company's 3,191,450 existing ordinary shares of 10p each into 31,914,500 ordinary shares of 1 pence each. The rise was made to provide further working capital.

19 Reserves

Group	*Profit and loss account* £	*Share premium account* £	*Capital redemption reserve* £	*Capital reserve* £
At 1 November 2000	(1,978,023)	1,820,877	164,667	632,300
Retained loss for the year	(1,003,195)	—	—	—
Premium on issue of shares	—	957,130	—	—
At 31 October 2001	(2,981,218)	2,778,007	164,667	632,300

The capital reserve arose from the acquisition of Harborough Marine Limited on 12 October 1994 and relates to negative goodwill.

Company	*Profit and loss account* £	*Share premium account* £	*Capital redemption reserve* £
At 1 November 2000	(1,645,312)	1,820,877	164,667
Retained loss for the year	(870,592)	—	—
Premium on issue of shares	—	957,130	—
At 31 October 2001	(2,515,904)	2,778,007	164,667

20 Reconciliation of movements in shareholders' funds

Group	*2001* £	*2000* £
Loss for the financial year	(1,003,195)	(2,177,309)
Proceeds from shares issued in the year	2,260,703	46,500
Net increase/(decrease) in shareholders' funds	1,257,508	(2,130,809)
Opening shareholders' funds	958,966	3,089,775
Closing shareholders' funds	2,216,474	958,966

Company		
Loss for the financial year	(870,592)	(3,445,953)
Proceeds from shares issued in the year	2,260,703	46,500
Net increase/(decrease) in shareholders' funds	1,390,111	(3,399,453)
Opening shareholders' funds	659,377	4,058,830
Closing shareholders' funds	2,049,488	659,377

21 Reconciliation of operating loss to net cash flow from operating activities

Group	*2001*	*2000*
	£	*£*
Operating loss	(822,582)	(1,344,884)
Loss on disposal of tangible fixed assets	29,085	—
Loss on disposal of investments	2,360	—
Depreciation	496,495	272,558
Decrease in stock	76,057	216,556
Decrease/(increase) in debtors	199,594	(33,976)
(Decrease)/increase in creditors	(885,532)	362,505
Net cash outflow from operating activities	(904,523)	(527,241)

22 Reconciliation of cash flow to movements in net debt

Group	*2001*	*2000*
	£	*£*
Increase in cash in the year	838,994	407,580
Increase in debt due to new loan finance	—	(2,180,000)
Repayment of loans	1,200,008	1,193,092
Loans disposed of with business segment	7,700	—
Change in net debt	2,046,702	(579,328)
Net debt at 1 November 2000	(2,483,978)	(1,904,650)
Net debt at 31 October 2001	(437,276)	(2,483,978)

23 Analysis of changes in net debt

	As at 1 November 2000	*Cash flows*	*Other changes*	*As at 31 October 2001*
	£	*£*	*£*	*£*
Cash at bank and in hand	51,372	258,435	—	309,807
Bank overdraft	(580,559)	580,559	—	—
	(529,187)	838,994	—	309,807
Debt due within one year	(1,460,504)	1,065,020	1,867	(393,617)
Debt due after more than one year	(494,287)	134,988	5,833	(353,466)
Total	(2,483,978)	2,039,002	7,700	(437,276)

Non-cash changes referred to above of £7,700 relates to the value of loans disposed of with discontinued activities in the period.

24 Related party transactions

On 4 December 2000 the Group entered into an agreement with Aquatravel Limited, a company in which Mr D. Medlock (a former director) has a material interest. Under the agreement Aquatravel Limited purchased certain boats and operating stock, the purchase price being the book value of the assets at the date of disposal.

During the year the Company repaid secured loans of £500,000 to D. J. Medlock (a former director). Interest was payable on the loan at 8% per annum.

25 Share options

At 31 October 2001 the following directors held options to acquire Company shares:

Approved share option scheme:

Director	*Number of Shares*	*First date of exercise*	*Late date of exercise*	*Exercise price per share*
M. T. A. Hill	622,860	28 July 2003	28 July 2007	£0.0465
S. G. Thomson	622,860	28 July 2003	28 July 2007	£0.0465

Unapproved share option scheme:

Director	*Number of Shares*	*First date of exercise*	*Late date of exercise*	*Exercise price per share*
S. G. Thomson	833,220	28 July 2003	28 July 2007	£0.0465
S. G. Thomson	2,500,000	17 January 2004	17 January 2011	£0.0212
M. T. A. Hill	2,500,000	17 January 2004	17 January 2011	£0.0212

26 Guarantees and charges

The company has provided a guarantee secured by a fixed and floating charge on its own assets, in respect of borrowings of its subsidiary company Time Afloat Limited. The net indebtedness in respect of these borrowings at 31 October 2001 was £54,895.

3. Audited accounts of AWG for the year ended 31 October 2000

CHAIRMAN'S STATEMENT

Progress to Date

Michael Hill and I were appointed to the Board in May and June 2000 respectively, following the departure of David Daynes, the former managing director of the Company. Our role was to stabilise the cash position of the Group, to refinance the Company, dispose of the remaining assets and procure an attractive candidate to reverse into the cash shell.

Since our appointment we have concentrated our efforts on producing reliable and up to date financial information on the Group, have agreed suitable banking arrangements with the Company's bankers to give the Board time to realise assets and have negotiated and completed the sale of the boat hire business to Aquatravel Limited, details of which were announced on 4 December 2000. The sale has realised not less than £800,000 in cash for the company of which £500,000 was used to repay certain shareholder loans. The sale removed a loss making business from the Group and is expected to provide long term income to the Company in respect of certain of our canal boats. We are also pleased to have realised an amount in excess of the net book value of the assets sold. In addition, we have also sold the Junction Inn.

Following completion of the sale of the boat hire business, we have concentrated our effort on a proposed placing and open offer to raise urgently needed capital for the Group and allow us time to dispose of the Group's assets in an orderly manner for the benefit of all shareholders.

Results

Whilst turnover in the year to 31 October 2000 improved to £3.6 million (1999: £3.1 million) the operating loss for the year was £1.3 million (1999: Profit £126,613). The downturn arose both from a dramatic reduction in gross margin from 48% in 1999 to 30% in the year under review. Additionally, overhead costs were £2,400,000 compared to £1,300,000 in the previous year — a near doubling. Adding to the downturn were losses arising on disposal of the Group's engineering operation and write downs in the carrying value of certain of the Group's assets. Recent trading performance in the Company's wholly owned subsidiary Time Afloat Limited has been acceptable considering the restructuring that has taken place to reduce fixed overheads.

In the balance sheet terms such continued losses are clearly unsustainable and for this reason the Board has taken urgent steps to dispose of the boat hire business as outlined above.

In view of the poor trading result, the Board will not be proposing a dividend (1999: 0.5p per share).

During the course of the financial year the Group's net indebtedness rose to £2.48 million at the year end and has continued to rise since that date. To provide ongoing liquidity to enable the Group to meet its liabilities as they fell due, we arranged short term loans from certain of the Company's shareholders and we applied part of the disposal proceeds from the sale of that boat hire business to repay these loans.

The Company's bankers have been highly supportive and have maintained facilities in difficult circumstances. The proposed placing and open offer is vital in enabling the Company to repay indebtedness and provide working capital going forward.

The Future

Following completion of the proposed fundraising we will press ahead with a disposal of the remaining assets of the Group including its 113 canal boats. We will also seek attractive candidates to reverse into the Anglo-Welsh Group plc shell.

I would like to thank our employees for their dedication and look forward to reporting further progress to you.

S. Thomson
Executive Chairman

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report, together with the financial statements of the group for the year ended 31 October 2000.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for the 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 any applicable accounting standards have been followed subject to any departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal Activity and Business Review

The group's principal activity during the year continued to be the provision of canal boat holidays in the United Kingdom.

A review of activities is given in the Chairman's Statement.

Results and Appropriations

The group's loss for the year after taxation was £2,177,309.

The directors are unable to recommend the payment of a dividend, given the net deficit on distributable reserves.

Payment Policy

The group's payment policy was to pay its suppliers by the due date specific to each transaction. At 31 October 2000 the group's trade creditors expressed as days were 84 days. Due to operational difficulties giving rise to pressures on cash flows it has been necessary for the group to seek extended settlement terms from its suppliers. It is anticipated that normal payments patterns will resume following the re-organisation described in note 3 to the financial statements and the placing and open offer referred to in note 1 to the financial statements.

The directors who served throughout the year are listed below:

W. M. Furniss
D. A. Daynes (resigned 10 May 2000)
D. S. McCall (resigned 30 May 2000)
D. L. Court
S. G. Thomson (appointed 17 April 2000)
M. T. A. Hill (appointed 8 June 2000)
D. J. Medlock (appointed 17 April 2000)

Since the year end Mr W. M. Furniss and Mr D. J. Medlock have resigned as directors of the company.

Directors and Directors' interests

The directors' beneficial interests in the share capital of the company as at 31 October 2000 were:

	Ordinary shares 2000 10p shares	*Ordinary shares 1999 10p shares*
W. M. Furniss	432,500	444,050
D. L. Court	6,000	6,000
S. G. Thomson	—	—
D. J. Medlock	308,500	308,500
M. T. A. Hill	—	—

D. J. Medlock's share holding involves direct and indirect holdings.

Information concerning directors share options are disclosed in note 27 to the financial statements.

Auditors

Messrs Robson Taylor have resigned as auditors to the company and have been replaced by Messrs Hazlewoods. A resolution for the reappointment of Hazlewoods will be submitted to the Annual General Meeting.

By order of the Board

M. T. A. Hill
Secretary

15 December 2000

AUDITORS' REPORT TO THE SHAREHOLDERS OF ANGLO-WELSH GROUP PLC

We have audited the financial statements on pages 98 to 111 which have been prepared under the historical cost convention and the accounting policies set out on pages 101 and 102.

Respective responsibilities of directors and auditors

As described on page 95 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

Going concern

In forming our opinion, we have considered the adequacy of disclosures made in note 1 to the financial statements concerning the group's requirements to raise further capital to enable it to continue trading and the fact that the successful completion of an issue of shares now proposed is contingent upon the approval of the shareholders. In view of the significance of this matter we consider that it should be brought to your attention but our opinion is not qualified in this respect.

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 October 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HAZLEWOODS
Chartered Accountants and Registered Auditors
Gloucester

15 December 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 October 2000

	Note	*2000* £	*1999* £
Turnover		3,591,928	3,063,722
Cost of sales		(2,497,648)	(1,591,704)
Gross profit		1,094,280	1,472,018
Operating expenses		(2,439,164)	(1,345,405)
Operating (loss) profit	3	(1,344,884)	126,613
Loss on the disposal of discontinued operations	3	(136,446)	—
Loss on disposal of and diminution in value of tangible fixed assets		(258,709)	—
(Loss) Profit on ordinary activities before interest		(1,740,039)	126,613
Interest payable	5	(285,161)	(130,857)
Loss on ordinary activities before taxation	7	(2,025,200)	(4,244)
Taxation	8	(152,109)	24,060
(Loss) Profit on ordinary activities after taxation		(2,177,309)	19,816
Dividends	9	—	(15,707)
Retained (Loss) profit for the financial year	20	(2,177,309)	4,109
Basic (Loss) earnings per share (in pence)	10	(68.9)	0.6

In the periods ended 31 October 2000 and 31 October 1999 the only gain or loss recognised by the group was the result for the year.

Information concerning continuing and discontinued activities is disclosed and explained in note 3 to the financial statements.

BALANCE SHEETS
31 October 2000

	Note	*Group 2000 £*	*Group 1999 £*	*Company 2000 £*	*Company 1999 £*
Fixed assets					
Tangible assets	11	4,024,981	4,695,508	3,402,216	4,695,508
Investments	12	15,686	15,686	626,112	1,615,454
		4,040,667	4,711,194	4,028,328	6,310,962
Current assets					
Stocks	13	321,657	742,098	258,121	689,098
Debtors: amounts falling due within one year	14	384,605	401,656	455,097	441,651
Cash at bank and in hand		51,372	12,073	8,725	12,073
		757,634	1,155,827	721,943	1,142,822
Creditors — amounts falling due within one year	15	(3,202,048)	(1,930,712)	(3,649,699)	(2,548,420)
Net current liabilities		(2,444,414)	(774,885)	(2,927,756)	(1,405,598)
Total assets less current liabilities		1,596,253	3,936,309	1,100,572	4,905,364
Creditors — amounts falling due after more than one year	16	(494,287)	(816,984)	(441,195)	(816,984)
Provisions for liabilities and charges	18	(143,000)	(29,550)	—	(29,550)
Net assets		958,966	3,089,775	659,377	4,058,830
Capital and reserves					
Called up share capital	19	319,145	309,145	319,145	309,145
Share premium	20	1,820,877	1,784,377	1,820,877	1,784,377
Capital redemption reserve	20	164,667	164,667	164,667	164,667
Profit and loss account	20	(1,978,023)	199,286	(1,645,312)	1,800,641
Capital reserve	20	632,300	632,300	—	—
Equity shareholders' funds	21	958,966	3,089,775	659,377	4,058,830

The financial statements were approved by the board on 15 December 2000.

S. G. Thomson
Director

GROUP CASH FLOW STATEMENT
for the year ended 31 October 2000

	Note	2000 £	2000 £	1999 £	1999 £
Net cash (outflow) inflow from operating activities	23		(527,241)		384,898
Returns on investments and servicing of finance					
Interest paid			(285,161)		(130,857)
Taxation			(18,749)		(7,187)
Capital expenditure					
Payments to acquire tangible fixed assets		(256,932)		(851,509)	
Receipts from the sale of tangible fixed assets		297,962		197,617	
Receipts from the sale of operations		180,000		—	
			221,030		(653,892)
Equity dividends paid			(15,707)		(92,745)
Financing					
Repayment of loans		(1,193,092)		(138,222)	
New loans		2,180,000		384,840	
Proceeds from issue of new shares		46,500		—	
Net cash inflow from financing			1,033,408		246,618
Increase (Decrease) in cash			407,580		(253,165)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2000

1. Going concern

The financial statements have been drawn up on a going concern basis, which assumes that the company will have sufficient funds to enable the continuation of ongoing trading activities for the foreseeable future.

The directors' have identified that in order for the company to continue its operations further capital is required by the group. The directors will today issue a prospectus with a view to raising further funds from an issue of share capital by way of placing and under-written open offer, which is anticipated to raise £2.3 million net of expenses. The issue of share capital can only proceed however if approved by a special resolution of the shareholders at a meeting to be held in January 2001.

The financial statements have been prepared on the going concern basis assuming that the placing will be approved. If the placing does not proceed then considerable doubt is placed on the ability of the company to continue trading.

2. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the group are set out below.

Stock

Stock has been valued at the lower of cost and net realisable value on an item by item basis of first in, first out cost.

Depreciation of Tangible Assets

Depreciation is calculated to write off the cost of fixed assets to estimated residual value over their expected useful lives by the straight line method at the following rates per annum:

Leasehold buildings	evenly over the lease term
Plant and equipment	10%-20%
Motor vehicles	20%

Depreciation on narrow boats is calculated on an individual basis. An estimated residual value based upon normal market conditions is calculated on the boats planned retirement age of various periods. Depreciation is then charged on a straight line basis to achieve the planned residual value.

Fixed Asset Investments

Fixed asset investments are stated at cost less provision for permanent diminution.

Deferred Taxation

Provision for deferred taxation is made at the appropriate rates in respect of all material differences only to the extent that, in the opinion of the directors, there is a reasonable probability that an asset or liability will crystallise in the foreseeable future.

Leased Assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account on a straight line basis. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

Pension Costs

The company contributes to individual personal pension policies on behalf of certain employees. Costs are charged to profit and loss account as incurred.

Group Financial Statements

The group financial statements consolidate the financial statements of Anglo-Welsh Group plc and its subsidiary undertakings at 31 October 2000 using the acquisition method. Goodwill, being the excess of the costs of interests acquired over the fair value of underlying net tangible assets, is fully written off against reserves in the year of acquisition.

In the company's financial statements, investments in subsidiary undertakings are stated at valuation. Only dividends received and receivable are credited to the holding company's profit and loss account.

No company profit and loss account is presented in accordance with the exemptions provided by S.230 of the Companies Act 1985. Of the consolidated (loss) profit for the financial year attributable to the shareholders of Anglo-Welsh Group plc, a loss of £(3,445,953) (1999: £678,249 profit after intragroup dividends receivable of £643,876) has been dealt with in the financial statements of the company.

3. Group reorganisation

On 16 August 2000 the group disposed of its agricultural engineering business known as Falcon Engineering. On 31 October 2000 a public house operated by the company known as the Junction Inn was also sold. The disposal of these businesses gave rise to losses of £ 105,250 and £31,196 respectively.

On 4 December 2000 the group entered into an agreement with a company known as Aquatravel Limited ("Aqua"), a company in which Mr D. Medlock (a former director) has a material financial interest. Under this agreement Aqua acquired leasehold property, certain of the boat fleet at net book value and operating stocks. The remaining fleet of boats was sold to a subsidiary company, Anglo-Welsh Overseas Limited, prior to the agreement with Aqua. In future Aqua will maintain and operate the fleet on behalf of the group and in return will receive a management fee in the first year of 90% of all boat hire income. Management fees reduce to 85% of hire income in the following two years and 75% thereafter.

The directors consider that the changes outlined above mean that results from activities of the Group in its current form will not be comparable with future fundamentally altered operations. The group will however continue to operate its time share operations and carry out boat building activities (which previously were carried on as an incidental part of the canal boat hire activities). Due to these fundamental changes it is impossible to separately identify the results of those parts of the group that are continuing as they were previously so closely integrated with overall group activities.

4. Turnover

Turnover represents the provision of canal boat holidays and related activities within the United Kingdom during the year after the deduction of discounts and value added tax.

5. Interest payable

	2000	*1999*
	£	*£*
Interest payable and similar charges:		
On bank overdraft repayable on demand	111,392	44,877
On loans repayable within 5 years	66,957	85,980
Early termination penalty	106,812	—
	285,161	130,857

The company incurred additional interest and penalty costs during the year as a consequence of early settlement of a term loan.

6. Staff number and costs

	2000	*1999*
	No	*No*
The average number of employees of the company (including executive directors) during the year was:		
Administration	17	18
Operations	94	83
	111	101

Staff costs for the above persons:

	2000	*1999*
	£	*£*
Wages and salaries	1,235,372	1,026,247
Social security costs	80,356	81,247
Other pension costs	11,467	8,768
	1,327,195	1,116,262

7. (Loss) Profit on ordinary activities before taxation

	2000	*1999*
	£	*£*
(Loss) Profit on ordinary activities before taxation is stated after charging the following:		
Directors' remuneration	179,395	113,170
Auditors' remuneration:		
– audit services	15,000	13,150
– non audit services	10,000	—
Depreciation of owned assets	272,558	165,431

Directors' emoluments were:

	2000	*1999*
	£	*£*
Aggregate emoluments	114,326	113,170
Compensation for loss of office	60,000	—
Company pension contributions to a money purchase scheme, 2 (1999: 2)	5,069	5,284
	179,395	118,454

Details of directors' share options are given on note 27 to these financial statements.

8. Taxation

	2000	*1999*
	£	*£*
Tax on (loss) profit on ordinary activities		
The taxation charge (credit) is based on (loss) profit for the year and is made up as follows:		
Adjustments in respect of prior years	—	(24,060)
Deferred taxation (see note 18)	113,450	—
Irrecoverable Advance Corporation Tax	38,659	—
	152,109	(24,060)

9. Dividends

	2000 £	1999 £
Attributable to equity share capital:		
Ordinary:		
– interim dividend payable Nil (1999: 0.25p) per share	—	7,729
– final dividend proposed Nil (1999: 0.25p) per share	—	7,978
Total Nil (1999: 0.5p) per share	—	15,707

10. (Loss) Earnings per share

Basic loss per ordinary share of 68.9 pence (1999: 0.6 pence earnings) is calculated using the net basis on the group (loss) profit for the year after tax of (£2,177,309) (1999: profit £19,816) and on the weighted average number of shares in issue of 3,158,117 (1999: 3,091,450).

	2000 pence	1999 pence
Basic (loss) earnings per share	(68.9)	0.6

Fully diluted loss per share is 62.6p.

11. Tangible fixed assets

	Land & Buildings £	*Narrow boats* £	*Plant & equipment* £	*Motor vehicles* £	*Total* £
Group					
Cost					
At 1 November 1999	689,026	4,708,813	673,900	150,896	6,222,635
Additions	22,904	202,780	31,248	—	256,932
Disposals	(161,258)	(548,570)	(21,054)	(85,939)	(816,821)
At 31 October 2000	550,672	4,363,023	684,094	64,957	5,662,746
Depreciation					
At 1 November 1999	115,193	994,398	297,940	119,596	1,527,127
Charge for the year	21,877	171,436	69,445	9,800	272,558
Provision for diminution in value	58,000	—	77,000	—	135,000
Disposals	(59,420)	(153,577)	(5,084)	(78,839)	(296,920)
At 31 October 2000	135,650	1,012,257	439,301	50,557	1,637,765
Net book value					
At 31 October 2000	415,022	3,350,766	244,793	14,400	4,024,981
At 31 October 1999	573,833	3,714,415	375,960	31,300	4,695,508

11. Tangible fixed assets (continued)

	Land & Buildings £	*Narrow boats* £	*Plant & equipment* £	*Motor vehicles* £	*Total* £
Company					
Cost					
At 1 November 1999	689,026	4,708,813	673,900	150,896	6,222,635
Additions	22,904	202,780	31,248	—	256,932
Disposals	(161,258)	(548,570)	(21,054)	(85,939)	(816,821)
At 31 October 2000	550,672	4,363,023	684,094	64,957	5,662,746
Depreciation					
At 1 November 1999	115,193	994,398	297,940	119,596	1,527,127
Charge for the year	21,877	171,436	69,445	9,800	272,558
Provision for diminution in value	58,000	622,765	77,000	—	757,765
Disposals	(59,420)	(153,577)	(5,084)	(78,839)	(296,920)
At 31 October 2000	135,650	1,635,022	439,301	50,557	2,260,530
Net book value					
At 31 October 2000	415,022	2,728,001	244,793	14,400	3,402,216
At 31 October 1999	573,833	3,714,415	375,960	31,300	4,695,508

Group and Company

	£
The net book values of land and building comprises:	
Short leasehold	168,314
Freehold	246,708
	415,022

On 4 December 2000 the company disposed of its narrow boat fleet to a subsidiary company Anglo-Welsh Overseas Limited for £2,550,000, being a deficit of £622,765 on the carrying value at that date. The cost to the group however is unchanged and no equivalent provision is made in the group balance sheet as it is not considered that the value of the boats to the group has been impaired.

12. Fixed asset investments

	Group 2000 £	*Group 1999 £*	*Company 2000 £*	*Company 1999 £*
Investments in subsidiary undertakings (see below)	—	—	610,426	1,599,768
Other investments	15,686	15,686	15,686	15,686
	15,686	15,686	626,112	1,615,454

Other investments represent the company's long term holding of shares in co-ownership boats (see note 26).

	Company 2000 £	*Company 1999 £*
Investments in subsidiary undertakings:		
Cost brought forward	1,599,768	1,599,766
Additions	—	2
Amounts written off	(989,342)	—
	610,426	1,599,768

Investments have been written down to their estimated recoverable amounts.

The company's subsidiary undertakings, all of which have been consolidated, are as follows:

Name of Undertaking	*Principal activity*	*Interest in Ordinary share capital at 31 October 2000*
Time Afloat Limited	Timeshare	100%
Anglo-Welsh Overseas Limited	Dormant	100%
Boating Bargains Limited	Dormant	100%
Harborough Marine Limited	Dormant	100%
Anglo-Welsh Waterways Holidays Limited	Dormant	100%
Trevor Wharf Services Limited	Dormant	100%
Dartline Boatbuilders (Bunbury) Limited	Dormant	100%
Dartline Cruisers Limited	Dormant	100%
Dartline Tardebigge Limited	Dormant	100%
Shropshire Union Cruises Limited	Dormant	100%
Canal Pleasurecraft (Stourport) Limited	Dormant	100%
New Mills Wharf Limited	Dormant	100%
Anglo-Welsh Engineering Limited (formerly Falcon Agricultural Machinery Limited)	Dormant	100%
The Dockland Restaurant Boat Company Limited	Dormant	100%

All subsidiary undertakings are incorporated in England and Wales.

13. Stocks

	Group 2000 £	*Group 1999 £*	*Company 2000 £*	*Company 1999 £*
Raw materials, consumables and goods for resale	313,655	671,538	250,119	618,538
Work in progress	8,002	70,560	8,002	70,560
	321,657	742,098	258,121	689,098

14. Debtors

	Group 2000 £	Group 1999 £	Company 2000 £	Company 1999 £
Trade debtors	153,791	109,318	124,899	109,318
Amounts owed by group undertakings	—	—	109,259	62,543
Other debtors	55,201	54,839	55,201	54,839
Prepayments and accrued income	175,613	186,472	165,738	163,924
Advance Corporation Tax recoverable	—	51,027	—	51,027
	384,605	401,656	455,097	441,651

15. Creditors – amounts falling due within one year

	Group 2000 £	Group 1999 £	Company 2000 £	Company 1999 £
Bank loan and overdraft (see note 17)	1,001,033	1,066,716	974,487	991,716
Other loans (see note 17)	1,040,030	33,023	1,040,030	33,023
Trade creditors	643,316	547,111	555,938	532,008
Amounts owed to group undertakings	—	—	610,576	707,811
Corporation tax	300	500	300	500
Other taxes and social security	207,733	137,004	191,632	137,004
Other creditors	—	40,950	—	40,950
Accruals and deferred income	309,636	58,784	276,736	58,784
Dividends payable	—	15,707	—	15,707
Advance Corporation Tax payable	—	30,917	—	30,917
	3,202,048	1,930,712	3,649,699	2,548,420

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

	Group 2000 £	Group 1999 £	Company 2000 £	Company 1999 £
The aggregate amount of borrowings was as follows:				
Bank loans (see note 17)	362,160	733,963	309,068	733,963
Other loans (see note 17)	132,127	83,021	132,127	83,021
	494,287	816,984	441,195	816,984

17. Borrowings

	Group 2000 £	Group 1999 £	Company 2000 £	Company 1999 £
The aggregate amount of borrowings was as follows:				
Bank loans and overdraft:				
Due within one year, or on demand	1,001,033	1,066,716	974,487	991,716
Due between one and two years	94,908	122,969	68,362	122,969
Due between two and five years	267,252	436,139	240,706	436,139
Due after more than five years	—	174,855	—	174,855
	1,363,193	1,800,679	1,283,555	1,725,679
Other loans:				
Due within one year	1,040,030	33,023	1,040,030	33,023
Due between one and two years	40,030	25,768	40,030	25,768
Due between two and five years	92,097	57,253	92,097	57,253
	1,172,157	116,044	1,172,157	116,044

The bank loans and overdraft are secured by a fixed and floating charges over the assets of the group. The bank loans carry interest at rates of between 1.75% and 3% over LIBOR.

Other loans represent chattel mortgages of £1,000,000 and marine mortgages of £172,157 which are secured over specific narrow boats.

18. Provisions for liabilities and charges

	Group 2000 £	Group 1999 £	Company 2000 £	Company 1999 £
Deferred taxation:				
At 1 November 1999	29,550	29,550	29,550	29,550
Transfer from (to) profit and loss account	113,450	—	(29,550)	—
At 31 October 2000	143,000	29,550	—	29,550
The deferred taxation provision comprises:				
Accelerated capital allowances	324,000	29,550	199,966	29,550
Less: unutilised trading losses available for offset	(181,000)	—	(199,966)	—
Provision	143,000	29,550	—	29,550

The deferred taxation provision has been made on the assumption that tax will become payable at the small companies rate of 20%.

The amount of potential deferred taxation not provided is as follows:

Accelerated capital allowances	—	460,594	—	460,594

Provision for deferred taxation has been made in full as it is the group's intention to eventually dispose of its hire boat fleet.

19. Called up share capital

	2000 £	1999 £
Authorised:		
10,000,000 ordinary shares of 10 pence each	1,000,000	1,000,000
Allotted issued and fully paid:		
3,191,450 (1999: 3,091,450) ordinary shares of 10 pence each	319,145	309,145

On 1 March 2000 the company issued and allotted 100,000 ordinary shares for each at 46.5 pence per share. The money raised was to provide working capital.

20. Reserves

	Group			
	Profit & loss account £	Share premium account £	Capital redemption reserve £	Capital reserve £
At 1 November 1999	199,286	1,784,377	164,667	632,300
Retained loss for the year	(2,177,309)	—	—	—
Premium on shares issued in year	—	36,500	—	—
At 31 October 2000	(1,978,023)	1,820,877	164,667	632,300

The capital reserve arose from the acquisition of Harborough Marine Limited on 12 October 1994 and relates to negative goodwill.

	Company		
	Profit & loss account £	Share premium account £	Capital redemption reserve £
At 1 November 1999	1,800,641	1,784,377	164,667
Retained loss for the year	(3,445,953)	—	—
Premium on shares issued in year	—	36,500	—
	(1,645,312)	1,820,877	164,667

21. Reconciliation of movements in shareholders' funds

	Group	
	2000 £	1999 £
(Loss) Profit for the financial year	(2,177,309)	19,816
Dividends paid and proposed	—	(15,707)
Proceeds from shares issued in the year	46,500	—
Net (decrease) increase in shareholders' funds	(2,130,809)	4,109
Opening shareholders' funds	3,089,775	3,085,666
Closing shareholders' funds	958,966	3,089,775

22. Leasing commitments

Future annual commitments under operating leases were:

	Property £	Other £	Total £
Annual amounts under leases expiring:			
Within one year	18,650	—	18,650
Within 2 to 5 years	30,000	32,025	62,025
After 5 years	56,300	—	56,300

23. Reconciliation of operating (loss) profit to net cash flow from operating activities

	2000	*1999*
	£	*£*
Operating (loss) profit	(1,344,884)	126,613
Loss on disposal of fixed assets	—	13,298
Depreciation	272,558	165,431
Decrease (Increase) in stock	216,556	(116,686)
Increase in debtors	(33,976)	(84,582)
Increase in creditors	362,505	277,504
Decrease in provisions	—	(5,000)
Decrease in investments	—	8,320
	(527,241)	384,898

24. Reconciliation of cash flow to movements in net debt

	2000	*1999*
	£	*£*
Increase (Decrease) in cash in the year	407,580	(253,165)
Increase in debt due to new loan finance acquired	(2,180,000)	(384,840)
Capital element of loan finance repaid	1,193,092	138,222
Change in net debt	(579,328)	(499,783)
Net debt at 1 November 1999 (see note 25)	(1,904,650)	(1,404,867)
Net debt at 31 October 2000 (see note 25)	(2,483,978)	(1,904,650)

25. Analysis of changes in net debt

	As at 1 November 1999	*Cash flows*	*As at 31 October 2000*
	£	*£*	*£*
Cash at bank and in hand	12,073	39,299	51,372
Bank overdraft	(948,840)	368,281	(580,559)
	(936,767)	407,580	(529,187)
Debt due within one year	(150,899)	(1,309,605)	(1,460,504)
Debt due after more than one year	(816,984)	322,697	(494,287)
Total	(1,904,650)	(579,328)	(2,483,978)

26. Related party transactions

Harborough Marine Co-ownership Limited, a dormant company owned jointly by D. A. Daynes and W. M. Furniss, holds the notional ownership of the co-ownership vessels.

This structure was created on the advice of the company's lawyers to protect the individual investors in these vessels.

During the year D. J. Medlock a director made a secured loan to the company of £500,000. Interest is payable at the rate of 8%. This loan is included in other loans due within one year, as disclosed in note 17.

27. Share options

At 31 October 2000 the following directors held options to acquire company shares:

Director	*Number of Shares*	*First date of exercise*	*Late date of exercise*	*Exercise price per share*
W. M. Furniss	76,250	17 January 2000	14 May 2001	£1.00
M. T. A. Hill	62,286	28 July 2003	28 July 2007	£0.465
S. G. Thompson	145,608	28 July 2003	28 July 2007	£0.465

In addition the following options were also in existence over unissued shares at 31 October 2000:

Number of shares	*First date of exercise*	*Last date of exercise*	*Exercise price per share*
10,000	17 January 2000	17 January 2004	£1.00
25,000	4 October 1997	13 June 2001	£0.78

28. Post balance sheet events

On 4 December 2000 the group sold the following assets to Aqua as part of the reorganisation described in note 3.

	Book value
	£
Tangible fixed assets	514,000
Stocks	195,000
Net debtors less creditors	118,000

Proceeds receivable net of estimated legal fees are £918,000, of which £500,000 has been employed to repay secured loans due for repayment in less than one year.

29. Contingent liabilities

The company has provided a guarantee secured by a fixed and floating charge on its own assets, in respect of borrowings of £79,638 of its subsidiary company Time Afloat Limited.

PART V

PARTICULARS OF THE WARRANTS

The Warrants were constituted by an instrument by way of deed poll dated 24 October 2003. Constitution of the Warrants and execution of the Instrument by the Company was authorised by a resolution of the board of directors of the Company passed on 24 October 2003.

In this Part V, the following expressions shall have the following meanings:

"Business Day"	a day (excluding a Saturday, Sunday or a public holiday) on which the clearing banks are open for normal business in the City of London;
"Certificate"	a certificate in the form set out in Schedule 1 to the Instrument;
"Conditions"	the terms and conditions of the Warrants as set out in Schedule 2 to the Instrument;
"Final Exercise Date"	1 December 2013;
"Instrument"	the instrument by way of deed poll executed by the Company and dated 24 October 2003 constituting the Warrants;
"Subscription Period"	means the period from 2 December 2003 to the Final Exercise Date;
"Subscription Price"	means 2.38 pence per Ordinary Share;
"Subscription Rights"	means the conditional right to subscribe for Ordinary Shares conferred by the Warrants as set out in Schedule 2 to the Instrument and summarised below;
"Warrantholder"	means a registered holder for the time being of Warrants; and
"Warrants"	means the Warrants constituted by the Instrument.

1. Subscription Rights

1.1 Conditional on the passing of the Resolutions, Warrantholders shall have the right to subscribe in cash for Ordinary Shares on 1 December (or if any such date is not a business day, the next following business day) in any one of the years 2003 to 2013 (each a "Subscription Date") inclusive for all or any of the number of Ordinary Shares for which he is entitled to subscribe pursuant to such Warrant at the Subscription Price payable in full on subscription. The number and/or nominal value of Ordinary Shares to be subscribed and the Subscription Price will be subject to adjustment as provided in condition 2 as summarised below.

1.2 In order to exercise Subscription Rights in whole or in part a Warrantholder must lodge the Certificate at the office of the registrars for the time being of the Company on or within 14 days prior to the relevant Subscription Date having completed the notice of subscription thereon, accompanied by a remittance for the aggregate subscription price of the Ordinary Shares in respect of which the Subscription Rights are being exercised.

1.3 Not earlier than eight weeks nor later than four weeks before each Subscription Date the Company shall give notice to the holders of outstanding Warrants reminding them of their Subscription Rights.

1.4 Ordinary Shares issued pursuant to the exercise of Subscription Rights will be allotted not later than 14 days after and with effect from the date of payment of the aggregate subscription price and certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the person entitled thereto) not later than 28 days after the allotment of the relevant Ordinary Shares to the person in whose name the relevant Certificate is registered at the date of such exercise (or, in the case of joint holders, to that one of them whose name appears first on the register which shall be sufficient despatch for all) or to such other person as may be named in the notice of subscription. In the event of a partial exercise of the Subscription Rights comprised in Warrants held by any Warrantholder the Company shall at the same time as the issue of the said certificates issue a fresh Certificate in the name of the holder(s) for any balance of Subscription Rights remaining exercisable. The Warrants in respect of any Subscription Rights exercised will be cancelled.

1.5 Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, made or paid by reference to a record date prior to the relevant Subscription Date or in respect of a completed financial year of the Company but subject thereto will rank *pari passu* in all respects with the Ordinary Shares in issue on the relevant Subscription Date.

1.6 If immediately after any Subscription Date (other than the Final Subscription Date) and after giving effect to the Subscription Rights (if any) exercised on that date, Subscription Rights shall have been exercised in respect of 90 per cent. or more of the Ordinary Shares to which the Warrants issued subject to and with the benefit of this Instrument relate, the Company shall be entitled on giving not less than 14 days' notice in writing to the holders of the Warrants then outstanding, to appoint a trustee who, provided that in such trustee's opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the Subscription Price of the relevant number of Warrants, shall, within the period of 14 days following the end of such notice period, exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the preceding Subscription Date and sell in the market the Ordinary Shares acquired on such subscription or accept any offer available to the holders of the Warrants for the purchase of those Warrants which would provide net proceeds to the Warrantholders in excess of those which would be obtained from a sale in the market. Such trustee shall distribute pro rata the proceeds of such sale (less the Subscription Price and such other costs and expenses) to the persons entitled thereto (at the risk of such persons) as soon as practicable after such sale, provided that entitlements in respect of each Warrantholder of less than £3.00 shall be retained for the benefit of the Company.

2. Adjustment of Subscription Rights

2.1 The Subscription Rights will be subject to adjustment as follows:

(a) upon any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) or a bonus issue to holders of the Ordinary Shares on the register on a date prior to the Final Exercise Date, the number and/or nominal value of Ordinary Shares to which Warrantholders would be entitled to subscribe on any subsequent exercise of the Subscription Rights will be increased and/or the Subscription Price reduced in due proportion;

(b) if prior to the Final Exercise Date the Company should sub-divide or consolidate its ordinary share capital then the number and/or nominal value of Ordinary Shares to be subscribed for on any subsequent exercise of the Subscription Rights and/or the Subscription Price shall be reduced or increased (as appropriate) in due proportion with effect from the record date for such sub-division or consolidation;

(c) if prior to 2 December 2006 the Company shall make any offer to holders of Ordinary Shares of new Ordinary Shares for subscription or purchase by way of rights then, unless at the option of the Company an equivalent offer (made on the basis of the Warrantholder being the registered holder of all of the Ordinary Shares remaining subject to his Warrants) is made to each Warrantholder, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of the announcement of such offer by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount payable for the total number of Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription or purchase. The number of Ordinary Shares being the subject of Subscription Rights shall also be adjusted by dividing such number of Ordinary Shares by the same fraction. Such adjustments shall become effective immediately on the date of issue or purchase of the Ordinary Shares.

For the purpose of this paragraph 2.1(c):

"announcement"	includes the release of an announcement to the press or the delivery or transmission by telephone, telex or otherwise of an announcement to the London Stock Exchange plc and "date of announcement" shall mean the date on which the announcement is first so released, delivered or transmitted;
"issue"	includes allot;
"market price"	means the average of the middle market quotations published in the AIM appendix of the Stock Exchange Daily Official List or the Stock Exchange Daily Official List, as appropriate, for one issued Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the terms of the relevant offer; and
"rights"	includes rights in whatsoever form issued.

2.2 If any offer (not being an offer falling within the condition summarised at paragraph 2.1(c) above) or invitation is made to the holders of the ordinary share capital of the Company on the register on a record date being a date prior to the Final Exercise Date, the Company shall make, or so far as it is able, procure that there is made at the same time, a like offer or invitation to each Warrantholder (made on the basis of the Warrantholder being the registered holder of all of the Ordinary Shares remaining subject to his Warrants). Except for an offer falling within paragraph 2.1(c), the Company shall not make, or permit any subsidiary to make, any offer or invitation to holders of the ordinary share capital of the Company unless it makes to each Warrantholder at the same time an equivalent offer or invitation as referred to in the preceding sentence of this paragraph 2.2.

2.3 Upon the occurrence of an event referred to in paragraph 2.1, the Company shall request the auditors of the Company from time to time acting as experts to certify the adjustment to the number and/or nominal value of Ordinary Shares to be subscribed on exercise of the Subscription Rights and/or the Subscription Price as being fair and reasonable in accordance with Condition 2.1 above and within 14 days of determination by the auditors the Company shall give notice of such certification to the Warrantholders together with a new warrant certificate in respect of any additional Ordinary Shares for which that Warrantholder is entitled to subscribe in consequence of such adjustments. The amount of any such adjustments as certified by the auditors shall, in the absence of manifest error, be final and binding on the Company and the Warrantholders.

2.4 Notwithstanding anything to the contrary contained in the Instrument, no adjustment shall be made pursuant to Condition 2 which would result in the issue by the Company of a fraction of an Ordinary Share and no adjustments shall be made pursuant to Condition 2 if, as a consequence, the Subscription Price would be less than the nominal value of an Ordinary Share.

3. Stock Exchange Dealings

Provided that at the time of issue of Ordinary Shares pursuant to the exercise of Warrants the Ordinary Shares (or any of them) are quoted on the Official List of the United Kingdom Listing Authority or are traded on AIM or permission has been granted for dealings therein on any other recognised investment exchange in any part of the world, the Company will not later than 7 days after the issue pursuant to the exercise of Warrants of such Ordinary Shares apply to such body for permission to deal in or for quotation of such Ordinary Shares (as the case may be) and shall use its best endeavours to secure such permission or quotation.

4. Winding Up

If an order is made or an effective resolution is passed on or before the Final Exercise Date for the voluntary winding up of the Company (except for the purpose of reconstruction or amalgamation, in which case the Company will procure that each Warrantholder is granted by the reconstructed or amalgamated company a substituted warrant of a value equivalent to the value of his Warrants held immediately prior to such reconstruction or amalgamation in substitution, as the Warrantholder(s) acknowledge(s) for and to the exclusion of the Warrant) each Warrantholder will be entitled for the purpose of ascertaining his rights in the winding up to be treated as if he had immediately before the date of the passing of the resolution fully exercised his rights to acquire Ordinary Shares pursuant to his Warrants and in that event he shall be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of all such Ordinary Shares to which he would have become entitled by virtue of such exercise after deducting a sum equal to the aggregate Subscription Price which would have been payable in respect of such exercise.

5. Variation of Rights

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the Company and with either the consent in writing of any Warrantholders entitled to subscribe for not less than 75 per cent. of the Ordinary Shares which are subject to outstanding Warrants or with the sanction of an extraordinary resolution of the Warrantholders. All the provisions of the Articles of Association of the Company as to general meetings of the Company shall *mutatis mutandis* apply to any separate meeting of the Warrantholders as though the Warrants were a class of shares forming part of the Company and as if such provisions were expressly set out in extenso in the Instrument but so that:

(a) the necessary quorum shall be the Warrantholders (present in person or by proxy) entitled to subscribe for one-third in nominal amount of the Ordinary Shares subject to outstanding Warrants;

(b) every Warrantholder present in person at any such meeting shall be entitled on a show of hands to one vote and on a poll every such Warrantholder present in person or by proxy at any such meeting shall be entitled to one vote for every Ordinary Share for which he is entitled to subscribe pursuant to the Warrants;

(c) any Warrantholder or Warrantholders of 10 per cent. or more of the aggregate outstanding Warrants present in person or by proxy may demand or join in demanding a poll;

(d) if at any adjourned meeting a quorum as above defined is not present those holders of outstanding Warrants who are then present in person or by proxy shall be a quorum.

6. Death or Bankruptcy

6.1 The executors or administrators of a deceased Warrantholder (not being one of two or more joint Warrantholders) and in the case of the death of one or more of several joint Warrantholders the survivor or survivors of such joint Warrantholders shall be the only persons recognised by the Company as having any title to or interest in the Warrants of such deceased Warrantholder.

6.2 Any person becoming entitled to Warrants in consequence of death or bankruptcy of a holder of such Warrants or of any other event giving rise to the transmission of such Warrants by operation of law may upon producing such evidence of his entitlement as the Company shall think sufficient be registered himself as the holder of such Warrants.

6.3 Any person becoming entitled to a Warrant in consequence of death or bankruptcy of a Warrantholder shall be entitled to receive and may give a good discharge of any monies payable in respect thereof but shall not be entitled to receive notices of or to attend or vote at meetings of the Warrantholders or (save as aforesaid) to any of the rights or privileges of a Warrantholder until he shall have become registered as a holder of the Warrants.

7. Lost or Destroyed Certificates

If any certificate for Warrants is worn out or defaced then upon production of such certificate to the directors of the Company they may cancel the same and may issue a new certificate in lieu thereof. If any such certificate be lost or destroyed then upon proof thereof to the reasonable satisfaction of the directors of the Company (or in default of proof, on such indemnity as the directors of the Company may deem adequate being given) a new certificate in lieu thereof may be given to the persons entitled to such lost or destroyed certificate free of charge (save as regards any payment pursuant to any such indemnity).

8. Notices

Any notice or other document (including a Certificate for Warrants) may be given or sent to any Warrantholder by sending the same by post in a pre-paid envelope addressed to such Warrantholder to his registered address in the United Kingdom or (if he has no registered address within the United Kingdom) to the address (if any) in the United Kingdom supplied by him to the Company for the giving of notice to him.

9. Other Provisions

9.1 So long as any Subscription Rights remain exercisable:

(a) the Company shall not:

(i) (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend permitted pursuant to Condition 2.1(a)) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares; or

(ii) during (or as at a record date falling within) the period of six weeks ending on the Final Exercise Date make any such offer or invitation as is referred to in Condition 2.1(c) (except by extending to Warrantholders any such offers as may be made by a third party);

(b) the Company shall not, to the extent that Warrantholders would be adversely affected, prior to the Final Exercise Date in any way modify the rights attached to its existing Ordinary Shares as a class, or create any new class of shares except for shares which carry, as compared with the existing Ordinary Shares, no greater rights as regards voting, dividend or capital provided that nothing shall restrict the right of the Company to increase or to consolidate or sub-divide its share capital;

(c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in Condition 2.1(c) if as a result the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Ordinary Shares at a discount;

(d) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all Subscription Rights remaining exercisable;

(e) if at any time whilst the Subscription Rights remain capable of being exercised an offer or invitation is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued Ordinary Shares and the Company becomes aware that as a result of such offer or invitation the right to cast a majority of votes which may ordinarily be cast at a general meeting of the Company has become vested in the offeror and/or such persons or companies as aforesaid, the Company shall, so far as it is able, procure that an equivalent offer or invitation is made or extended at the same time to each Warrantholder as if the Warrants had been exercised in full and as if the Ordinary Shares issued pursuant to such exercise had been issued immediately prior to the record date for such an offer or invitation; and

(f) the Company shall send to the Warrantholders a copy of every document sent by it to the holders of its Ordinary Shares at the same time as it is sent to such holders.

10. Transfer

The Warrants will not be freely transferable save with the consent of the Company.

11. Registration

11.1 Each Warrant will be registered. When a Warrantholder exercises his rights in respect of part only of his holding of the Warrants the old Certificate shall be surrendered to the Company and cancelled and a new Certificate for the balance of such Warrants issued without charge.

11.2 Notwithstanding the provisions of the Instrument, there shall be no obligation on the part of the Company to make arrangements for the admission of the Warrants to the Official List of the United Kingdom Listing Authority or for the same to be admitted to trading on AIM or on any other recognised investment exchange upon which any of the Company's securities may be listed or traded in any part of the world.

PART VI

ADDITIONAL INFORMATION

1. Responsibility of the Concert Party

Each member of the Concert Party accepts responsibility for the information contained in this document in relation to itself. To the best of the knowledge and belief of each member of the Concert Party (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document for which he is responsible is in accordance with the facts and there is no omission likely to affect the import of such information.

2. Incorporation and share capital

(a) The Company was incorporated in England and Wales on 17 May 1994 under the name of Bart Ninety Six Limited with registered number 2929801 as a private company with limited liability under the Act. On 21 February 1996, the Company changed its name to Anglo-Welsh Group Limited. On 26 July 1996, the Company re-registered as a public company under the Act and its name changed to Anglo-Welsh Group plc. On 5 June 2002, the Company changed its name to AWG Services plc.

(b) On Admission, the Company will be the holding company of the Enlarged Group and will have the following wholly owned material subsidiaries:

(i) Oak Holdings Limited which was incorporated in England and Wales on 18 May 2000 with registered number 3996387;

(ii) Yorkshire Entertainment Sensation Limited which was incorporated in England and Wales on 19 June 2001 with registered number 4237140; and

(iii) Time Afloat Limited, which was incorporated in England and Wales on 24 November 1998 with registered number 3673342.

(c) The authorised and issued share capital of the Company at the date of this document and immediately following Admission is, or will be, as follows:

	Authorised		*Issued and fully paid*	
	£	*Number*	*£*	*Number*
Current	2,500,000	250,000,000	1,622,718	162,271,750
Following Admission	11,000,000	1,100,000,000	6,537,984.47	653,798,447

(d) The provisions of section 89 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash) will apply to the authorised but unissued share capital of the Company except to the extent disapplied by the Resolutions.

3. Summary of Memorandum and Articles of Association

Memorandum of Association

The principal object of the Company, which is set out in clause 4 of its Memorandum of Association, is to carry on business as a general commercial company.

Articles of Association

The Articles of Association of the Company, as amended by the Resolutions, (the "Articles") will contain, *inter alia,* provisions to the following effect:

(a) Dividends

(i) The Company may, by ordinary resolution, declare dividends to be paid to holders of Ordinary Shares but no such dividend shall exceed the amount recommended by the Directors. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may also from time to time pay interim dividends of such amounts and on such dates and in respect of such periods as they think fit. Subject to the extent that rights attached to any share provide otherwise, all dividends shall (as regards shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid proportionally to the amounts paid up during any portion of the period in respect of which the dividend is paid.

(ii) No dividends shall be paid otherwise than out of profits available for distribution under the provisions of the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes").

(iii) Any dividend unclaimed after a period of 12 years from the date when it becomes due for payment shall be forfeited and shall revert to the Company.

(b) Return of capital on a winding-up

If the Company commences liquidation, the liquidator may, with the authority of an extraordinary resolution of the Company:

(i) divide amongst the members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and, for that purpose, set such values as he deems fair upon any property to be divided and determine how the division shall be carried out between the members; and

(ii) vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit

but no member shall be compelled to accept any shares or other property in respect of which there is a liability.

(c) Voting rights

Subject to any terms as to voting attached by or in accordance with the Articles to any class of shares, every member present in person shall have one vote on a show of hands and, on a poll, every member present in person or by proxy shall have one vote for each share of which he is the holder. No member shall, unless the Directors otherwise determine, be entitled to vote in respect of any share held by him either personally or as proxy if any call or other sum payable by him to the Company in respect of that share remains unpaid.

(d) Suspension of rights

If a member, or any person appearing to be interested in shares held by such member, has been duly served with a notice under section 212 of the Act and is in default for a period of 28 days in supplying to the Company information thereby required then the directors may by notice direct that the member shall not be entitled to attend or vote at a shareholders' meeting or exercise any other right conferred by membership in respect of shareholders' meetings in respect of the shares in relation to which the default occurred ("default shares") or any other shares held by the member.

Where the default shares represent at least 0.25 per cent of the issued shares of the class of shares concerned the directors may by notice to the member direct that any dividend or other money which would otherwise by payable and any shares issued in lieu of any dividend in respect of the default shares shall be withheld by the Company without liability to pay interest and/or that no transfer of any of the shares held by the member shall be registered unless the transfer is an approved transfer (as defined in the Articles) or the member is not himself in default in supplying the information requested and the transfer is of part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the directors to the effect that after due and careful enquiry the member is satisfied that none of the shares the subject of the transfer are default shares. Any such direction notice shall cease to have effect in relation to any shares which are transferred by such member by means of an approved transfer upon the expiry of seven days from receipt of notice of such transfer having been made.

(e) Variation of rights

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes, be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. At every such separate general meeting the necessary quorum shall be at least two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

(f) Alteration of share capital

The company may from time to time by ordinary resolution:

(i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) cancel any shares which, at the date of the passing of the resolution have not been taken, or agreed to be taken, by any person and reduce the amount of its capital by the amount of the shares so cancelled; and

(iv) sub-divide its shares, or any of them into shares of smaller amounts than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions, as the Company has power to attach to unissued or new shares.

Subject to the provisions of the Statutes, the Company may purchase or enter into a contract under which it will or may purchase any of its own shares (including any redeemable shares) but so that if there shall be in issue any shares convertible into equity share capital of the Company of the class proposed to be purchased then the Company shall not enter into a contract to purchase such equity shares without the prior sanction of an extraordinary resolution passed at a separate meeting of the holders of such convertible shares.

Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

(g) Issue of shares

Subject to the provisions of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

(h) Transfer of shares

Any holder of ordinary shares may transfer in writing all or any of his ordinary shares by transfer in any usual or common form or in any other form which the directors may approve. The instrument of transfer of an ordinary share shall be signed by or on behalf of the transferor and (except in the case of fully paid ordinary shares) by or on behalf of the transferee. The directors may in their absolute discretion and without assigning any reason therefor refuse to register any transfer of ordinary shares (which are not fully paid ordinary shares and which are not quoted on AIM or on any other recognised investment exchange) or any allotment or transfer of shares (whether fully paid or not) to more than four persons jointly. The directors may also refuse to register a transfer of ordinary shares unless the instrument of transfer:

(i) is in respect of only one class of share;

(ii) is lodged at the transfer office accompanied by the relevant share certificates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

On 17 January 1997, pursuant to Regulation 16(2) of the Uncertificated Securities Regulations 1995 the directors resolved that title to Ordinary Shares, in issue or to be issued, may be transferred by means of a relevant system (as defined in the CREST Regulations) which shall include the relevant system of which Crestco Limited is the Operator (as defined in the CREST Regulations).

(i) Directors

(i) There shall be not less than three directors and unless otherwise resolved in general meeting, there shall be no maximum number of directors.

(ii) Directors shall not be required to hold any shares in the Company by way of qualification. A director who is not a member shall nevertheless be entitled to attend and speak at any general meeting.

(iii) The ordinary remuneration of the directors shall be determined by the directors but shall not in aggregate exceed £100,000 per annum or such higher amount as may from time to time be determined by an ordinary resolution of the Company. The directors may also be paid all reasonable expenses incurred by them in attending and returning from meetings of the Company or otherwise in connection with the business of the Company. Any director who holds any executive office (including for this purpose the office of Chairman or Deputy Chairman whether or not such office is held in an executive capacity) or who serves on any committee of the directors, or who otherwise performs services, which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits, as the directors may determine. The directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any director, or ex-director and for the purpose of providing any such gratuities, pension or other benefits to contribute to any scheme or fund or to pay premiums. The directors may purchase and maintain insurance for, or for the benefit, of any persons who are or were directors, officers, employees or auditors of the Company or a subsidiary, holding or associated company or who are or were trustees of any pension fund in which employees of the Company or any such other company are interested.

(iv) A director may be party to, or in any way interested in, any contract or arrangement or transaction to which the Company is a party, or in which the Company is in any way interested, and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any case as aforesaid (save as otherwise agreed by him) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

(v) Save as otherwise provided in the Articles, a director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any interest, which taken together with any interest of any person connected with him is a material interest otherwise than by virtue of his interest in shares or debentures or other securities of, or otherwise in or through, the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote. Subject to the provisions of the Statutes, a director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(aa) any arrangement relating to the giving of any security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;

(bb) any arrangement relating to the giving by the Company or any of its subsidiary undertakings of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase by members or any holders of securities in the Company or by the public in which offer he is or may be interested as a holder of such securities or as a participant in the underwriting or sub-underwriting thereof;

(dd) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he (together with persons connected with him) is not interested in one per cent or more of the issued shares of any class of such company or of the voting rights available to members of the relevant company;

(ee) any scheme or fund relating to pensions or other retirement, superannuation, death or disability benefit which relates both to directors and to employees or a class of employees and does not accord to any director as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates;

(ff) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme which provides for persons employed by the Company and its subsidiary undertakings (including directors holding executive positions with the Company or any of its subsidiary undertakings) to acquire shares in the capital of the Company which has been approved by the Inland Revenue or is conditional on such approval or any other similar arrangement for the benefit of such employees and does not accord to any director as such any privilege or advantage not generally accorded to other participating employees;

(gg) any proposal concerning any insurance in respect or for the benefit of any person or persons who is or are or include directors of the Company, which the Company has power to arrange and maintain; or

(hh) any other proposal for the benefit of employees of the Company or any subsidiary of the Company under which a director benefits in a similar manner as the employees and which does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom such proposal relates.

(vi) At each annual general meeting, one third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but no greater than one third) shall retire from office by rotation but if there is only one director who is subject to retirement by rotation, he shall retire.

The directors to retire by rotation shall include (so far as necessary to obtain the number required) any director who wishes to retire and not to offer himself for re-election. Any further directors to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring director shall be eligible for re-election.

Section 293 of the Act (which regulates the appointment and continuation in office of directors who have attained the age of 70) shall not apply to the Company.

(j) Borrowing powers

Subject to the Articles and to the provisions of the Statutes, the directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Articles do not contain any limitation on borrowing by the Company.

(k) Untraced shareholders

The Company shall be entitled to sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years, no communication has been received by the Company from the member or the person entitled by transmission and no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the member or person entitled by transmission at his address on the register of members or other last known address given by such person has been cashed and at least three dividends have been paid in relation to such shares during those 12 years and no such dividend has been claimed and within a further period of three months from the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of 12 years the Company has not received any communication from the member or the person entitled by transmission and notice has been given by the Company to the London Stock Exchange of its intention to make such sale. The Company shall be obliged to account to the former member or other person entitled by transmission for the net proceeds of the sale of such shares but no trust shall be created in respect of the debt and no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds.

4. Directors', Proposed Directors' and other interests in the share capital of the Company

(a) At as the close of business on 6 November 2003, (being the latest practicable date prior to the posting of this document), the interests of the Directors and their immediate families (including connected persons within the meaning of Section 346 of the Act) in the issued share capital of the Company (all of which are beneficial) are as follows:

Name	*Existing Shares*	*% of Existing Shares*
Stephen Thomson	5,495,579	3.39
Michael Hill	2,500,000	1.54
David Court	90,000	0.06

Stephen Thomson has previously been granted options to subscribe for 622,860 Ordinary Shares at 4.65p per share under the Approved Scheme and options to subscribe for 833,220 Ordinary Shares at 4.65p per share and 2,500,000 Ordinary Shares of 2.12p per share under the Unapproved Scheme.

Michael Hill has previously been granted options to subscribe for 622,860 Ordinary Shares at 4.65p per share under the Approved Scheme and options to subscribe for 2,500,000 Ordinary Shares at 2.12p per share under the Unapproved Scheme.

(b) The interests of the Directors and the Proposed Directors and their immediate families (including connected persons within the meaning of Section 346 of the Act) in the issued share capital of the Company immediately following Admission will be as follows:

Name	*Ordinary Shares*	*% of Enlarged Issued Ordinary Share Capital*
Stephen Thomson	5,495,579	0.84
Michael Hill	2,500,000	0.38
David Court	90,000	0.01
Malcolm Savage	72,590,915	11.10
Stephen Lewis	46,113,985	7.05
Graham Axford	14,562,312	2.23
Peter Collins	72,590,915	11.10
St. John Hartnell	72,590,915	11.10

All of the above interests of the Directors and Proposed Directors in the share capital of the Company are beneficial.

(c) The interests of the Concert Party in the issued ordinary share capital of the Company immediately following completion of the Proposals are as follows:

Name	*Ordinary Shares*	*% of Enlarged Issued Ordinary Share Capital*
St. John Hartnell	52,953,859	8.1%
Zenith Trustees Limited re 194	19,637,056	3.0%
Malcolm Savage & Mrs Stella Savage	72,590,915	11.1%
Stephen Lewis & Mrs Lynne Lewis	46,113,985	7.1%
Marc Lewis	26,476,930	4.0%
Credit Suisse Life & Pensions (Bermuda) Limited	72,590,915	11.1%
Roger Brown	14,341,670	2.2%
Anna Louise Brown	992,885	0.2%
Lucy Jane Brown	992,885	0.2%
Rosemary Brown	1,985,770	0.3%
Graham Axford	4,854,104	0.7%
Anne M Axford	4,854,104	0.7%
R G Axford	4,854,104	0.7%
Yorke & Hartford Limited	4,854,104	0.7%
Elizabeth Jane Bailey	4,854,104	0.7%
Brian Cann	5,957,309	0.9%
Bermuda House Securities (No. 2) Limited	30,227,828	4.6%
Colin Warfield	24,049,877	3.7%
Adrian Slade	5,957,309	0.9%
Woodstock Holdings Limited	36,185,137	5.5%
Anthony Richmond	5,957,309	0.9%
Subtotal	441,282,159	67.3%
The current minority shareholders of Yes, introduced to the investment by Mr Darren Mercer, a former director of Oak:		
Rock Nominees Limited for Mr Darren Mercer	11,031,965	1.7%
Rock Nominees Limited for Mr Melvyn Sandler and others	12,394,998	1.9%
Mrs Julie Scott	1,014,949	0.2%
Windvale Limited	6,128,879	0.9%
Matisse Limited	2,476,078	0.4%
Zone Insure Limited	882,564	0.1%
Michael Sutton	8,384,272	1.3%
Grant Mercer	2,010,261	0.3%
Nihal Pieris	1,274,820	0.2%
Robin Toes	3,432,160	0.5%
Total	490,313,105	74.8%

Notes: No account has been taken of the possible increase in these shareholdings which would result were the Undertakings to Subscribe (which have been given on a pro rata basis by all the members of the Concert Party) to be enforced by the directors of AWG in due course or of the decrease in the percentage holdings which would result from the exercise of the Warrants or any Options (none of which are held by the Concert Party). The maximum interests of members of the Concert Party following completion of the Acquisition and assuming enforcement of the Undertakings to Subscribe are set out in paragraph 4(h) below.

(d) As at the close of business on 6 November 2003 (the latest practicable date prior to the posting of this document), the Company had been notified, in accordance with Section 198 of the Act, or was otherwise aware of, the following interests (other than the interests of the Directors set out in paragraph 4(c) above), directly or indirectly, in three per cent. or more of the issued share capital of the Company:

Name	*Existing Shares*	*% of Existing Shares*
D. J. Medlock	30,653,533	18.9
E. L. Harrison	11,250,000	6.9
G. R. Peyer	7,300,000	4.5

(e) Immediately following Admission, based on the information available at the date of this document, the following persons will be interested (in addition to the interests of the Directors and the Proposed Directors set out in paragraph 4(b) above and the interests of the Concert Party set out in paragraph 4(c) above) in three per cent. or more of the Enlarged Issued Ordinary Share Capital of the Company:

Name	*Number*	*% of Enlarged Issued Ordinary Share Capital*
D. J. Medlock	30,653,533	4.7

(f) Save as disclosed in paragraphs 4(a) to (e) above, the Company has not been notified of any interest (within the meaning of Part VI of the Act) which represents three per cent. or more of the Existing Shares or, following Admission, will represent three per cent. or more of the Enlarged Issued Ordinary Share Capital nor, so far as the Company is aware, are there any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

(g) In addition to those given by the Directors, irrevocable undertakings to vote in favour of the Resolutions have been given by the following shareholders in respect of the Existing Shares which they control:

Name	*Number of Existing Shares*
Hebron & Medlock (Holdings) Limited	7,500,000
D. J. Medlock	13,838,533
St Georges Pension Scheme	1,875,000
The Medlock Charitable Trust	1,875,000
Hebron & Medlock FURB	1,690,000
J. M. Medlock	1,325,000
P. J. Medlock	1,250,000
D. J. Medlock and S. J. Medlock	1,250,000
D. J. Medlock and R. J. Medlock	1,250,000
E. L. Harrison	11,250,000
G. Peyer	7,300,000
Total	50,403,533

(h) Information relating to the Concert Party

Name	*Description*	*Maximum % of enlarged issued ordinary share capital*
Malcolm Savage and Mrs Stella Savage	A Proposed Director and his wife— see Part I for further details of Mr Savage	11.2%
Stephen Lewis and Mrs Lynne Lewis	A Proposed Director and his wife — see Part I for further details of Mr Lewis	7.1%
Marc Lewis	Adult child of Stephen Lewis	4.1%
Graham Axford	A Proposed Director — see Part I for further details of Mr Axford	0.7%
Mrs Anne Axford	Wife of Graham Axford	0.7%
Robin Axford	Adult son of Graham Axford	0.7%
Mrs Elizabeth Bailey	Adult daughter of Graham Axford	0.7%
Yorke & Hartford Limited	A company controlled by Graham Axford and his family	0.7%
Credit Suisse Life & Pensions (Bermuda) Limited	An insurance company which issued an insurance bond of which Mr Peter Collins, a Proposed Director, and his family are the policy holders and beneficiaries and who have responsibility for proposing investment decisions—see Part I for further details of Mr Collins	11.2%
St. John Hartnell	A Proposed Director — see Part I for further details	8.2%
Zenith Trustees Limited re 194	As trustees of a trust for the benefit of various members of the Hartnell family (of which St. John Hartnell is included)	3.0%
Roger Brown	The Company Secretary of Oak	2.2%
Rosemary Brown	Wife of Roger Brown	0.3%
Anna Brown	Adult daughter of Roger Brown	0.2%

Name	*Description*	*Maximum % of enlarged issued ordinary share capital*
Lucy Brown	Adult daughter of Roger Brown	0.2%
Brian Cann	A former managing director of the St. Martins Property Group	0.9%
Bermuda House Securities (No. 2) Limited	Investment company controlled by John Hickman - an independent property investor and client of Hartnell Taylor Cook's London Office.	4.7%
Colin Warfield	An independent property investor and acquaintance of St. John Hartnell, based in Bristol	3.7%
Adrian Slade	A private investor and friend of St. John Hartnell, based in Bristol	0.9%
Woodstock Holdings Limited	An investment company controlled by a Kuwaiti investor, Mr Faisal Jaffar and his wife. In addition to its investment in Oak, it owns one other unquoted investment. The directors of Woodstock Holdings Limited are four authorised signatories of Ansbacher Trustees (Jersey) Limited, the administrators of the company. Its involvement in Oak arose from an introduction from Mr Jaffar's brother who represented, in the UK, the owners of the St. Martins Property Group.	5.6%
Anthony Richmond	A private investor and friend of St. John Hartnell based in Bristol	0.9%
Darren Mercer	A former director of Oak based in Cheshire	1.7%
Melvyn Sandler	A private investor introduced to Yes through Mr Darren Mercer acting for himself and other such private investors	1.9%
Mrs Julie Scott	A private investor introduced to Yes through Mr Darren Mercer	0.2%
Windvale Limited	An investment company under the management of City Trust Limited	0.9%
Matisse Limited	An investment company under the management of City Trust Limited	0.4%
Zone Insure Limited	An investment company controlled by Mr Maurice Mason, a Cheshire-based solicitor	0.1%
Michael Sutton	A private investor introduced to Yes through Mr Darren Mercer	1.3%
Grant Mercer	A private investor introduced to Yes through his brother Mr Darren Mercer	0.3%
Nihal Pieris	A private investor introduced to Yes through Mr Darren Mercer	0.2%
Robin Toes	A private investor introduced to Yes through Mr Darren Mercer	0.5%

Note: The maximum percentage interest in the enlarged issued ordinary shares shown above assumes that the Acquisition is completed, that the Undertakings to Subscribe are enforced and that no Options or Warrants are exercised.

5. Interests and Dealings

(a) Save for their interests arising as a consequence of the Acquisition, no member of the Concert Party nor any director of any member of the Concert Party nor any person acting in concert with any member of the Concert Party owned, controlled or was interested, directly or indirectly, in any relevant securities on 6 November 2003 (the latest practicable date prior to the posting of this document), nor has any such person dealt for value in any relevant securities during the disclosure period.

(b) Save as disclosed in sub-paragraphs 4(a), 4(b) and 4(g) above, none of the Directors or Proposed Directors nor any member of their immediate families, nor any person who has given an undertaking to vote in favour of the Resolutions, owned, controlled or (in the case of the Directors and the Proposed Directors and their immediate families) was interested, directly or indirectly, in any relevant securities on 6 November 2003 (the latest practicable date prior to the posting of this document) nor has any such person dealt for value in any relevant securities during the disclosure period.

(c) No bank, stockbroker, financial or other professional adviser other than an exempt market maker to the Company or any subsidiary of the Company or any associated company of the Company, nor any person controlling, controlled by, or under the same control as such bank, stockbroker, financial or other professional adviser, nor any subsidiary of the Company or pension fund of the Company or of any of its subsidiaries, nor any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, owned, controlled or was interested directly or indirectly, in any relevant securities on 6 November, 2003 (the latest practicable date prior to the posting of this document), nor has any such person dealt for value therein during the disclosure period.

(d) No member of the Concert Party nor the Company nor any associate (as defined in sub-paragraph (g)(i) below) of any member of the Concert Party or any of the directors, recent directors, shareholders or recent shareholders of the Company has any arrangement with any person in relation to relevant securities. For the purposes of this paragraph, "arrangement" includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature which may be an inducement to deal or refrain from dealing.

(e) There is no agreement, arrangement or understanding (including any compensation arrangement) which exists between any member of the Concert Party and any of the directors, recent directors, shareholders or recent shareholders of AWG having any connection with or dependence upon the Proposals.

(f) Neither the Company nor any person acting in concert with the Company, nor any of the Directors, nor any member of their immediate families owns or controls or is interested in (beneficially or otherwise), nor has any arrangement in relation to any shares in any corporate member of the Concert Party or in any securities convertible into rights to subscribe for options (including traded options) for such shares nor has any such person dealt for the value therein during the disclosure period.

(g) In this paragraph 5(g):

   (i) references to an "associate" of any company are to:

      (a) its subsidiaries and associated companies and companies of which any such subsidiaries or associated companies are associated companies;

      (b) banks and financial and other professional advisers (including stockbrokers) to it or a company covered in (a) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;

      (c) its directors and the directors of any company in (a) above (together in each case with their immediate families and related trusts);

      (d) its pension funds or of a company covered in (a) above; and

      (e) (in relation to the Company) an investment company, unit trust or other person whose investments an associate (as otherwise defined in this sub-paragraph (g)(i)) manages on a discretionary basis, in respect of the relevant investment accounts;

(ii) references to a "bank" do not apply to a bank whose sole relationship with any member of the Concert Party or the Company or a company covered in (i)(a) above is the provision of normal commercial banking services or activities in connection with the Acquisition, such as registration work;

(iii) ownership or control of 20 per cent or more of the equity share capital of a company is regarded as the test of associated company status and "control" means a holding, or aggregate holdings, of shares carrying 30 per cent or more of the voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting, irrespective of whether the holding gives *de facto* control;

(iv) "relevant securities" means the Existing Shares and other securities convertible into or exchangeable for, rights to subscribe for and options (including traded options) in respect of, or derivatives referenced to, any of the foregoing;

(v) "derivative" includes any financial product whose value, in whole or in part, is determined directly or indirectly by references to the price of any underlying security but which does not include the possibility of delivery of such underlying securities; and

(h) the "disclosure period" is the period commencing on 7 November, 2002, being the date 12 months prior to the posting of this document, and ending on 6 November, 2003 being the latest practicable date prior to the posting of this document.

6. Arrangements with Directors and Proposed Directors

(a) The following Proposed Directors have entered into agreements with the Company, conditional on Admission, each of which is dated 7 November, 2003, under which their roles and annual basic salaries are as follows:

Proposed Director	*Role*	*Annual salary* £
Malcolm Savage	Chairman	36,000
Stephen Lewis	Chief Executive	72,000

Pursuant to his service agreement Stephen Lewis' salary will rise to £100,000 at such time as outline planning permission is received in relation to the Yes Project. In addition to termination for cause, either party may terminate the service agreement on twelve months' written notice. Pursuant to his consultancy agreement Malcolm Savage will be obliged to work a minimum of 90 days during a 12 monthly working period. In addition to termination for cause, either party may terminate the consultancy agreement on twelve months' written notice, reducing to three months' written notice after outline planning permission has been received and the Yes Project has received sufficient funding.

(b) Stephen Thomson entered into a service agreement with the Company on 18 July 2000. Pursuant to the service agreement he receives an annual salary of £30,415 on the basis of 70 working days during a 12 month working period. Any additional days are to be paid at an agreed daily rate. In addition to termination for cause, the service agreement is terminable on 12 months' written notice by either party.

(c) Michael Hill entered into a service agreement with the Company on 18 July 2000. Pursuant to the service agreement he receives an annual salary of £46,750. In addition to termination for cause, the service agreement is terminable on 12 months' written notice by either party.

(d) Stephen Lewis, Stephen Thomson and Michael Hill are also each entitled to a payment of £2,500 per annum as a contribution to the premiums payable in respect of their private health schemes.

(e) Pursuant to conditional letters of appointment dated 24 October 2003 St. John Hartnell, Graham Axford and Peter Collins have each agreed, conditional on Admission, to act as a non-executive director for an annual fee of £10,000. Each of the appointments may be terminated by either party giving 12 months' written notice.

(f) Save as provided above, there are no service agreements in existence between any of the Directors or Proposed Directors and the Company, which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year and, save for the payment to Stephen Thomson and Michael Hill referred to in sub-paragraph (d), above, and none of the service contracts referred to in this paragraph have been amended in the past six months.

(g) In addition to directorships of the Company, the Directors and the Proposed Directors hold or have held the following directorships or are or have been partners of the following partnerships within the five years prior to the date of this document:

Directors	*Current Directorships*	*Past Directorships*
Stephen Thomson	Tellings Golden Miller Group plc SGT Services Limited Ecarfinder Limited Docklands Restaurant Boat Company Limited Time Afloat Limited Quotient Communications Limited*	Dart Spring & Safe Co Limited Scanda Springs (1996) Limited Medical Solutions PLC The West Bromwich Spring Limited Conquest Business Media Limited Anglo-Welsh Limited Dartline Cruisers Limited Trevor Wharf Services Limited New Mills Wharf Limited Anglo-Welsh Engineering Limited Boating Bargains Limited Canal Pleasurecraft (Stourport) Limited Dartline Boatbuilders (Bunbury) Limited Anglo-Welsh Waterway Holidays Limited Harborough Marine Limited Shropshire Union Cruisers Limited Dartline (Tardebigge) Limited
Michael Hill	Time Afloat Limited Docklands Restaurant Boat Company Limited	Boating Bargains Limited Harborough Marine Limited Anglo-Welsh Engineering Limited Canal Pleasurecraft (Stourport) Limited Penhurst Ventures Limited Crittall Holdings Limited NW Transition Limited Crittall Windows Limited Crittall Pension Trustees Limited Anglo-Welsh Limited E. D. Hinchliffe & Sons Limited Dartline Boatbuilders (Bunbury) Limited Dartline Cruisers Limited Anglo-Welsh Waterway Holidays Limited Shropshire Union Cruisers Limited Dartline (Tardebigge) Limited Trevor Wharf Services Limited New Mills Wharf Limited
David Court	Norfolk Country Cottages Limited Cawston College Trust Limited	British Marine Federation

Directors	*Current Directorships*	*Past Directorships*
Malcolm Savage	Oak Holdings Limited Surrey Heights Management Company Limited Yorkshire Entertainment Sensation Limited	British Property Federation (Europe) Limited Hays Galleria Limited Weyside Seventeen Limited Porkellis Finance Limited Lacehead Limited Lister Hospital Services Limited London Bridge City Limited SMP Management Limited St. Martins Property Corporation Limited Forwardground Property Management Limited Hursley Estate Limited Devereux Properties Limited London & Northern Properties Limited St. Martins Properties Limited British Property Federation
Stephen Lewis	Oak Holdings Limited Yorkshire Entertainment Sensation Limited Crowngate Limited Westminster Leisure Limited Servopark Heathrow Limited Riverside Arches Limited	Chiltonwalk Limited Crowngate Estates Developments Limited Chiltonwalk-Bell Limited
Graham Axford	Oak Holdings Limited Yorke & Hartford Limited Cross-Forth Limited Cross-Forth Property Investments Limited Corporate Seed Capital Limited Lincoln Warwick Limited Corporate Finance Partners Limited Open Learning International Limited Parallel Media Group PLC Tour de Las Americas Enterprises Limited Yorkshire Entertainment Sensation Limited	Zamora Limited Cross-Forth Developments Limited Cameo Editions Limited World Soccer 61X'S Limited Intermezzo Productions Limited Johnston Holdings Limited
St. John Hartnell	Oak Holdings Limited Hartnells Limited Hartnell Limited Commercial & Merchant Finance Limited The Matthew Project Limited HTC Project Management International Limited The London Auction Limited The Bristol Auction Limited The Greater Bristol Light Railway Limited Swanwell Investments Limited Hobbin Limited Cardok Limited Yorkshire Entertainment Sensation Limited	Bristol Cabot 500 Celebrations (1997) Limited Legend Court Investments Limited Legend Court Limited DNEGEL Limited FIABCI 2000 Limited The Bristol International Festival of the Sea (1996) Limited SMV Investments

Directors	*Current Directorships*	*Past Directorships*
Peter Collins	Stuart Alexander St. Olaf Limited Healthcare & Protection (UK) Limited Leisureworld (GB) Limited Oak Holdings Limited Yorkshire Entertainment Sensation Limited Portroyal Services Limited Britannia Insurance Solutions Limited Healthcare & Protection Limited Bespoke Legal Solutions Limited Lottery Insurance Promotional Services Limited	Compu Kill Limited Claims Connections Limited Simtalk Limited Legend Court Limited Legend Court Investments Limited

*Quotient Communications Ltd, a company of which Stephen Thomson was a director, was put into administrative receivership by the directors of that company on 13 May 2002. The West Bromwich Spring Ltd, a company of which Stephen Thomson was a director, was put into administration by its directors, on the 20 January 2000, during which time a CVA was agreed with its creditors. This company came out of Administration on the 13 July 2000 and successfully met the liabilities of the CVA.

County Inns PLC, a company of which Graham Axford was a director, had an LPA receiver appointed on behalf of its bankers on 30 July 1992. County Inns PLC was subsequently wound up by the Official Receiver and Liquidator which process was completed on 1 March 1995. Interset plc, a company of which Graham Axford was a director from 8 January 1993 to 31 December 1993, entered into a creditors' voluntary arrangement with its creditors on 23 November 1993 which was subsequently completed. Interset plc was put into creditors' voluntary liquidation (with an estimated deficiency of £5,580 owed to one creditor) on 26 September 1994 and dissolved on 26 November 1997.

(h) Save as detailed in paragraph (e) above, none of the Directors or Proposed Directors has any unspent convictions in relation to indictable offences, nor has any been declared bankrupt or entered into any individual voluntary arrangement, nor been a partner in a partnership at the time of, or within 12 months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such a partnership, nor been a director of a company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, nor has any had a receivership of any asset of his or of a partnership when he was a partner at the time of or within twelve months preceding such event nor has any of them been publicly criticised by any statutory or regulatory authority (including recognised professional bodies), nor been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(i) Save as disclosed in this paragraph 6 no Director or Proposed Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Enlarged Group and which was effected by the Enlarged Group and remains in any respect outstanding or unperformed.

(j) Corporate Finance Partners Limited, of which Graham Axford, a Proposed Director, is a director and shareholder, is retained by Oak to provide advice pursuant to a letter of engagement dated 6 January 2003 at the rate of £2,000 per month for a two year period. It is also entitled to a fee in connection with the Acquisition (on a basis confirmed in a subsequent letter) and is exclusively appointed to arrange debt financing for the development and long term finance to refinance the development finance, in respect of which it is entitled to fees on success. SBL Partnership, a business in which Mr Lewis has a controlling interest, has provided surveying consultancy services to Oak from 1 January 2003 for a monthly fee of £6,000. This arrangement will cease upon his service agreement becoming unconditional. SBL Partnership has also provided Oak with the use of office premises currently at the rate of £3,025 per month.

(k) No loans made or guarantees granted or provided by the Company or any member of the Enlarged Group to or for the benefit of any Director or Proposed Director are outstanding.

(l) The aggregate remuneration paid and benefits in kind granted to the Directors during the last completed financial year was £102,992. The estimated aggregate remuneration payable and benefits in kind to be granted to the Directors and the Proposed Directors for the current financial year under the arrangements in force at the date of this document is £119,888.

(m) Pursuant to an agreement dated 1 May 2001, SGT Services Limited, a company controlled by Stephen Thomson agreed to provide the Company with the use of office premises at a rent of £5,040 per annum. This agreement is terminable on three months' written notice by either party.

7. (a) Approved Employee Share Option Scheme

The following is a summary of the Rules of an Approved Employee Share Option Scheme ("the Approved Scheme") which was adopted by the Company on 17 January 1997.

(i) *Eligibility*

All employees and full-time directors of the Company and its subsidiaries who are not within 2 years of their contractual retirement date are eligible to participate at the discretion of a non-executive committee of the Board ("the Remuneration Committee").

(ii) *Grant of options*

Following Admission, options may be granted in each year in a period of 42 days starting on the announcement of the company's interim or final results. In circumstances deemed exceptional by the Remuneration Committee options may be granted outside this normal period. Options may not be granted more than 10 years after the date of the adoption of the Approved Scheme. No consideration is payable for the grant of an option. Options granted under the Approved Scheme are personal to a participant and, except on his death, may not be transferred.

When granting options, the Remuneration Committee may specify objective performance targets which must be satisfied before those options may be exercised.

(iii) *Exercise price*

The price at which participants in the Approved Scheme may acquire Ordinary Shares shall not be less than the greater of the nominal value of an Ordinary Share and its market price on the date of grant. The market price is set at the value agreed with the Inland Revenue or, if the Company becomes fully listed, the average of the middle market quotations for an Ordinary Share on the London Stock Exchange on the 3 dealing days ending immediately prior to the date of the grant.

(iv) *Individual limits*

No option may be granted to a participant which would result in the aggregate exercise price of Ordinary Shares comprised in options granted to him under the Approved Scheme and any other equivalent approved share option scheme of the Company or any associated company exceeding £30,000. In addition, options may only be granted subject to a four times annual remuneration limit, which will take account of all options granted under the Approved Scheme or any other discretionary share option scheme. Any option which has already been exercised or has lapsed or been surrendered shall be ignored in calculating these limits.

(v) *Exercise, lapse and exchange of options*

Options may normally be exercised in whole or in part during the period between the third and tenth anniversaries of their grant provided any performance targets specified at the date of grant have been achieved. Options may be satisfied by the issue of new Ordinary Shares or the transfer of existing Ordinary Shares.

Options normally lapse on cessation of employment. However, exercise is permitted for a limited period following cessation of employment for specified reasons such as redundancy, retirement or ill health, and at the discretion of the Remuneration Committee. In the event of an amalgamation, take-over or winding up of the Company options may be exercised within certain time limits. There are also provisions for the exchange of options in specified circumstances. Options may not be transferred, assigned or charged and immediately become void in the event of the participant's bankruptcy.

(vi) *Limits on the issue of shares*

No option to subscribe for Ordinary Shares may be granted on any date if the number of Ordinary Shares comprised therein, when aggregated with the number of Ordinary Shares issued or remaining issuable under the Approved Scheme or under any other employee share scheme in the period of 10 years ending on that date, would exceed 10 per cent of the issued share capital of the Company. Of that 10 per cent, no more that 5 per cent may be used for the granting of options under the Approved Scheme.

(vii) *Adjustments*

With the prior approval of the Inland Revenue, the number of shares comprised in an option and/or the exercise price may be adjusted if any capitalisation issue, offer by way of rights or any sub-division, reduction or consolidation or other variation of the Company's share capital occurs.

(viii) *Rights attaching to shares*

All Ordinary Shares allotted under the Approved Scheme will rank pari passu with all other Ordinary Shares of the Company for the time being in issue, save as regards any rights arising by reference to a record date prior to the date of allotment. An application will be made for any such Ordinary Shares to be admitted to AIM.

(ix) *Amendments*

The Remuneration Committee may at any time amend the Approved Scheme provided that the prior approval of the Company in general meeting is obtained for amendments which would make the terms of options more generous to participants. However, such prior approval will not be required in relation to any amendment which is made to obtain or maintain Inland Revenue approval or to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable taxations, exchange control or regulatory treatment of any participating company or any participant. No amendment shall have effect without the prior approval of the Inland Revenue.

(b) Unapproved Executive Share Option Scheme

As well as the Approved Scheme referred to above, the Company has established an Unapproved Executive Share Option Scheme ("the Unapproved Scheme") which was adopted by the Company on 17th January 1997. The Rules of the Unapproved Scheme conform substantially to those of the Approved Scheme. The following summary highlights only those provisions of the Unapproved Scheme which differ materially from the equivalent provisions of the Approved Scheme:

(i) *Eligibility*

To be eligible to participate in the Unapproved Scheme a participant (whether a director or an employee) must work full-time.

(ii) *Grant of Options*

When granting options, the Remuneration Committee shall specify objective performance targets which must be satisfied before these options may be exercised.

(iii) *Exercise price*

Whilst the Company's Ordinary Shares are traded on AIM the market price at the date of grant shall be deemed to be the market quotation for an Ordinary Share on AIM at the close of business on the dealing day ending immediately prior to the date of grant. This complies with the Inland Revenue's practice on valuing the shares of an AIM company.

(iv) *Individual limits*

There is no £30,000 limit under the Unapproved Scheme. As under the Approved Scheme, a four times annual remuneration limit on the value of outstanding options shall apply to participants.

(v) *Exercise, lapse and exchange of options*

Options may normally be exercised in whole or in part during the period between the third and seventh (rather than tenth) anniversaries of their grant. In all other material respects the exercise provisions set out in the Unapproved Scheme equate to those in the Approved Scheme.

8. Material Contracts

(a) The following contracts have been (or will be prior to Admission) entered into by the Group, otherwise than in the ordinary course of business during the two years preceding the date of this document and are, or may be, material:

(i) A share purchase agreement dated 8 July 2002 between the Company and Edith Lilian Harrison, Timothy John Ward and Mark Timothy Goodman (the "Purchasers") for the sale of Anglo-Welsh Overseas Limited for a consideration of £1 plus an additional consideration based on a proportion of the sales value of each boat sold by the Purchasers each year until 31 May 2006 . The agreement contains warranties from the Company in favour of the Purchasers, subject to certain limitations.

(ii) A Nominated Adviser Agreement dated 22 May 2003 between the Company (1) and CFA (2) pursuant to which the Company appointed CFA to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company agreed to pay CFA a fee of £10,000 per annum for its services as nominated adviser under the agreement, together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia,* compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of the agreement and thereafter is subject to termination by either party on the giving of three months' notice.

(iii) The Acquisition Agreement whereby the Company agreed to acquire the entire issued share capital of Oak in consideration for the issue of the Consideration Shares. The Acquisition Agreement is conditional, inter alia, on the Shareholders approving the Resolutions at the EGM and the Enlarged Issued Ordinary Share Capital being admitted to trading on AIM. The agreement contains warranties from Malcolm Savage, Stephen Lewis, Peter Collins, Graham Axford and St. John Hartnell (the "Warrantors") in relation to the business, assets and affairs of Oak, subject to certain limitations. The agreement also provides for the Warrantors to give certain indemnities in respect of the tax affairs of Oak. The agreement also contains non-competition restrictions on certain of the Warrantors for a period of three years from completion of the Agreement.

(iv) The instrument constituting the Warrants as summarised in Part V.

(v) An undertaking dated 15 October 2003 from Fiske plc pursuant to which Fiske plc agreed, conditional on Admission and the payment of its fee of £25,000, to subscribe for 1,213,592 Ordinary Shares at 2.06 pence per share.

(vi) Lock-in Deeds dated 24 October 2003 from each of the Proposed Directors and shareholders of Oak associated with each of them pursuant to which they have undertaken to the Company and CFA not to dispose of any Ordinary Shares for a period of 24 months from Admission and thereafter for a further period of 12 months only to dispose of any Ordinary Shares on an orderly market basis.

The undertakings do not apply to a disposal of Ordinary Shares resulting from an intervening court order, the death of a party giving the undertaking, acceptance of a takeover offer for the Company which is open to all Shareholders or agreement to accept a takeover offer for the Company (and such agreement being conditional upon a takeover offer being made for the Company which is open to all Shareholders). For the avoidance of doubt, there is no provision in the undertakings which would prevent the relevant party from acquiring or offering to acquire Ordinary Shares in the Company. After the first anniversary, the undertakings may be disapplied in respect of a sale but only with the consent of the Company's then Nominated Adviser. In addition, after the first anniversary of Admission, the undertakings permit Ordinary Shares to be sold for the purposes of satisfying any warranty claims under the Acquisition Agreement.

(vii) Lock-in Deeds dated 11 August 2003 from Stephen Thomson and Michael Hill pursuant to which they have undertaken to the Company and CFA not to dispose of any Ordinary Shares for a period of 12 months from Admission. The undertakings do not apply to a disposal of Ordinary Shares resulting from an intervening court order, the death of a party giving the undertaking, acceptance of a takeover offer for the Company which is open to all Shareholders or agreement to accept a takeover offer for the Company (and such agreement being conditional upon a takeover offer being made for the Company which is open to all Shareholders). For the avoidance of doubt, there is no provision in the undertakings which would prevent the relevant party from acquiring or offering to acquire Ordinary Shares in the Company.

(viii) Lock-in Deeds dated either 23 or 24 October 2003 from the existing shareholders of Oak other than those entering into the Lock-in Deeds described in paragraph 8(a)(vi) above pursuant to which they have undertaken to the Company and CFA not to dispose of any Ordinary Shares for a period of 24 months after Admission and thereafter for a further period of 12 months only to dispose of them on an orderly market basis. These undertakings may be disapplied in respect of a sale but only with the consent of the Company's then Nominated Adviser. The undertakings do not apply to a disposal of Ordinary Shares resulting from an intervening court order, the death of a party giving the undertaking, acceptance of a takeover offer for the Company which is open to all Shareholders or agreement to accept a takeover offer for the Company (and such agreement being conditional upon a takeover offer being made for the Company which is open to all Shareholders).

(ix) Lock-in Deeds dated 24 October 2003 from the existing shareholders of Yes other than Oak pursuant to which they have undertaken to the Company and CFA not to dispose of any Ordinary Shares for a period of 6 months after Admission and thereafter for a further period of 18 months only to dispose of them on an orderly market basis. These undertakings may be disapplied in respect of a sale but only with the consent of the Company's then Nominated Adviser. The undertakings do not apply to a disposal of Ordinary Shares resulting from an intervening court order, the death of a party giving the undertaking, acceptance of a takeover offer for the Company which is open to all Shareholders or agreement to accept a takeover offer for the Company (and such agreement being conditional upon a takeover offer being made for the Company which is open to all Shareholders).

(x) Orderly market undertaking dated 4 November 2003 from David Medlock pursuant to which David Medlock has undertaken to the Company and CFA for a period of 12 months from Admission only to dispose of any Ordinary Shares on an orderly market basis through the Company's broker.

(xi) Undertakings to be dated 2 December 2003 from each member of the Concert Party pursuant to which, for a period of 12 months from the date of Admission, the members of the Concert Party have agreed, following the receipt of a notice from the Company, to subscribe in aggregate for approximately a further 12.1 million Ordinary Shares at a price of 2.06 pence per share.

(b) The following contracts have been (or will be prior to Admission) entered into by the Oak Group, otherwise than in the ordinary course of business during the two years preceding the date of this document and are, or may be material:

(i) A Preferred Developer Agreement dated 16 May 2003 between Rotherham Metropolitan Borough Council (1) and Oak (2) pursuant to which Rotherham Metropolitan Borough Council appointed Oak the sole and preferred developer in respect of the development of land at Pithouse West, Rotherham. The agreement provides that Oak and Rotherham Metropolitan Borough Council will work together on the development as a joint venture. The agreement is exclusive to Oak until 15 May 2005. Oak's obligations under the agreement include monitoring the progress of an application for planning permission, securing funding for the development once planning permission is granted and securing at least two blue-chip companies as tenants of the developed property.

(ii) A facility letter dated 5 October 2003 from Adam & Company Public Limited Company to Oak pursuant to which Adam & Company Public Limited Company has provided an overdraft facility of up to £375,000.

(iii) Payment Deferral Agreements each dated 7 November 2003 and made, in similar form, between Oak and each of St John Hartnell, Malcolm Savage, Peter Collins, Stephen Lewis and Graham Axford by which the repayment of certain loans owing by Oak to these individuals and the submission of certain invoices to Oak by these individuals in respect of services rendered by them is deferred, subject to certain events of default, until 30 June 2007. The total sum the subject of these agreements is £164,515.

(iv) A Share Exchange Agreement to be dated 2 December 2003 between the current minority shareholders of Yes, as described in paragraph 4(c) of this Part VI above, and Oak pursuant to which Oak has agreed to acquire all the shares of Yes not currently held by itself, in exchange for an issue to the current minority shareholders of Yes of shares in Oak comprising 10 per cent of the total enlarged share capital of Oak after such issue. Completion of the share exchange is conditional, inter alia, on the Shareholders approving the Resolutions at the EGM.

9. Litigation

(a) No legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Company or any member of the Group which are having or may have a significant effect on the Company's or the Group's financial position.

(b) No legal or arbitration proceedings are active, pending or threatened against, or being brought by, Oak or any member of the Oak Group which are having or may have a significant effect on Oak's or the Oak Group's financial position.

10. Taxation

The following statements are intended only as a general guide to current UK tax legislation and to the current practice of the UK Inland Revenue (the "Inland Revenue") and may not apply to certain shareholders, such as dealers in securities. They relate only to persons who are the absolute beneficial owners of Ordinary Shares, are resident (or, if individuals, resident or ordinarily resident) in the UK for UK tax purposes (except where stated otherwise) and who hold Ordinary Shares as investments and not as trading stock. Different rules may apply in other cases. Any person who is in any doubt as to his tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult his professional advisers immediately.

(a) *Dividends*

The following statements relate only to the tax treatment, under existing law, of dividends paid on the Ordinary Shares on or after 6 April 1999.

(i) Under current UK tax legislation the Company is not required to withhold tax at source from dividend payments it makes.

(ii) Individual shareholders resident for tax purposes in the UK should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. Such an individual shareholder's liability to UK income tax is calculated on the sum of the dividend and the tax credit (the "gross dividend") which, with certain other investment income, will be regarded as the top slice of the individual's income and which will be subject to UK income tax at special rates of tax as described below. The tax credit therefore equals 10 per cent. of the gross dividend. The tax credit will be available to offset such shareholder's liability (if any) to income tax on the gross dividend.

Individual shareholders liable to tax at a rate equal to or lower than the basic rate will be liable to tax on dividend income received at the rate of 10.0 per cent. This means that the tax credit will satisfy, in full, the income tax liability of a UK resident individual shareholder liable to pay income tax at a rate equal to or lower than the basic rate.

The rate of income tax applied to UK company dividends received by UK resident individuals liable to income tax at the higher rate will be 32.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

With limited exceptions (relating to shares held in individual savings accounts or personal equity plans prior to 5 April 2004) individual shareholders who are resident in the UK cannot claim repayment of the tax credit from the Inland Revenue.

(iii) A corporate shareholder resident for tax purposes in the UK will not normally be liable to corporation tax on any dividend received from a company resident in the UK.

(iv) Tax exempt pension funds cannot reclaim from the Inland Revenue tax credits attaching to dividend payments on UK equities.

(v) Individual shareholders who are resident for tax purposes in countries other than the UK but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands or certain other persons who are entitled to a tax credit as if they were resident for tax purposes in the UK which they may set off against their total UK income tax liability. Such shareholders will generally not be able to claim repayment of the tax credit from the Inland Revenue.

Shareholders who are resident for tax purposes in countries other than the UK should consult their own tax advisers concerning their tax liabilities on dividends received. They should note that following the reduction in the rate of the UK tax credit to 10 per cent. of the gross dividend from 6 April 1999, they are unlikely to be entitled to repayment of the tax credit from the Inland Revenue under the terms of the relevant double tax treaty.

(b) Stamp Duty and Stamp Duty Reserve Tax

In relation to stamp duty and stamp duty reserve tax:

(i) The allocation and issue of Ordinary Shares will not give rise to a liability to stamp duty or stamp duty reserve tax.

(ii) Any subsequent conveyance or transfer on sale of the Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at a rate of 50 pence per £100 or part of £100 of the amount or value of the consideration. A charge to stamp duty reserve tax at the rate of 0.5 per cent., will arise in relation to an unconditional agreement to transfer such Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to stamp duty reserve tax will be cancelled or repaid. A transfer of Ordinary Shares affected on a paperless basis through CREST will generally be subject to stamp duty reserve tax at the rate of 0.5 per cent. of the value of the consideration.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or stamp duty reserve tax, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

(c) Capital Gains

A shareholder resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these shares up until the date of disposal. Individual shareholders, resident in the UK for tax purposes, who are not within the charge to corporation tax, will be entitled to taper relief on a subsequent disposal of Ordinary Shares. The quantum of relief available will depend on the length of time the shares are owned and whether the shares are business assets.

A shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and such Ordinary Shares are or have been used, held or acquired for the purposes of such trade or branch or agency. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be liable to UK taxation of chargeable gains (subject to any available exemption or relief).

12. Market Quotations

The following table shows the closing middle market quotations for Existing Shares as derived from the AIM Appendix to the Daily Official List on the first dealing day of each month from 1 May 2003 to 1 October 2003 and on 22 October 2003 (the day prior to the date that the Company's ordinary shares were suspended from trading on AIM):

Date	*Price*
1 May 2003	1.25p
2 June 2003	2.75p
1 July 2003	2.0p
1 August 2003	2.25p
1 September 2003	2.13p
1 October 2003	1.75p
22 October 2003	2.38p

13. Consents

(a) Hazlewoods have consented to the inclusion of their auditors' reports on the financial statements of AWG Services plc for the three years ended 31 October 2002 in this document and accept responsibility for them, and have not become aware, since the date of those reports, of any matter affecting the validity of those reports at the date they were given.

(b) Venthams have consented to the inclusion of their auditors' reports on the financial statements of Oak Holdings Limited for the three financial years ended 30 April 2003 in this document and accept responsibility for them, and have not become aware, since the date of those reports, of any matter affecting the validity of those reports at the date they were given.

(c) CFA has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which such references are included.

(d) Fiske has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which such references are included.

14. General

(a) Save as disclosed in Part I, no exceptional factors have influenced the Company's or the Enlarged Group's activities.

(b) The cost and expenses of, and incidental to, the Acquisition and Admission payable by the Company are estimated to be £342,000 excluding VAT.

(c) There are no arrangements in force for the waiver of future dividends.

(d) The accounting reference date of the Company is 31 October.

(e) There are no specified dates on which entitlement to dividends or interest thereon on Ordinary Shares arises.

(f) Save as disclosed in Part I, there are currently no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Enlarged Group's business.

(g) Save as set out in Part I, there are no investments in progress which are significant.

(h) Save for the Acquisition and save as disclosed in the Company's interim statement set out in Part IV(a) of this document and under "Current trading and prospects of the Enlarged Group" in Part I of this document, there has been no significant or material change in the financial or trading position of the Group since 31 October 2002, being the date to which the latest audited consolidated accounts of the Company were prepared.

(i) Save as disclosed in this document, there has been no significant or material change in the financial or trading position of the Oak Group since 30 April 2003, being the date to which the latest audited consolidated accounts of Oak were prepared.

(j) No person (other than the Company's professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities in the Company with a value of £10,000 or more at the price of 2.38p per share (being the closing middle market quotation on 22 October, 2003) or any other benefit with a value of £10,000 or more at the date of Admission.

(k) The interim results of the Group for the six month period to 30 April 2003 do not constitute statutory accounts within the meaning of section 240(5) of the Companies Act 1985.

(l) Following completion of the Acquisition, the existing employment rights, including pension rights, of the management and employees of the Company will be fully safeguarded.

(m) There are no financing arrangements in place, in relation to the Acquisition, where repayment or security is dependent on the Company

(n) There are no arrangements in place for any Ordinary Shares receivable by the Concert Party to be transferred to any person.

(o) A Nominated Broker Agreement dated 15 November 2000 has been entered into between the Company (1) and Fiske (2) pursuant to which the Company appointed Fiske to act as nominated broker to the Company for the purposes of the AIM Rules. The Company agreed to pay Fiske a fee of £10,000 per annum for its services as nominated broker under the agreement, together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia,* compliance with all applicable laws and regulations. The agreement is subject to termination by either party on the giving of 30 business days' notice.

15. Documents available for inspection

Copies of the following documents may be inspected at the offices of Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA during normal business hours on weekdays (except Saturdays and public holidays) for the period from the date of this document up to and including the date of Admission:

(a) the memorandum and articles of association of the Company;

(b) the audited consolidated accounts of the Company for the two years ended 31 October 2002;

(c) the audited accounts of Oak for the period ended 31 May 2001;

(d) the audited consolidated accounts of Oak for the financial year ended 31 May 2002 and the period ended 30 April 2003;

(e) the service agreements and letters of appointment referred to in paragraph 6 above;

(f) the material contracts referred to in paragraph 8 above;

(g) the letters of consent referred to in paragraph 13 above; and

(h) the irrevocable undertakings referred to in paragraph 4(g) above.

16. Availability of this document

Copies of this document are available free of charge from the offices of CFA, Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL during normal business hours on weekdays (except Saturdays and public holidays) and shall remain available for at least one month after Admission.

Dated: 7 November 2003

AWG SERVICES PLC

(registered in England number 2929801)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of AWG Services plc (the "Company") will be held at 35 Vine Street, London EC3N 2AA at 10.00 a.m. on 1 December, 2003 for the purposes of considering and, if thought fit, passing the following resolutions, of which resolution numbered 1 will be proposed as an Ordinary Resolution (which will be taken on a poll) and resolutions numbered 2 to 4 will be proposed as Special Resolutions.

ORDINARY RESOLUTION

1. That:

   (a) the acquisition by the Company of Oak Holdings Limited upon the terms and subject to the conditions contained in the acquisition agreement dated 7 November, 2003 made between Stephen Lewis and others and the Company (a copy of which has been produced to the meeting and initialled for the purpose of identification by the Chairman); and

   (b) the grant of a waiver by the Panel on Takeovers and Mergers on the terms described in Part I of the document dated 7 November 2003 (defined as "the Waiver" in the Circular of which this Notice forms part (the "Circular")) of any requirements for the members of the Concert Party (as defined in the Circular) both individually and collectively, to make a general offer under Rule 9 of the City Code on Takeovers and Mergers as a result of the issue of Ordinary Shares in the Company to the Concert Party as consideration for the Acquisition (as defined in the Circular) and as a result of the Undertakings to Subscribe (as defined in the Circular) being enforced pursuant to which the Concert Party may become the holder of up to 75.4 per cent. of the issued share capital of the Company following such issues of Ordinary Shares,

   be and are hereby approved and that the Directors be authorised to take all such steps that they reasonably consider to be necessary and desirable to carry the said acquisition agreement into effect including agreeing amendments of a non-material nature thereto.

SPECIAL RESOLUTIONS

2. That subject to and conditional upon the agreement for the acquisition of Oak Holdings Limited referred to in Resolution 1 above becoming unconditional in all respects other than as to the conditions relating to the admission of the enlarged issued ordinary share capital of the Company to trading on the Alternative Investment Market of the London Stock Exchange :

   (a) the authorised share capital of the Company be hereby increased from £2,500,000 to £11,000,000 by the creation of 850,000,000 new Ordinary Shares of 1p each;

   (b) the directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all of the powers of the Company to allot relevant securities (as defined in the said Section) up to an aggregate nominal amount of £8,250,000 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2004 save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant thereto as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the directors pursuant to Section 80 of the Companies Act 1985; and

   (c) the directors be and they are hereby generally empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94(2) of the said Act) pursuant to such authority conferred by paragraph (b) above as if Section 89(1) of the said Act did not apply to any such allotment, provided that this power shall be in substitution for any previous powers conferred on the directors pursuant to the said Section 95 and shall be limited to:

      (i) the allotment and issue of equity securities up to an aggregate nominal amount of £1,014,198.43 in connection with the grant of Warrants (as defined in the Circular);

(ii) the allotment and issue of 1,213,592 ordinary shares of 1 pence each to Fiske plc on the terms set out in the Circular;

(iii) the allotment and issue of equity securities up to an aggregate nominal amount of £121,359.11 to members of the Concert Party in connection with undertakings to subscribe (details of which are set out in paragraph 8(a)(xi) of Part VI of the Circular);

(iv) the allotment of equity securities in connection with an issue in favour of shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the law of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory; and

(v) the allotment (otherwise than pursuant to sub-paragraphs (i) to (iv) above) of further equity securities up to an aggregate nominal amount of £1,310,000;

provided that the power in this sub paragraph (c) shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2004 save that the Company may make an offer or agreement before the expiry of its power which would or might require equity securities to be allotted otherwise than in accordance with Section 89 of the said Act after such expiry and the directors may allot equity securities pursuant thereto as if the power conferred hereby had not expired.

3. That, subject to and conditional upon the agreement for the acquisition of Oak Holdings Limited referred to in resolution 1 above becoming unconditional in all respects other than as to the condition relating to the admission of the enlarged issue share capital to trading on the Alternative Investment Market of the London Stock Exchange the name of the Company be changed to Oak Holdings PLC.

4. That with effect from the passing of this Resolution, the Company's Articles of Association be amended by:

(a) the deletion of the figure "£20,000" in Article 77 and the insertion of the figure "£100,000" followed by the word "or" in its place;

(b) the deletion of Articles 106.2 to 106.9

(c) The deletion from Article 85.1 of the word "not" from the third line and the words "Provided that a Director appointed to the office of Chairman or Deputy Chairman or Chief Executive, shall not, while holding the office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year" and the insertion of the words "but if there is only one Director who is subject to retirement by rotation, he shall retire" in its place.

7 November 2003

By Order of the Board

Michael Hill
Secretary

Registered Office
Tibbenham House
112-114 Thorpe Road
Norwich NR1 1RT

Notes:

1. Any shareholder who is entitled to vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
2. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
3. To be valid, such proxy card and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney must be deposited with the Registrars of the Company, Computershare Investor Services PLC, in accordance with the instructions printed thereon, so as to be received no later than 48 hours before the time of the meeting, or any adjournment thereof.
4. The completion and return of a proxy card will not affect the right of a member to attend and vote in person at the meeting convened by this notice.
5. Pursuant to regulation 41 of The Uncertified Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment thereof.
6. As explained in the Circular, voting on Resolution 1 is required to be conducted on a poll in accordance with the requirements of the Panel on Takeovers and Mergers for a waiver of the obligation that would otherwise arise on the Concert Party under Rule 9 of the City Code on Takeovers and Mergers.

Printed by Park Communications, London 07/24913