

Dinkie

Report & Accounts 2002

COMPANY NUMBER

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Company Secretary.



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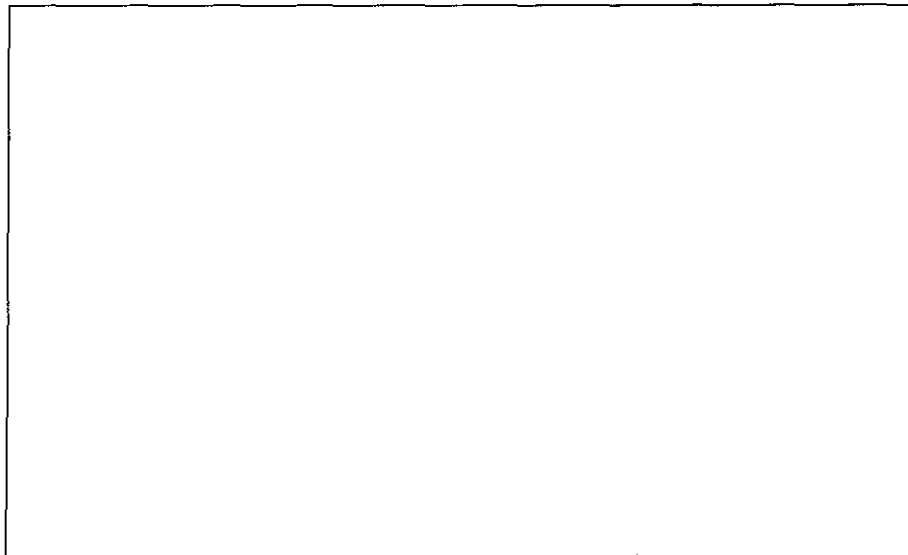
Dinkie Heel plc

Dinkie

Dinkie makes and distributes a wide range of footwear components including safety toe caps. Its portfolio of body armour and matting products is being developed rapidly and has opened new and exciting markets to the company.

Cover picture: interlocking matting for equestrian, agricultural, leisure, pre-school play and many other uses – see page 5.

Dinkie Heel plc



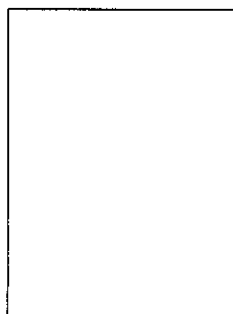
The Dinkie Heel Board of Directors, from left to right – Geoff Martin, Martyn Stowey, Richard Organ, Andrew Stowey, Chris Ball, Bob Mitchell and Denis Burn.

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Chairman's Statement

Strategic review



*Richard Organ,
Chairman*

Against a sharply worsening trading climate, the company has vigorously pursued its key strategic objective for the toe cap business: the orderly run-down of manufacturing in the UK, and build-up of production in Botswana.

Progress in Botswana has been slower than expected, requiring both additional finance and technical support. To manage the financial impact the company has introduced a new shareholder into the Botswana company and reduced its own stake in the company to one third. Dinkie retains ownership of all the manufacturing assets. To protect customer deliveries, the final decision to close production in Bristol was made in January 2003 and production finished in April 2003.

Presently the Board has decided to restrict the continuation of the toe cap business in the UK to a stockholding, marketing and technical support operation based solely on supply from Botswana. The Bristol premises are for sale and suitable arrangements are being sought in the area to accommodate the much reduced operation.

The Board decided to move responsibility for the Phillips Rubber business to Davies Odell in Rushden from 1 January 2003 and the move was completed efficiently during April.

Prospects

Toe cap demand remains satisfactory but ability to satisfy that demand and return to profitability will be restricted in the short term by the production capability and cash flow requirements of Botswana. The losses in the UK toe cap business have reduced sharply with the diminishing scale of the operation. Once the premises have been sold the associated fixed overheads will also cease.

Phillips Rubber supplies from South Africa are now adequate and the exceptional airfreight costs associated with the initial manufacturing problems have ceased. The business, whose markets are largely in the UK, is now stable. The re-building of customer confidence will take some time.

At Davies Odell the development costs of 'softer' cow mats and of Forcefield branded protective undergarments did hold back the results for 2002, but have provided a stronger base for 2003. For the division the year has begun satisfactorily, with profitability ahead of last year at the same stage.

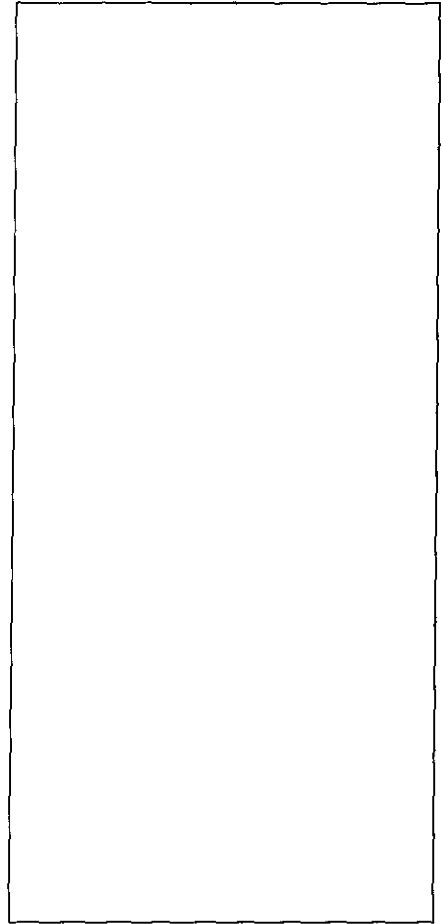
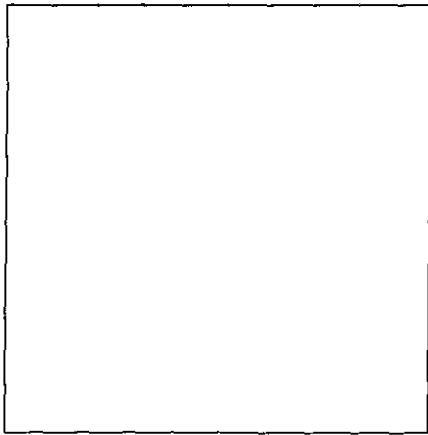
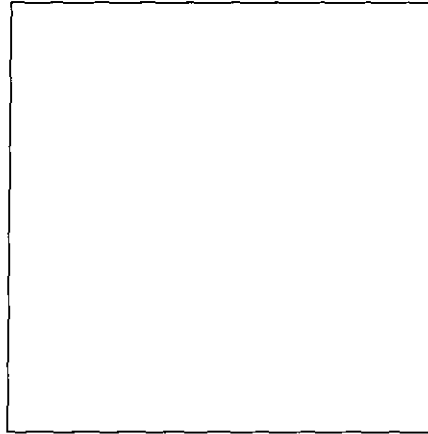
Financial results

Turnover for the year was £6,909,000 (2001, £9,341,000) and the operating loss before exceptional items was £881,000 (2001, £328,000). After exceptional items of £691,000 (2001, £1,055,000) the operating loss from continuing operations was £1,572,000 (2001, £1,383,000). Interest payable was £178,000 and a research and development tax credit of £10,000 was received. The loss for the financial year totalled £1,740,000 (2001, £1,561,000). The basic loss per share was 11.78p (2001, 10.57p).

Net cash outflow from operating activities was £229,000 (2001, £222,000) but was more than compensated by the sale proceeds of the Manchester premises of £674,000. Net debt was reduced by £111,000 to £2,653,000.

The segmental analysis given in note 2 to the accounts on page 18 and my review of the year give further information about the performance of each of the company's two divisions.

body armour



Marketed under the TPRO brand name, the company produces a range of body armour products using the latest technologically advanced materials providing the wearer with comfortable, flexible and repeat performance products designed for use in protective clothing in both sporting and industrial applications where high impact energies need to be absorbed. All the products meet or exceed international standards for impact resistance.

The company has also developed a high-tech 'activewear' undergarment, sold under the Forcefield brand name, which has been designed to be used in conjunction with its body armour for sporting activities where comfort and protection are of paramount importance.

Chairman's Statement continued

Review of the year

Davies Odell sales were 8.2% lower at £4,317,000 (2001, £4,703,000). Matting sales were £1,322,000 (2001, £1,659,000) but would have been similar to the previous year had it not been for a change in sales procedure to a commission only basis in one important export market. Sales of body armour products were 2% lower at £921,000 and sales to the footwear trade were 1% lower at £2,074,000. The divisional operating profit reduced to £244,000 (2001, £422,000) as a result, almost equally, of reduced margin in the footwear trade and increased overheads including continuing body armour development expenditure.

Dinkie-Phillips sales suffered from both the repercussions of the reorganisation and sharply increased global competition. Toe cap sales volume fell 43% in the year and Phillips sales were 55% lower. The costs of airfreight of products from overseas for Phillips was £180,000 and this charge directly affected margins on sales. Overheads were considerably reduced, although insurance costs which increased by £40,000 were a notable exception, and labour costs were 26% lower. Overall the division recorded an operating loss before exceptional items of £928,000 (2001, £554,000).

The company reduced its working capital requirements in the year by £792,000, this reduction being split equally between the divisions. In the Dinkie-Phillips business the reduction reflected the level of activity. In the Davies Odell business however the reduction is the result of a determined effort to reduce both debtors and stock. After restructuring costs the net cash outflow from operating activities for the year was £229,000 (2001, £222,000).

Exceptional items

Sale of the Manchester freehold property was completed in July 2002, realising a profit of £574,000.

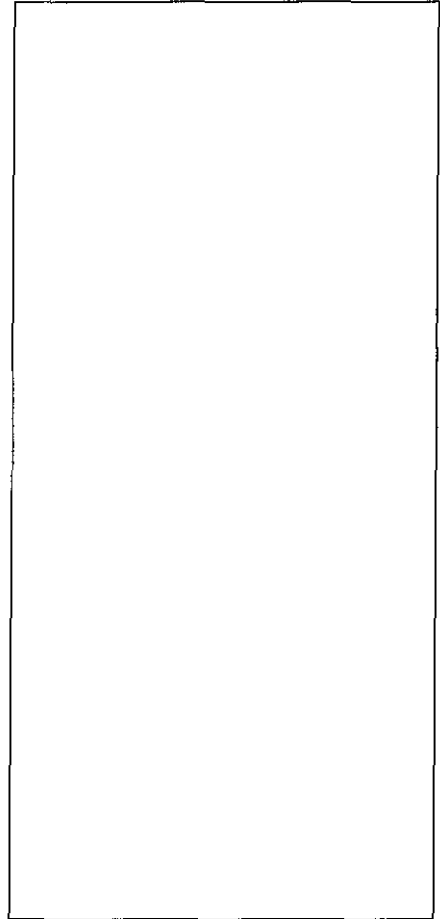
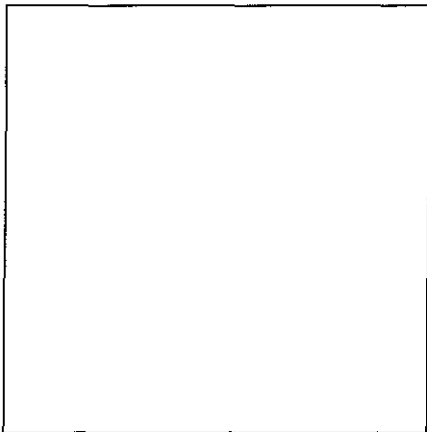
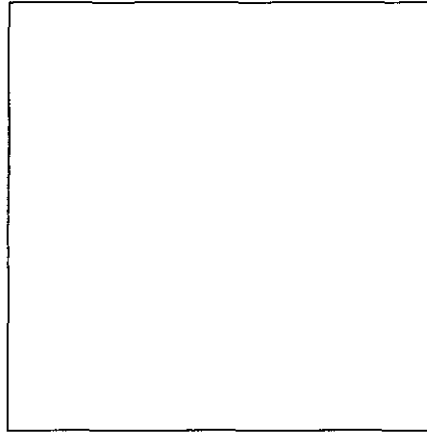
The strategic direction of the company requires a charge for reorganisation costs in the year of £618,000. Of this sum £136,000 relates to termination payments to employees, £178,000 is the reduction to net realisable value of toe cap stock and £148,000 represents the provision made in this year against the costs of establishing the toe cap production facility in Botswana. Costs of freighting machinery to Botswana were £62,000. Consultants' fees and other costs relating to all of these changes amounted to £94,000.

The Board has again considered the carrying value of the Dinkie-Phillips plant and machinery in the light of the performance of the division and its further restructuring and has decided to make a further impairment provision of £647,000.

Dividends

To achieve a successful reorganisation and return the company to healthy profit requires the conservation of cash. In these circumstances the Board is unable to recommend a dividend for the year (2001, nil).

matting



The company continues to expand its range of matting products for the equestrian, dairy and leisure industries.

Its lightweight yet durable EVA flooring products are marketed under the Equimat brand name for equestrian use and under the Farmat name for use by the dairy industry. Both have many advantages over traditional straw bedding, offering greater animal comfort and cost and time savings for their owners.

Chairman's Statement continued

Funding: the creation of Loan Notes, issue of share warrants, increase in nominal share capital and power to issue shares

Throughout these developments the company has retained the support of its bankers but the bank has, in turn, required the company to look to its own resources to raise additional funds. I have explained below the various methods that the Board has used in order to finance its reorganisation needs.

In December 2002 the company created 400,000 10 per cent Secured Loan Notes of £1 each repayable on 18 December 2003. It issued within the financial year 2002 Loan Notes totalling £105,000 and a further £102,500 of Loan Notes were issued in January 2003. At that time these funds, all subscribed by the directors and their immediate families, were vital in enabling the business to continue trading but it was also clear that to execute its plans the company would need further funds later in 2003. The company will seek the formal approval of shareholders for the Loan Note Instrument at the annual general meeting.

The company has in June 2003 received funding from new investors in respect of further Loan Notes totalling £162,500 and expects to issue the remaining £30,000 of Loan Notes to the same investors. It has also agreed a related benefit equivalent to an element of convertibility for these Loan funds. Once the arrangements are concluded warrants to subscribe for 800,000 shares on 18 December 2003 at 5p per share will be given to the investors and, subject to the passing of resolutions to be put to the annual general meeting, the company intends to issue further share warrants to the same investors for 700,000 shares also at 5p.

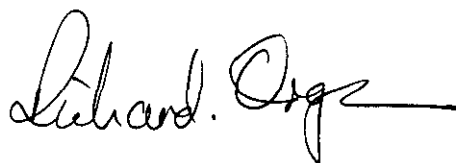
The Board has also taken advantage of the powers given to it to issue shares for cash. In June 2003 it issued 736,056 ordinary shares at 5p each, realising almost £37,000, and intends to issue a further 200,000 shares to realise a further £10,000.

The Board considers that these arrangements are necessary to enable the reorganisation of the company to proceed and thereby to return it to profit. These arrangements taken together require your Board to seek to increase the nominal share capital of the company.

The directors cannot issue new shares in the company nor can they issue them other than in strict proportion to existing holdings unless in each case the shareholders in general meeting give their permission. Your directors seek the powers to issue the whole of the un-issued share capital in the current exceptional circumstances. Other than as described above and to satisfy existing share options they have no present intention of issuing shares, but consider that such powers could be helpful and would not be excessive in view of the size of the company and the restrictive nature of taking the powers for a lesser amount.

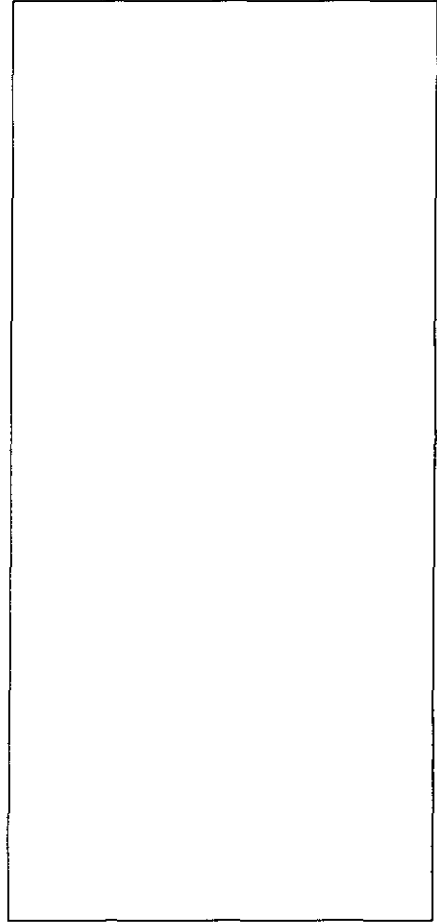
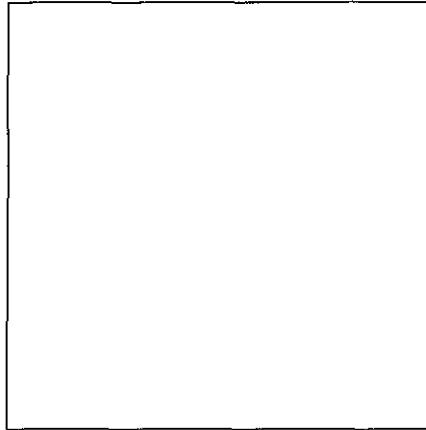
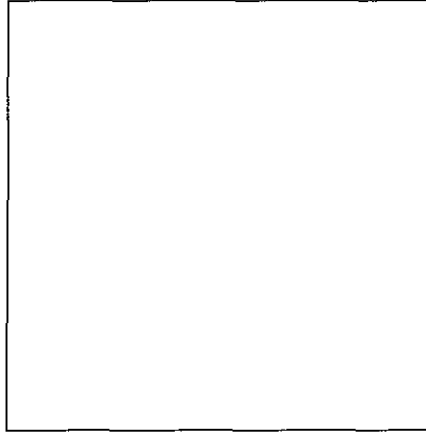
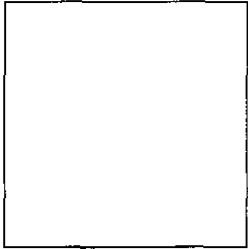
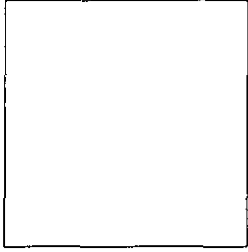
Staff

Finally I would like to thank all of our loyal and hardworking staff for their continued support in these most difficult times. All the structural changes have meant the redundancy of many long serving and loyal staff. To these people I express my regret at the necessity of the actions the Board has to take, my thanks to them for their service and my best wishes for the future.



Richard Organ
Chairman

safety toe caps and footwear components



Dinkie-FCE is a major supplier of safety steel toe caps world-wide and believes that it is the first company in the world to produce a 200 joule composite toe cap for specialist applications.

The business offers over 65 different styles of toe cap and has major customers in Europe, the Far East, the USA and South Africa. Quality assurance is vital and Dinkie satisfies all international standards for toe cap performance.

The Phillips Rubber business supplies a substantial list of other footwear components. Commando® soles and heels are well known examples of products for the shoe manufacturing industry and Phillips® Stick-A-Soles® are perhaps the most well-known of the company's comprehensive range of shoe repair components.

Directors' Report

Your directors have pleasure in submitting their annual report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activities

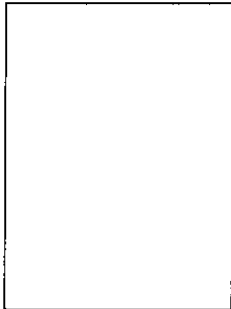
The principal activities of the company during the year were the production and supply of safety steel toe caps and a wide range of other components for the footwear manufacture and repair industries together with the manufacture and distribution of products for personal protection and for the equestrian and dairy industries.

Results

The loss for the year after providing for all expenses and after receipt of a tax credit of £10,000 amounts to £1,740,000. The directors do not recommend the payment of a dividend. The loss for the year is set against reserves.

Directors

The directors' beneficial interests in shares of the company, including those of their families, are shown in note 8 to the accounts on page 22.



*Chris Ball,
Managing Director*

The company has five executive directors. C R Ball PhD (61) was appointed Managing Director in 1981. He joined the business, which his grandfather had founded in 1939, after a career in science. He is supported by G C Martin (58) who is a Chartered Accountant and Financial Director. R J Mitchell (56) and M J Stowey (49) are the Directors and General Managers of our Davies Odell and Dinkie-FCE operations and A J Stowey (46) is Marketing Director.

R T Organ BA(Hons) FRSA (50) is a non-executive director and Chairman. Mr Organ has significant experience of manufacturing and marketing in the footwear and clothing industries gained with C & J Clark Ltd and Coats Viyella PLC. He is a non-executive director of Swallowfield PLC.

The other non-executive director is D A S Burn MBA BSc MIMechEng (49). Mr Burn is Managing Director of Go-temping Limited and a director of Gimlet Management Consultants Ltd. He holds a number of other non-executive directorships.

The directors retiring by rotation in accordance with Articles 90 and 91 are G C Martin and D A S Burn who, being eligible, offer themselves for re-election. G C Martin has a service contract the terms of which are described below.

C R Ball, G C Martin, A J Stowey and M J Stowey have service contracts with the company. On 31 January 2003 they each agreed that notice under those contracts would be reduced by one week for each week that elapses until such notice has reduced to and remains at twelve weeks. The effective date at which the reduction to twelve weeks is achieved is in the case of C R Ball and G C Martin 5 November 2004 and in the case of A J Stowey and M J Stowey 7 November 2003. R J Mitchell has a service contract requiring not less than one year's notice of termination. C R Ball, G C Martin and R J Mitchell each subscribed for Loan Notes 2003 issued by the company (see note 25 on page 30). The directors have no other interests in any contract with the company.

Directors' Report continued

Substantial shareholdings

We have been notified that, in addition to directors' shareholdings shown on page 23, the following shareholders held more than 3% of the company's ordinary shares at 19 May 2003:

	Shares
HSBC Global Custody Nominee (UK) Limited	1,234,544
Dartington Portfolio Nominees Limited	605,271
KAS Nominees Limited	500,000

Payment policy

Company policy is to determine terms and conditions of payment with suppliers when negotiating the other terms of supply and to abide by the terms of payment. At the year end the company had an average of 25 days (2001, 28 days) purchases outstanding in trade creditors.

Financial and treasury policy

The company finances its operations by a combination of retained profits, management of working capital, bank overdraft and working capital facilities and medium term loans. The disclosures for financial instruments are made in note 19 to the accounts on page 28.

Interest rate risk is controlled by a combination of fixed and variable rates of interest on bank borrowings.

Liquidity risk is managed by the preparation of cash flow forecasts and by monthly comparison of actual cash flows against the forecasts. Company policy is to ensure that funding is in place sufficient that trading activities are not impaired.

Currency risk is principally in respect of transactions in US dollars and in member currencies of the euro. Company policy is to match as far as possible through the normal course of trade the level of sales and purchases in foreign currencies.


Extraordinary general meeting and serious loss of capital

As a result of the restructuring of the company and the consequential impairment and other provisions made in the accounts by your Board the net assets of the company are at less than one half of its called up share capital. An extraordinary general meeting called in accordance with Section 142 of the Companies Act 1985 will follow immediately the annual general meeting and consider whether any steps, other than those that the Board is taking as described in the Chairman's Statement, should be taken to deal with the situation.

Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP), PricewaterhouseCoopers resigned as auditors. On 25 February 2003 the Board appointed PricewaterhouseCoopers LLP to fill the casual vacancy left following the resignation of PricewaterhouseCoopers as auditors. PricewaterhouseCoopers LLP are willing to continue in office and a resolution proposing their re-appointment will be submitted to the annual general meeting.

On behalf of the Board
G C Martin
Secretary
12 June 2003



Secretary.

Corporate Governance

The Board is committed to high standards of corporate governance and recognises that it is accountable to shareholders for good governance. The company's corporate governance procedures define the duties and constitution of the Board and the various Board committees and, as appropriate, specify responsibilities and level of responsibility. The principal procedures are summarised below:

The Board

The Board is comprised of two non-executive directors, one of whom is Chairman, and five executive directors. Both non-executive directors are fully independent of management and of the company's major shareholders. The differing roles of the Chairman and of the Managing Director are recognised by the Board. Further details of the Board members are given in the Directors' Report on page 8.

All directors, other than the Managing Director, are subject to retirement by rotation and re-election by the shareholders in accordance with the Articles of Association.

The Board meets regularly, at least eight times a year and with additional meetings being arranged when necessary.

The company seeks constructive dialogue with institutional and private shareholders through direct contact and through the opportunity for all shareholders to attend and ask questions at the annual general meeting.

Audit committee

This committee comprises the non-executive directors and is chaired by D A S Burn. The audit committee is responsible for the appointment of the external auditor, agreeing the nature and scope of the audit and reviewing and making recommendations to the Board on matters related to the issue of financial information to the public. It assists all directors in discharging their responsibility to ensure that accounting records are adequate and that the financial statements are true and fair.

Nomination committee

This committee comprises the non-executive Chairman, the Managing Director and the other non-executive director. It is responsible for making recommendations to the Board on any appointment to the Board.

Remuneration committee

This committee is comprised of the Chairman and the other non-executive director. The Managing Director is a key witness but not a member of the committee.

The remuneration committee sets the remuneration and other terms of employment of executive directors. Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing a package appropriate for the responsibilities involved.

Directors' contracts are designed to provide the assurance of continuity which the company desires. There are no provisions for pre-determined compensation on termination.

Corporate Governance continued

Remuneration committee continued

Pensions for directors are based on salary alone and are provided by the company defined contribution scheme and defined benefits scheme. Contributions are paid to these schemes in accordance with independent actuarial recommendations or funding rates determined by the remuneration committee as appropriate to the type of scheme.

Non-executive directors have no service contracts and no pension contributions are made on their behalf.

Full details of directors' remuneration and benefits are given in note 8 to the financial statements on pages 22 to 24.

Internal financial control

The Board has overall responsibility for the system of internal financial control which is designed with regard to the size of the company to provide reasonable but not absolute assurance against material mis-statement or loss. The Board reviews the effectiveness of the internal financial control environment. The organisational structure of the company gives clear management responsibilities in relation to internal financial control. Financial risks are controlled through clearly laid down authorisation levels. There is an annual budget which is approved by the directors. The results of the operating locations are reported monthly and compared to the budget. The audit committee receives a report from the external auditors annually.

Going concern

The directors have considered the financial and operating position of the company as explained in note 1 to the accounts and they consider that it is appropriate to adopt the going concern basis in preparing the accounts.

Directors' responsibility statement

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the results for the year. In preparing the financial statements suitable accounting policies have been used and consistently applied and reasonable and prudent judgements and estimates have been made. The financial statements are prepared on a going concern basis and in compliance with applicable accounting standards and with the Companies Act 1985. The directors are also responsible for maintaining adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

Independent Auditors' Report

To the members of Dinkie Heel plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the chairman's statement and the corporate governance report.

Basis of audit opinion

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

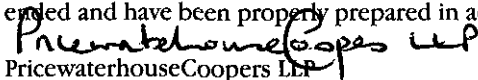
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity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

Going concern – fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the fundamental uncertainty as to the company achieving its future profit and cash flow forecasts, refinancing the required element of the Loan Notes and the continuation of the company's bank facilities with the support of its bankers. The financial statements do not include any adjustments that would result from not achieving the above. In view of the significance of the uncertainty we consider that it should be drawn 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 the company's affairs at 31 December 2002 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
12 June 2003

Profit and Loss Account

	Note	2002 £'000	2001 £'000
Profit and Loss account			
Turnover from continuing operations	2	6,909	9,341
Cost of sales		(7,024)	(8,938)
		-----	-----
Gross (loss)/profit		(115)	403
Net operating expenses (including exceptional items)	3	(1,457)	(1,786)
Operating loss before exceptional items		(881)	(328)
Exceptional items			
Profit on sale of property held for resale		574	-
Restructuring costs		(618)	(352)
Goodwill impairment provision		-	(403)
Plant & Machinery impairment provision		(647)	(300)
Operating loss from continuing operations	2	(1,572)	(1,383)
Interest payable	6	(178)	(178)
		-----	-----
Loss on ordinary activities before taxation	7	(1,750)	(1,561)
Taxation	9	10	-
		-----	-----
Loss for the financial year		(1,740)	(1,561)
Dividends	10	-	-
		-----	-----
Loss for the year set against reserves	22	(1,740)	(1,561)
		-----	-----
Earnings			
Loss per share – basic and diluted	11	(11.78p)	(10.57p)
		-----	-----

The company has no recognised gains or losses other than the loss for the financial year as set out above. In the opinion of the directors the results on a historical cost basis are not materially different from the results as set out above.

The notes on pages 16 to 31 form an integral part of these financial statements.




Balance Sheet

	Note	2002 £'000	2001 £'000
Net assets employed			
Fixed assets			
Intangible assets	12	39	41
Tangible assets	13	1,427	2,310
Investment in associate	14	-	74
		<u>1,466</u>	<u>2,425</u>
Current assets			
Stocks	15	848	1,218
Debtors	16	1,039	1,652
Property held for resale		-	100
Cash at bank and in hand		17	17
		<u>1,904</u>	<u>2,987</u>
Creditors: amounts falling due within one year	17	<u>(2,775)</u>	<u>(3,059)</u>
Net current liabilities		<u>(871)</u>	<u>(72)</u>
Total assets less current liabilities		595	2,353
Creditors: amounts falling due after more than one year	18	<u>(764)</u>	<u>(782)</u>
Provisions for liabilities and charges	20	<u>-</u>	<u>-</u>
Net (liabilities)/assets	2	<u>(169)</u>	<u>1,571</u>
Capital and reserves			
Called up share capital	21	738	738
Share premium	22	715	715
Revaluation reserve	22	513	520
Profit and loss account	22	<u>(2,135)</u>	<u>(402)</u>
Total equity shareholders' funds	23	<u>(169)</u>	<u>1,571</u>

The notes on pages 16 to 31 form an integral part of these financial statements.

These accounts were approved by the Board of Directors on 12 June 2003.

R T Organ
C R Ball
Directors


C. R. BALL, Director

R. T. ORGAN, Director


Cash Flow Statement

	Note	2002 £'000	2001 £'000
Reconciliation of operating loss to net cash outflow from operating activities			
Operating loss		(1,572)	(1,383)
Depreciation and amortisation charges		330	418
Profit on sale of property held for resale		(574)	-
Impairment provisions		647	703
Associate, provision for costs of establishment		148	25
Decrease in stocks		370	228
Decrease in debtors		613	99
Decrease in creditors		(191)	(312)
		<hr/>	<hr/>
Net cash outflow from operating activities		(229)	(222)
		<hr/>	<hr/>

Cash Flow Statement

Net cash outflow from operating activities		(229)	(222)
Returns on investments and servicing of finance	26	(178)	(178)
Taxation	26	10	-
Capital expenditure and financial investment	26	582	(87)
Acquisitions	26	(74)	(99)
		<hr/>	<hr/>
		111	(586)
Financing	26	98	(23)
		<hr/>	<hr/>
Increase/(decrease) in cash		209	(609)
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the period		209	(609)
Cash (increase)/reduction from change in debt		(98)	23
		<hr/>	<hr/>
Change in net debt		111	(586)
Net debt at 1 January 2002		(2,764)	(2,178)
		<hr/>	<hr/>
Net debt at 31 December 2002	27	(2,653)	(2,764)
		<hr/>	<hr/>

Notes to the Accounts

1. Accounting policies

Basis of preparing the financial statements – going concern

The company meets its long term and short term working capital requirements from a combination of bank loan and bank overdraft and working capital facilities and Loan Notes. At 31 December 2002 the company had the following borrowings:

Bank overdraft and working capital facilities	£1,747,000
Bank loan	£818,000
Loan Notes 2003	£105,000

The terms of these borrowings are shown in note 19. The overdraft bank borrowings are repayable on demand and the bank loan has a scheduled repayment plan. The Loan Notes are repayable on 18 December 2003. The company projections require part to be refinanced at that date, and the directors believe that this will be achieved.

The ability of the company to manage within its facilities is dependent on generating sufficient profits and cash flows from its future operations. The company is currently in the process of implementing a detailed restructuring program of its Bristol operations. The plan involves closure of production and sale of the premises in Bristol and continued development of outsourced toe cap production in an associated undertaking in Botswana. The directors believe that these are the steps necessary to return the company to profitability.

The directors have prepared detailed profit and loss and cash flow forecasts and projections that include the planned restructuring for the period to 31 December 2004. Included in these projections are the post balance sheet events of which more information is given in note 25.

Based on these forecasts the principal lender has offered to renew and enhance the company's facilities. The facilities consist of bank overdraft and working capital facilities to a maximum of £2,325,000 and a capital holiday on the bank loan of £818,000 until October 2003. The bank overdraft facilities may be withdrawn at any time and are due for review in October 2003. The directors have accepted these facilities.

The directors believe that they will be able to achieve the forecasts, operate within the new facilities and refinance the required element of the Loan Notes and therefore believe it appropriate to prepare the accounts on a going concern basis. There can be no certainty about this. The directors have reduced the carrying value of the assets of the company at 31 December 2002 by an impairment provision of £647,000. The financial statements do not include any further adjustments that might prove necessary were the forecasts not to be achieved, the support of the company's principal lender be withdrawn or the company be unable to refinance the required element of the Loan Notes.

(a) Accounting convention:

These accounts have been prepared under the historical cost convention modified by the revaluation of land and buildings and in accordance with applicable United Kingdom accounting standards. Except as stated in 1(e) accounting policies have been consistently applied.

(b) Income recognition:

Turnover comprises the invoiced value of goods sold, excluding VAT (which is recognised on despatch).

Notes to the Accounts continued

1. Accounting policies

continued

(c) Fixed assets:

Where the carrying value of its tangible fixed assets reflects previous valuations the company has adopted the transitional provisions of FRS15 and retained the current book amounts.

No depreciation is provided on freehold land. Other fixed assets are depreciated on a straight line basis over the following periods:

Freehold and leasehold buildings	50 years or, if shorter, the life of the lease
Plant and machinery	Between 5 and 10 years
Motor vehicles	5 years
Tools and moulds	7 years or over the period of the contract

The carrying value of fixed assets, including tangible, intangible and investments, is compared to the higher of value in use and the pre-tax realisable value. If the carrying value exceeds the higher of the value in use and pre-tax realisable value the asset is impaired and its value reduced by charging additional depreciation.

(d) Stocks:

Stocks are valued at the lower of cost and net realisable value. Stocks of raw materials are valued on a first in first out basis at net invoice values charged by suppliers. The value of work in progress and finished goods includes the direct cost of materials and labour together with an appropriate proportion of factory overheads.

(e) Deferred taxation:

The company has adopted FRS19 'Deferred Taxation' in these financial statements. The adoption of this standard and consequential change in policy has not resulted in any adjustments to the comparative figures. Provision is made for deferred taxation using the liability method on all timing differences arising between profits as shown by the accounts and profits as computed for taxation purposes. Deferred tax assets are recognised where their recovery is more likely than not. Deferred tax assets and liabilities are not discounted.

(f) Foreign currencies:

Items in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates during the year are taken to the profit and loss account.

(g) Acquisitions:

Net tangible assets acquired are included in the accounts at their fair value. Following the introduction of FRS10 differences arising between the fair value of the consideration and the fair value of assets acquired are capitalised as goodwill and amortised over a period not exceeding 20 years.

In 1997 and prior years such differences were dealt with through reserves. On any subsequent disposal of the related businesses the appropriate amount will be charged or credited to the profit and loss account.

(h) Pensions:

Pension costs charged against profits for the defined contribution scheme are the amount of contributions payable to the pension scheme in respect of the accounting period. For the defined benefit scheme the charge is the amount derived by spreading the cost of pensions over the estimated remaining service lives of employees. Further details of the scheme are given in note 5.

(i) Operating leases:

The annual costs of operating leases are charged to the profit and loss account.

Notes to the Accounts continued

2. Turnover and segmental analysis

The United Kingdom is the source of turnover and operating profit and the principal location of the net assets of the company. The directors consider that the company operates in two business segments serving various markets. Turnover, loss on ordinary activities before taxation and net assets are analysed as follows:

Segment of activity	Dinkie-Phillips		Davies Odell		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Turnover	2,592	4,638	4,317	4,703	6,909	9,341
Operating (loss)/profit before exceptional items	(928)	(554)	244	422	(684)	(132)
Exceptional items	(691)	(1,055)	-	-	(691)	(1,055)
Operating (loss)/profit before Group costs	(1,619)	(1,609)	244	422	(1,375)	(1,187)
Group costs					(197)	(196)
Operating loss					(1,572)	(1,383)
Interest payable					(178)	(178)
Company loss before taxation					(1,750)	(1,561)
Net assets	1,401	2,926	1,083	1,409	2,484	4,335
Unallocated net debt					(2,653)	(2,764)
Total net (liabilities)/assets					(169)	1,571
Geographical analysis of turnover					2002 £'000	2001 £'000
United Kingdom					4,534	5,571
Rest of Europe					773	889
The Americas					443	914
Australasia					46	56
Far East					800	1,180
Africa					313	731
					6,909	9,341

Notes to the Accounts continued

3. Net operating expenses	2002 £'000	2001 £'000
Distribution costs	214	264
Administrative expenses, normal	552	467
Administrative expenses, exceptional		
Profit on sale of property held for resale	(574)	-
Restructuring costs	618	352
Goodwill impairment provision	-	403
Plant & machinery impairment	647	300
	<u>1,457</u>	<u>1,786</u>

Sale of the Manchester freehold property was completed in July 2002 realising a profit of £574,000. Of the charge for reorganisation costs in the year of £618,000, £136,000 relates to termination payments to employees, £178,000 is the reduction to net realisable value of toe cap stock and £148,000 represents the provision made in this year against the costs of establishing the toe cap production facility in Botswana. Costs of freighting machinery to Botswana were £62,000. Consultants' fees and other costs relating to all of these changes amounted to £94,000. The Board has again considered the carrying value of the Dinkie-Phillips plant and machinery in the light of the performance of the division and its continued restructuring and has decided to make a further impairment provision of £647,000.

4. Staff numbers and costs

The average number of persons employed by the company during the year was:

	2002	2001
Management and administration	19	23
Production and sales	81	145
	<u>100</u>	<u>168</u>

The aggregate payroll costs of these persons were:

	2002 £'000	2001 £'000
Wages and salaries	1,829	2,645
Social security costs	156	239
Other pension costs	121	157
	<u>2,106</u>	<u>3,041</u>

Notes to the Accounts *continued*

5. Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to **£68,000** (2001, **£85,000**).

The company also operates a defined benefits scheme. The scheme was closed to new employees in 1988. The assets of the scheme are held separately from those of the company in a deposit administration contract underwritten by an insurance company. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent actuarial valuation was at 1 July 2001 and the main actuarial assumptions were a rate of interest of 8.0% before retirement, 6.0% after retirement and a rate of salary increase of 6.0%. The valuation showed that the market value of the scheme assets was **£1,684,000** and that the level of funding on an ongoing basis is 109%. The company funding rate of 12.5% is intended to restore a 100% funding level over nine years, the average future working lifetime of the active membership. The pension charge for the year was **£53,000** (2001, **£72,000**).

To comply with the transitional provisions of FRS17 'Retirement Benefits' the company commissioned an independent qualified actuary to update to 31 December 2002 the results of the previous valuation. The results of the update are as follows:

	31 December 2002	31 December 2001
Financial assumptions:		
Salary increases	3.5%	3.5%
Increases to pensions and deferred pensions	2.5%	2.5%
Discount rate	5.5%	5.5%
RPI	2.5%	2.5%
The assets of the scheme and the expected return on assets were:		
Assets	£1,784,000	£1,792,000
Return on assets	7.0%	7.0%
Financial position:		
	£'000	£'000
The assets of the scheme	1,784	1,792
Actuarial liabilities	1,640	1,636
Surplus	144	156
Related deferred tax liability	-	-
Net pension asset	144	156
Net (liabilities)/assets excluding pension asset	(169)	1,571
Pension asset	144	156
Net (liabilities)/assets including pension asset	(25)	1,727

Notes to the Accounts continued

5. Pension costs continued

	31 December 2002 £'000	31 December 2001 £'000
Profit and loss deficit excluding pension asset	(2,135)	(402)
Pension asset	<u>144</u>	<u>156</u>
Profit and loss deficit	<u>(1,991)</u>	<u>(246)</u>
Analysis of the amount charged to operating profit:		
Current service charge	<u>65</u>	
Analysis of the amount credited to financing of pension provisions:		
Expected return	(127)	
Interest on pension liabilities	<u>99</u>	
Net finance return	<u>(28)</u>	
Amount recognised in the statement of total recognised gains and losses (STRGL):		
Actual return less expected return on scheme assets	(166)	
Experience gains and losses	284	
Change in assumptions underlying present value of plan liabilities	<u>(153)</u>	
Actuarial loss in STRGL	<u>(35)</u>	
Movement in surplus during the year:		
Surplus at the beginning of the year	156	
Total operating charge	(65)	
Company contributions	60	
Net finance return	28	
Actuarial loss in STRGL	<u>(35)</u>	
Surplus at the end of the year	<u>144</u>	

6. Interest payable

	2002 £'000	2001 £'000
On bank loans and overdrafts	<u>178</u>	<u>178</u>

Notes to the Accounts continued

7. Loss on ordinary activities before taxation	2002	2001
	£'000	£'000
is stated after charging:		
Depreciation and amortisation:		
of intangible fixed assets	2	26
of tangible fixed assets	328	392
Impairment provisions:		
of intangible fixed assets	-	403
of tangible fixed assets	647	300
Auditors' remuneration and expenses:		
for audit	23	26
for non-audit	6	3
Operating leases:		
on land and buildings	75	45
on plant and machinery	5	5

8. Directors' emoluments and interests	2002	2001
	£'000	£'000
The aggregate remuneration of the directors was:		
Fees	15	15
Salaries and benefits	309	302
	324	317
Total	324	317

The remuneration of the Chairman, R T Organ, and the other directors was:

	Salaries and fees		Benefits		Total	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Executive						
C R Ball	66	66	13	13	79	79
G C Martin	54	54	11	11	65	65
R J Mitchell	39	37	6	5	45	42
A J Stowey	35	35	9	9	44	44
M J Stowey	43	43	1	1	44	44
Non-executive						
R T Organ	35	35	-	-	35	35
D A S Burn	12	8	-	-	12	8
	284	278	40	39	324	317

Benefits represent the value attributed to company cars, fuel and medical insurance.

Notes to the Accounts continued

8. Directors' emoluments and interests continued

Directors' pensions are secured in the company defined benefits and defined contribution schemes. Details are shown below:

Defined benefits scheme	Accrued	Increase in	Accrued	Transfer value of
	pension at		accrued pension	
	31 December	during 2002	31 December	the increase in
	2001		2002	accrued pension
	£'000 pa	£'000 pa	£'000 pa	during 2002
				£'000
C R Ball	22	1	23	3
G C Martin	14	-	14	3
A J Stowey	10	1	11	-
M J Stowey	14	-	14	-
	—	—	—	—
	60	2	62	6
	—	—	—	—

The increase in accrued pension during the year excludes any increase for inflation.

Defined contribution scheme	Company contributions	
	2002	2001
	£'000	£'000
C R Ball	4	4
G C Martin	3	3
R J Mitchell	3	3
A J Stowey	2	2
M J Stowey	3	3
	—	—
	15	15
	—	—

The directors' beneficial interests, including those of their families, in shares of the company were:

	31 December 2002		31 December 2001	
	shares	options	shares	options
Executive				
C R Ball	744,719	-	744,719	-
G C Martin	12,586	-	12,586	-
R J Mitchell	126,145	-	126,145	-
A J Stowey	1,278,689	-	1,278,689	-
M J Stowey	1,285,899	-	1,285,899	-
Non-executive				
R T Organ	100,000	150,000	100,000	150,000

There have been no changes in the interests of any director up to 19 May 2003.

R T Organ has an option to subscribe for 150,000 shares at 6.75p per share, exercisable from 22 May 2004 and that expires on 21 May 2011. No options lapsed or were granted or exercised during the year nor have any been granted or exercised up to 19 May 2003. The market price of the shares at 31 December 2002 was 5.50p and the range during 2002 was 8.50p to 3.75p.

Notes to the Accounts *continued*

8. Directors' emoluments and interests *continued* The register of directors' interests, which is open to inspection, contains full details of directors' shareholdings and options to subscribe for shares.

Directors' holdings at 31 December 2002 of Loan Notes 2003 (see note 19) were C R Ball £50,000, D A S Burn £10,000, G C Martin £10,000, R J Mitchell £5,000 and R T Organ £20,000. A further £5,000 were issued to R J Mitchell on 29 January 2003.

9. Taxation	2002 £'000	2001 £'000
a) Analysis of tax credit in the year:		
UK corporation tax on profits of the period	-	-
Tax repaid in respect of previous periods	10	-
	<u>10</u>	<u>-</u>
b) Factors affecting current tax credit:		
Loss before taxation	(1,750)	(1,561)
Loss multiplied by the standard rate of UK tax of 30% (30%)	(525)	(468)
Effects of:		
Expenses not deductible for tax purposes	43	3
Accelerated capital allowances and other timing differences	482	465
Tax repaid in respect of previous periods	10	-
	<u>10</u>	<u>-</u>
Total current tax credit	<u>10</u>	<u>-</u>

10. Dividends No dividends have been paid or proposed for the year (2001, nil).

11. Loss per share The basic loss per share is calculated on losses of £1,740,000 (2001, £1,561,000) and on 14,770,000 (2001, 14,770,000) ordinary shares.

As losses have been incurred in each year the exercise of share options would not have been dilutive and accordingly basic and diluted earnings per share are the same.

Notes to the Accounts continued

12. Intangible fixed assets

	Goodwill £'000
Cost	
1 January 2002 and 31 December 2002	521
Amortisation	
1 January 2002	480
Charge for the year	2
31 December 2002	482
Net book amount	
31 December 2002	39
31 December 2001	41

Goodwill includes that arising on the purchase of the FCE toe cap business in 1998. A stand alone valuation of that goodwill has been calculated using the net present value of discounted projected cash flows and compared with the carrying value. Having considered this test, the directors decided that this goodwill was impaired and wrote off in 2001 its remaining carrying value.

13. Tangible fixed assets

	Land & Buildings £'000	Plant & Machinery £'000	Tools & Moulds £'000	Motor Vehicles £'000	Total £'000
Cost or Valuation					
1 January 2002	1,329	3,515	1,715	267	6,826
Additions	-	103	9	-	112
Disposals	-	(142)	-	(94)	(236)
31 December 2002	1,329	3,476	1,724	173	6,702
Depreciation					
1 January 2002	258	2,627	1,458	173	4,516
Charge for the year	20	188	82	38	328
Impairment	-	452	180	15	647
Disposals	-	(142)	-	(74)	(216)
31 December 2002	278	3,125	1,720	152	5,275
Net Book Amount					
31 December 2002	1,051	351	4	21	1,427
31 December 2001	1,071	888	257	94	2,310

Notes to the Accounts continued

13. Tangible fixed assets continued

Certain land and buildings were valued in 1988 at £1,250,000. Subsequent additions and other land and buildings are included at a cost of £79,000.

If land and buildings were stated at historic cost the cumulative cost at 31 December 2002 would be £796,000 and the net book amount £601,000.

The net book value of land and buildings is comprised of freehold properties £800,000 (2001, £813,000) and long leasehold properties £251,000 (2001, £258,000).

14. Investment in associate

The company has a one third shareholding in Universal Dinkie (Proprietary) Limited (UD), a company registered in Botswana. The company does not have control of the board of UD nor of its day-to-day operations. During the year goods valued at £57,000 were sold to UD and at 31 December 2002 the balance outstanding was £14,000. In 2002, its first year of trading, UD incurred a trading loss and the cost of investment has been reduced by a provision for the costs of establishment incurred.

	2002 £'000	2001 £'000
Cost of investment at 1 January	99	-
Additions	74	99
	173	99
at 31 December		
Provision for share of costs of establishment at 1 January	25	-
Additions	148	25
	173	25
at 31 December		
Net book amount at 31 December	-	74

Notes to the Accounts continued

15. Stocks		2002	2001
		£'000	£'000
	Raw materials and consumables	278	374
	Work in progress	18	60
	Finished goods and goods for resale	552	784
		<hr/>	<hr/>
		848	1,218
		<hr/>	<hr/>
16. Debtors		2002	2001
		£'000	£'000
	Trade debtors	964	1,537
	Prepayments	75	115
		<hr/>	<hr/>
		1,039	1,652
		<hr/>	<hr/>
17. Creditors:			
Amounts falling due		2002	2001
within one year		£'000	£'000
	Bank overdraft	1,747	1,956
	Bank loan	104	43
	Loan Notes 2003	105	-
	Trade creditors	490	677
	Tax and social security	109	190
	Other creditors	19	36
	Accruals	201	157
		<hr/>	<hr/>
		2,775	3,059
		<hr/>	<hr/>

The bank loan and overdraft are secured by a Debenture over all property and by fixed and floating charges over the other assets of the company. The Loan Notes 2003, of which further details are shown in notes 19 and 25, are secured by a second floating charge over the assets of the company. Details of Loan Notes held by directors are shown in note 8 on page 24.

Notes to the Accounts continued

18. Creditors:

Amounts falling due
after more than
one year

	2002 £'000	2001 £'000
Bank loans repayable:		
between one and two years	212	183
between two and five years	502	552
after five years	-	47
Other creditors	50	-
	<u>764</u>	<u>782</u>

The bank loan is secured by a Debenture over all property and by fixed and floating charges over the other assets of the company. The amount of £104,000 repayable in 2003 is shown in creditors falling due within one year.

19. Financial instruments

Financial liabilities	Floating rate £'000	Fixed rate £'000	Fixed rate financial liabilities Weighted average	
			Interest rate %	Period that rate is fixed in years
2002	<u>1,747</u>	<u>923</u>	<u>8.3</u>	<u>0.8</u>
2001	<u>1,956</u>	<u>825</u>	<u>8.0</u>	<u>1.8</u>

All loans, overdrafts and working capital facilities of the company are denominated in sterling. Bank facilities with a floating rate have interest at 1.625% or 1.75% over Base Rate and the fixed rate bank loans have interest at 8%. Loan Notes 2003 have a fixed rate of interest of 10%. The company at 31 December 2002 had undrawn overdraft facilities of £180,000. The overdraft facility is due for review in October 2003. The market value of the loans approximates to their fair values.

Other short term debtors and creditors have been excluded from the above disclosures. The company's risks and policies for financial instruments are described in the Directors' Report on page 9. The company does not operate any financial hedging instruments.

20. Provisions for liabilities and charges

At a tax rate of 30% the company has losses for tax purposes of **£518,000** (2001, £555,000) and deferred tax assets of **£171,000** (2001, liability £313,000) in respect of accelerated capital allowances. No asset for deferred taxation has been recognised due to the current financial position of the company. No estimate has been made of any tax liability that might arise on the sale of the revalued properties because no contract for the sale of these premises has been made at the date of these accounts.

Notes to the Accounts continued

21. Share capital

	2002 £'000	2001 £'000
Ordinary shares of 5p per share		
Authorised:		
17,000,000 (2001, 17,000,000) shares	850	850
Allotted, called and fully paid:		
14,770,000 (2001, 14,770,000) shares	738	738

Options granted and remaining unexercised at 31 December 2002 are as follows:

No of shares	Period during which the right is exercisable	Price per share to be paid
250,000	until 31 December 2008	6.75p
150,000	between 22 May 2004 and 21 May 2011	6.75p

22. Reserves

	Share Premium £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2002	715	520	(402)	833
Revaluation surplus released	-	(7)	7	-
Loss for the year	-	-	(1,740)	(1,740)
At 31 December 2002	715	513	(2,135)	(907)

The cumulative amount of goodwill arising from acquisitions in earlier years which has been written off through reserves is £707,000.

23. Reconciliation of movement in equity shareholders' funds

	2002 £'000	2001 £'000
Loss for the financial year	(1,740)	(1,561)
Shareholders' funds at 1 January 2002	1,571	3,132
Shareholders' funds at 31 December 2002	(169)	1,571

Notes to the Accounts continued

24. Commitments

Capital expenditure contracted for at 31 December 2002 and for which no provision has been made in these accounts is **£nil** (2001, £18,000).

Commitments for operating lease payments due in the next year are:

	2002 £'000	2001 £'000
Land and buildings leases expiring:		
within one year	-	6
within two to five years	15	-
after five years	76	33
Other operating leases expiring:		
within one year	1	1
within two to five years	7	4
	99	44

25. Post balance sheet events

In December 2002 the company created 400,000 10 per cent Secured Loan Notes of £1 each repayable on 18 December 2003. It issued within the financial year 2002 Loan Notes totalling £105,000 and a further £102,500 of Loan Notes were issued in January 2003.

The company has in June 2003 received funding in respect of further Loan Notes totalling £162,500 and expects to issue the remaining £30,000 of Loan Notes to the same investors. It has also agreed a related benefit equivalent to an element of convertibility for these Loan funds. Once the arrangements are concluded warrants to subscribe for 800,000 shares on 18 December 2003 at 5p per share will be given to the investors and, subject to the passing of resolutions to be put to the annual general meeting, the company intends to issue further share warrants to the same investors for 700,000 shares also at 5p.

The Board has also taken advantage of the powers given to it to issue shares for cash. In June 2003 it issued 736,056 ordinary shares at 5p each, realising almost £37,000, and intends to issue a further 200,000 shares to realise a further £10,000.

In April 2003 the company completed a transaction to sell and lease back its freehold premises at Bath Road, Kettering. The net proceeds of the sale were £145,000 realising a profit of £79,000. The premises have been leased back for five years at an annual rent of £15,000.

Redundancy notices have been issued in 2003 at a cost of £136,000.

Notes to the Accounts continued

26. Gross cash flows	2002 £'000	2001 £'000
Returns on investments and servicing of finance:		
interest paid	178	178
Taxation:		
UK corporation tax repaid	(10)	-
Capital expenditure and financial investment:		
tangible fixed assets bought	112	87
tangible fixed assets sold	(20)	-
sale of property held for resale	(674)	-
	<u>(582)</u>	<u>87</u>
Acquisitions:		
investment in associate	74	99
Financing:		
(increase)/reduction in debt	(98)	23

27. Analysis of changes in net debt	at 1 Jan 2002 £'000	cash flows £'000	other non-cash changes £'000	at 31 Dec 2002 £'000
Cash at bank and in hand	17	-	-	17
Overdrafts	(1,956)	209	-	(1,747)
	<u>(1,939)</u>	<u>209</u>	<u>-</u>	<u>(1,730)</u>
Debt due within one year	(43)	(98)	(68)	(209)
Debt due after one year	(782)	-	68	(714)
	<u>(2,764)</u>	<u>111</u>	<u>-</u>	<u>(2,653)</u>

28. Subsidiary undertakings All subsidiary undertakings are non trading, wholly owned and incorporated in the UK. A complete list of subsidiary undertakings is included with the annual return. Consolidated accounts are not required in accordance with Companies Act 1985 Section 229(2).

Financial Record

Five year summary

	1998	1999	2000	2001	2002
	£'000	£'000	£'000	£'000	£'000
Turnover					
Continuing operations	10,224	10,718	10,152	9,341	6,909
Profit/(loss) before taxation	217	(427)	(475)	(1,561)	(1,750)
Profit/(loss) after taxation	247	(427)	(475)	(1,561)	(1,740)
Net assets/(liabilities)	4,034	3,607	3,132	1,571	(169)
Earnings/(loss) per share	1.84p	(2.89p)	(3.22p)	(10.57p)	(11.78p)
Dividends per share	1.20p	-	-	-	-

Notices of Meetings

Annual general meeting

Notice is hereby given that the fifty-first annual general meeting of Dinkie Heel plc will be held at Engineers' House, The Promenade, Clifton Down, Bristol on Friday 11 July 2003 at 10.00am for the following purposes (in the case of resolution 4, special notice having been given pursuant to Sections 379 and 388(3) of the Companies Act 1985 ('Act') of the intention to propose that resolution as an ordinary resolution):

- 1 To consider the company's accounts and the reports of the directors and auditors for the year ended 31 December 2002.
- 2 To re-elect G C Martin as a director of the company.
- 3 To re-elect D A S Burn as a director of the company.
- 4 To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, as auditors.
- 5 To authorise the directors to fix the remuneration of the auditors.

As special business to consider and if thought fit to pass the following resolutions that will be proposed in the case of resolutions numbered 6 and 7 as Ordinary Resolutions and in the case of resolutions numbered 8 and 9 as Special Resolutions;

- 6 THAT, the creation of 400,000 10 per cent Secured Loan Notes 2003 of £1 each pursuant to a Deed dated 19 December 2002 be and is hereby approved and also affirmed pursuant to Section 322(2)(c) of the Act.
- 7 THAT, the authorised share capital of the company be and is hereby increased from £850,000 to £1,000,000 by the creation of 3,000,000 additional ordinary shares of 5 pence each.
- 8 THAT, pursuant to Section 80 of the Act the directors be and they are hereby authorised generally and unconditionally to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £224,697.20 (representing 29.0% of the current issued share capital) provided that this authority, unless renewed, shall expire on the date five years from the date on which this resolution is passed save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
- 9 THAT, subject to the passing of resolution 8 set out above:
 - (a) the directors be and they are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority given by resolution 8 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

Notices of Meetings continued

Annual general meeting

continued

- (i) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the directors, to holders of ordinary shares and such other equity securities of the company as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings (subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever); or
- (ii) pursuant to the terms of any share scheme for employees approved by the members in general meeting; or
- (iii) (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of £224,697.20 representing 29.0% of the total ordinary share capital in issue as at the date of this notice,

and shall expire on 10 October 2004 or, if earlier, at the conclusion of the annual general meeting of the company in 2004, except that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements; and

- (b) all authorities previously conferred under Section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

On behalf of the Board

G C Martin

Secretary

St Ivel Way

Warmley

Bristol BS30 8TY

18 June 2003

Notes

- 1 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.
- 2 A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.
- 3 To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the office of the Registrars of the company not less than 48 hours before the time for holding the meeting.
- 4 Copies of all contracts of service under which directors of the company are employed by the company or any of its subsidiaries and the Register of Directors' interests are available for inspection at the company's registered office during business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the conclusion of the annual general meeting and will also be available for inspection at the place of the meeting from fifteen minutes before it is held until its conclusion.

Notices of Meetings continued

Extraordinary general meeting

Notice is hereby given that an extraordinary general meeting of Dinkie Heel plc will be held in accordance with Section 142 of the Companies Act 1985 at Engineers' House, The Promenade, Clifton Down, Bristol on Friday 11 July 2003 at 10.45am for the purpose of considering:

THAT pursuant to Section 142 of the Act no steps need to be taken, other than those that the Board is taking, to deal with the situation that the net assets of the company are at less than half of its called up share capital.

On behalf of the Board
G C Martin
Secretary

St Ivel Way
Warmley
Bristol BS30 8TY
18 June 2003

Notes

- 1 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.
- 2 A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.
- 3 To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the office of the Registrars of the company not less than 48 hours before the time for holding the meeting.

Company Information

Directors	C R Ball BA PhD, Managing D A S Burn MBA BSc MIMechEng, Non-executive G C Martin FCA, Financial R J Mitchell, General Manager Davies Odell R T Organ BA(Hons) FRSA, Non-executive Chairman A J Stowey, Marketing M J Stowey, General Manager Dinkie-FCE
Secretary and registered office	G C Martin FCA St Ivel Way, Warmley, Bristol BS30 8TY Company number 507461
Operating locations	Dinkie Heel St Ivel Way, Warmley, Bristol BS30 8TY Telephone 0117 961 3163 Fax 0117 935 2162 Davies Odell Phillips Portland Road, Rushden, Northants NN10 0DJ Telephone 01933 410818 Fax 01933 315976 For information about Body Armour products – www.tpro.co.uk and Beatrice Road, Kettering, Northants NN16 9QS Telephone 01536 513456 Fax 01536 310080 For information about Equimat – www.equimat.co.uk
Registrars and share transfer office	Northern Registrars Limited Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA Telephone 01484 600900 Fax 01484 600911
Share price information	Information about the day-to-day movement of the company's share price on the London Stock Exchange can be found: on SEAQ page no. 29095 on Reuters code DINK.L from the FT Cityline, telephone 0906 003 2353
Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors 31 Great George Street, Bristol BS1 5QD
Bankers	HSBC Bank plc 79 Regent Street, Kingswood, Bristol BS15 8LH
Solicitors	Burges Salmon Narrow Quay House, Prince Street, Bristol BS1 4AH
Nominated advisor and nominated broker	Rowan Dartington & Co Limited Colston Tower, Colston Street, Bristol BS1 4RD Telephone 0117 925 3377 Fax 0117 927 2067