

Carrwood Plc (formerly Downtex Plc)

FINANCIAL STATEMENTS

for the year ended

31 December 2003

Carrwood Plc (formerly Downtex Plc)

FINANCIAL STATEMENTS

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Carrwood Plc (formerly Downtex Plc)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Carey FCIB
J L S Mond
D E M Mond

SECRETARY

D E M Mond

REGISTERED OFFICE

George House
48 George Street
Manchester
M2 3PW

AUDITORS

Baker Tilly
Chartered Accountants
Brazennose House
Lincoln Square
Manchester
M2 5BL

SOLICITORS

Halliwell Landau
St James' Court
Brown Street
Manchester
M2 2JF

BANKERS

Barclays Bank Plc
1 Bridge Street
Stockport
Cheshire
SK1 1XU

Carrwood Plc (formerly Downtex Plc)

DIRECTORS' REPORT

The directors submit their report and financial statements of Carrwood Plc (formerly Downtex Plc) for the year ended 31 December 2003.

CHANGE OF NAME

On 6 January 2004, the company changed its name from Downtex Plc to Carrwood Plc.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of wholesale and retail distribution of household textiles and flat pack furniture accessories.

On 29th December 2003 the trade, assets and liabilities were transferred to Downtex Plc (formerly known as Carrwood Limited), a subsidiary company which was then sold to D E M Mond and J L S Mond before the year end.

REVIEW OF ACTIVITIES

As reported in the Chairman's statement accompanying the interim results for Downtex for the 6 months ended 30 June 2003 the manufacturing environment within the United Kingdom remains very difficult. Accordingly losses were incurred and resulted in the Company's manufacturing operation in Bolton closing and downsizing taking place in the Altrincham facilities. However, demand for the Company's core products still remained weak and the Company felt it was difficult to predict future profitability. The Company's banking facilities were guaranteed by the directors and without these guarantees the Company would not have been able to continue its business.

The Directors received an offer from David Mond and Jonathan Mond, two of the Directors, to acquire all of the assets and liabilities of the business. As part of the transaction, the assets and liabilities of the Company were transferred to a new wholly owned subsidiary formed for this specific purpose and that subsidiary was acquired by David Mond and Jonathan Mond. A cash offer of £50,000 to acquire all of the issued share capital of its subsidiary was accepted. The purchaser assumed all the liabilities of the business.

It is the Directors' intention that following the sale, the Company will use the proceeds of the sale and further resources which may be made available to acquire interests in businesses and companies, whether quoted or unquoted which the Directors believe will provide a return to investors. The Directors have no immediate investment candidate in mind.

If no investment is made in the next two years, the Directors will consider a members' voluntary liquidation of Downtex which would return the surplus of its cash deposits to shareholders.

RESULTS AND DIVIDENDS

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

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

	Ordinary Shares of £0.02 each	
	At	At
	31 December 2003	1 January 2003
Gerald Carey FCIB	20,000	20,000
J L S Mond	5,000,000	5,000,000
D E M Mond	<u>5,000,000</u>	<u>5,000,000</u>

Carrwood Plc (formerly Downtex Plc)

DIRECTORS' REPORT

SUBSTANTIAL INTERESTS

At 31 December 2003 the following interests in three percent or more of the issued ordinary share capital had been notified to the company:

	Number of ordinary shares	%
Mr R L Donn	400,000	3.20%
Mr O Mond	665,000	5.32%

CORPORATE GOVERNANCE

There is no requirement for the directors to report on compliance with the Combined Code on Corporate Governance. However, the Board fully supports the principles contained in the Combined Code and has sought to generally comply with the provisions of the Code, in as far as it is appropriate given the Company's size and structure.

The main features of the Company's corporate governance procedures are:

- The Board meets on a monthly basis and brings independent judgement to bear. It approves budgets, long term plans and significant contracts. There is a formal schedule of matters reserved for decision by the Board in place.
- The Board has one non-executive director, who takes an active role in Board matters.
- The Company has an audit committee and a remuneration committee. These committees consist of the non-executive directors with executive directors in attendance as necessary. They have written constitutions and terms of reference.
- The audit committee meets twice each year, prior to the publication of the interim and final results. The auditors attend audit committee meetings.
- The remuneration committee meets annually to determine the remuneration of the Board. Levels of remuneration are set in order to attract and retain the directors needed to run the Company without paying more than is necessary for this purpose.
- The Board of directors recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. All activity is organised within a defined structure with formal lines of responsibility and delegation of authority. The Company produces information packs on a weekly and monthly basis. These packs, together with annual budgets, enable the Board to monitor operational performance and cash position each month.

AUDITORS

During the year PricewaterhouseCoopers resigned as auditors and Baker Tilly were appointed in their place.

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

D E M Mond
Company Secretary

27 April 2004

Carrwood Plc (formerly Downtex Plc)

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 requirements of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARRWOOD PLC (FORMERLY DOWNTEx PLC)

We have audited the financial statements on pages 6 to 20.

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 opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

Basis of opinion

We conducted our audit in accordance with 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 at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditor
Chartered Accountants
Brazenose House
Lincoln Square
Manchester
M2 5BL

27 April 2004

Carrwood Plc (formerly Downtex Plc)

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

	<i>Notes</i>	2003 £	2002 £
TURNOVER	1		
Discontinued operations		4,726,009	6,120,441
Cost of sales	2	<u>(3,595,542)</u>	<u>(4,846,622)</u>
Gross profit		1,130,467	1,273,819
Other operating expenses (net)	2	<u>2,041,672</u>	<u>1,757,117</u>
OPERATING LOSS:	3		
Discontinued operations		(911,205)	(483,298)
Profit on disposal of discontinued operations	6	<u>50,000</u>	<u>–</u>
		(861,205)	(483,298)
Interest payable	7	77,269	76,080
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(938,474)</u>	<u>(559,378)</u>
Taxation	8	–	(110,609)
LOSS FOR THE FINANCIAL YEAR		<u><u>(938,474)</u></u>	<u><u>(448,769)</u></u>
Loss per share (pence)	9	<u>(7.51)</u>	<u>(3.59)</u>

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Carrwood Plc (formerly Downtex Plc)

BALANCE SHEET

31 December 2003

	<i>Notes</i>	2003 £	2002 £
FIXED ASSETS			
Intangible assets	10	–	154,713
Tangible assets	11	–	677,601
		<u>–</u>	<u>832,314</u>
CURRENT ASSETS			
Stocks	12	–	1,793,480
Debtors	13	50,000	1,282,625
Cash at bank		–	85,241
		<u>50,000</u>	<u>3,161,346</u>
CREDITORS			
Amounts falling due within one year	15	–	2,837,186
NET CURRENT ASSETS		<u>50,000</u>	<u>324,160</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>50,000</u>	<u>1,156,474</u>
CREDITORS			
Amounts falling due after more than one year	16	–	168,000
		<u>50,000</u>	<u>988,474</u>
CAPITAL AND RESERVES			
Called up equity share capital	20	249,813	249,813
Share premium account		336,766	336,766
Revaluation reserve	21	–	32,264
Profit and loss account	22	(536,579)	369,631
SHAREHOLDERS' FUNDS	23	<u>50,000</u>	<u>988,474</u>

These financial statements were approved by the directors on the 27 April 2004 and are signed on their behalf by:

Gerald Carey FCIB
Director

Carrwood Plc (formerly Downtex Plc)

CASH FLOW STATEMENT

for the year ended 31 December 2003

	<i>Notes</i>	2003 £	2002 £
Net cash flow from operating activities	24	186,804	(182,023)
Returns on investments and servicing of finance	24	(77,269)	(76,080)
Taxation	24	-	-
Capital expenditure and financial investment	24	(85,695)	(159,568)
		<u>23,840</u>	<u>(417,671)</u>
Equity dividends paid		-	(41,133)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>23,840</u>	<u>(458,804)</u>
Financing	24	(32,000)	(32,000)
INCREASE/(DECREASE) IN CASH IN THE PERIOD		<u>(8,160)</u>	<u>(490,804)</u>
Transfer of net debt to subsidiary undertaking		1,453,832	-
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
		2003 £	2002 £
Increase/(decrease) in cash in the period		(8,160)	(490,804)
Net cash outflow from bank loans		32,000	32,000
Transfer of net debt to subsidiary undertaking		<u>1,453,832</u>	<u>-</u>
CHANGE IN NET FUNDS	24	<u>1,477,672</u>	<u>(458,804)</u>
NET DEBT AT 1 JANUARY	24	<u>(1,477,672)</u>	<u>(1,018,867)</u>
NET DEBT AT 31 DECEMBER	24	<u>-</u>	<u>(1,477,672)</u>

Carrwood Plc (formerly Downtex Plc)

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

TURNOVER

Turnover represents the invoiced value of goods despatched to customers during the period, net of returns and trade discounts and excluding value added tax.

GOODWILL

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

AMORTISATION

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

Goodwill	-	20 years
Trademarks	-	5 years

FIXED ASSETS

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Interest costs of financing additions are not capitalised.

Under the transitional arrangements of FRS15, Tangible Fixed Assets, the valuation undertaken in 1998 of certain land and buildings was adopted as cost. This valuation has not been updated and it is not the company's policy to revalue land and buildings.

DEPRECIATION

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

Land & buildings	-	50 years
Plant & Machinery	-	4 - 7 years
Motor Vehicles	-	4 - 7 years

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Carrwood Plc (formerly Downtex Plc)

ACCOUNTING POLICIES

STOCKS

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

OPERATING LEASE AGREEMENTS

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

PENSION COSTS

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

DEFERRED TAXATION

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

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

FOREIGN CURRENCIES

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

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

1 TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2003	2002
	£	£
United Kingdom	4,588,470	5,819,235
EC	83,974	75,150
Rest of World	53,565	226,056
	<u>4,726,009</u>	<u>6,120,441</u>

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Discontinued Operations	Total
	£	£
Year ended 31 December 2003		
Cost of sales	<u>3,595,542</u>	<u>3,595,542</u>
Distribution costs	1,149,150	1,149,150
Administrative expenses	<u>892,522</u>	<u>892,522</u>
Net operating expenses	<u>2,041,672</u>	<u>2,041,672</u>
Year ended 31 December 2002		
Cost of sales	<u>4,846,622</u>	<u>4,846,622</u>
Distribution costs	1,026,259	1,026,259
Administrative expenses	<u>730,858</u>	<u>730,858</u>
Net operating expenses	<u>1,757,117</u>	<u>1,757,117</u>

3 OPERATING LOSS

Operating loss is stated after charging:

	2003	2002
	£	£
Amortisation	144,842	10,885
Depreciation of owned fixed assets	84,977	75,306
Loss on disposal of fixed assets	8,451	–
Auditors' remuneration - as auditors	<u>8,500</u>	<u>16,400</u>

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

4 PARTICULARS OF EMPLOYEES

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

	2003	2002
	No	No
Number of production staff	34	68
Number of sales & distribution staff	64	52
Number of administrative staff	10	13
	<u>108</u>	<u>133</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	1,197,032	1,407,760
Social security costs	91,304	123,438
	<u>1,288,336</u>	<u>1,531,198</u>

5 DIRECTORS' EMOLUMENTS

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

	2003	2002
	£	£
Emoluments receivable	<u>97,740</u>	<u>140,934</u>

6 PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS

	2003	2002
	£	£
Disposal of discontinued operations:		
Profit on sale of operation	<u>50,000</u>	<u>—</u>

On 29th December 2003 the trade, assets and liabilities were transferred to Downtex Plc (formerly Carrwood Limited), which was 100% owned by Carrwood Plc. The share capital in the subsidiary was then, on the same day, sold to DEM Mond and JLS Mond, directors and shareholders of Carrwood Plc.

7 INTEREST PAYABLE

	2003	2002
	£	£
Interest payable on bank borrowing	<u>77,269</u>	<u>76,080</u>

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

8 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2003	2002
	£	£
Current tax:		
Corporation tax	–	–
Over/under provision in prior year	–	(5,678)
Total current tax	–	(5,678)
Deferred tax:		
Decrease in deferred tax provision	–	(104,931)
Tax on loss on ordinary activities	–	(110,609)

(b) Factors affecting current tax charge

	2003	2002
	£	£
Loss on ordinary activities before taxation	(938,474)	(559,377)
Profit/(loss) on ord actvs by rate of tax	(281,542)	(111,876)
Prior year adjustment	–	(5,678)
Expenses not deductible for tax purposes	–	2,185
Capital allowances in excess of depreciation	–	(1,612)
Losses carried forward	–	111,303
Transferred to subsidiary on hive down	281,542	–
Total current tax (note 8(a))	–	(5,678)

9 LOSS PER SHARE

	2003	2002
	pence	pence
Loss per ordinary share	(7.51)	(3.59)

Loss per share have been calculated on the net basis on the loss on ordinary activities after taxation of £(938,474) (2002 - £(448,768)) using the average number of ordinary shares in issue of 12,490,641 (2002 - 12,490,641).

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

10 INTANGIBLE FIXED ASSETS

	Goodwill £	Trademark £	Total £
Cost			
At 1 January 2003	177,713	10,000	187,713
Disposals	(177,713)	(10,000)	(187,713)
At 31 December 2003	<u>—</u>	<u>—</u>	<u>—</u>
Amortisation			
At 1 January 2003	24,000	9,000	33,000
Charge for the year	143,842	1,000	144,842
On disposals	(167,842)	(10,000)	(177,842)
At 31 December 2003	<u>—</u>	<u>—</u>	<u>—</u>
Net book value			
At 31 December 2003	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2002	<u>153,713</u>	<u>1,000</u>	<u>154,713</u>

11 TANGIBLE FIXED ASSETS

	Land & buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost				
At 1 January 2003	455,946	402,998	119,244	978,188
Additions	13,310	110,861	—	124,171
Disposals	(469,256)	(513,859)	(119,244)	(1,102,359)
At 31 December 2003	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Depreciation				
At 1 January 2003	42,880	179,095	78,612	300,587
Charge for the year	15,693	61,537	7,747	84,977
On disposals	(58,573)	(240,632)	(86,359)	(385,564)
At 31 December 2003	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net book value				
At 31 December 2003	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2002	<u>413,066</u>	<u>223,903</u>	<u>40,632</u>	<u>677,601</u>

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

	2003	2002
	£	£
Land and buildings at net book value comprise:		
Short leasehold	–	34,057
Freehold and long leasehold	–	379,009
Total of above	<u>–</u>	<u>413,066</u>

During 1998 the Company's freehold and long leasehold land and buildings were revalued by Lambert Smith Hampton, Chartered Surveyors, on an open market basis.

The effect of this revaluation was to uplift the carrying value of the assets concerned by £35,068 to £400,000.

If the revalued tangible fixed assets, totalling a net book value of £nil (2002: £373,333), had been accounted for on a historical cost basis, their historical cost would have been £nil (2002: £409,289), accumulated depreciation £nil (2002: £70,552) and written down value at 31 December 2003 £nil (2002: £338,737).

12 STOCKS

	2003	2002
	£	£
Raw materials	–	580,648
Finished goods	–	1,212,832
	<u>–</u>	<u>1,793,480</u>

13 DEBTORS

	2003	2002
	£	£
Trade debtors	–	1,076,374
Other debtors	50,000	24
Prepayments and accrued income	–	108,897
Deferred taxation (note 14)	–	97,330
	<u>50,000</u>	<u>1,282,625</u>

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

14 DEFERRED TAXATION

	2003	2002
	£	£
The movement in the deferred taxation account during the year was:		
Balance brought forward	(97,330)	7,601
Profit and loss account movement arising during the year	–	(104,931)
Transferred on hive down	97,330	–
Balance carried forward	<u>–</u>	<u>(97,330)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2003	2002
	£	£
Excess of taxation allowances over depreciation on fixed assets	–	12,837
Tax losses available	–	(110,167)
	<u>–</u>	<u>(97,330)</u>

15 CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	–	1,394,913
Trade creditors	–	771,922
Other taxation and social security	–	161,089
Other creditors	–	80,000
Directors current accounts	–	250,000
Accruals and deferred income	–	179,262
	<u>–</u>	<u>2,837,186</u>

16 CREDITORS: Amounts falling due after more than one year

	2003	2002
	£	£
Bank loans and overdrafts	<u>–</u>	<u>168,000</u>

Interest on bank loans was charged at normal commercial rates.

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

17 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	–	46,580
Within 2 to 5 years	–	69,800
After more than 5 years	–	126,230
	<u>–</u>	<u>242,610</u>

18 FINANCIAL INSTRUMENTS

The main risks arising from the Company's financial instruments were interest rate risk, liquidity risk, and foreign currency risk. The Board reviewed and agreed policies for managing each of these risks and they are summarised below:

Interest rate risk

The Company financed its operations through bank borrowings. It is Company policy to borrow in Sterling at floating rates of interest in order to manage its operation.

Liquidity risk

It is Company policy to manage liquidity in order to achieve continuity of funding.

Foreign currency risk

The Company made significant raw material purchases from foreign suppliers. Foreign currency risk is mainly managed by paying suppliers in Sterling, however a small number of foreign suppliers are paid in their local currency or more frequently in US Dollars.

The majority of the Company's sales in the year have been to UK based customers. For overseas customers it was Company policy to eliminate currency exposures by invoicing in Sterling wherever possible. Foreign currency sales were mainly denominated in US Dollars, receipts from which were utilised as far as possible to fund US Dollar purchases.

Financial liabilities

The interest rate profile of the Company's financial liabilities at 31 December 2003 was:

Currency	Floating rate financial liabilities	
	2003	2002
	£	£
Sterling	-	1,562,913

Financial assets

The interest rate profile of the Company's financial assets at 31 December 2003 was:

Currency	Floating rate financial assets	
	2003	2002
	£	£
Sterling	-	85,241

In 2002 financial assets represent bank current account balances which were repayable on demand and for interest bearing purposes were set-off against the bank overdraft.

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

Currency exposure

At 31 December 2003 there were no net trade debtor/(creditor) balances payable in foreign currency.

Currency	Net trade debtor/(creditor) balances at 31 December 2002 payable in Foreign currency	
	Total £	Dollars
Sterling	2,412	3,883

The Company does not use hedges or other derivatives.

19 RELATED PARTY TRANSACTIONS

Mr J L S Mond and Mr D E M Mond, who are directors of the Company, are regarded as the controlling parties by virtue of their interest in the two Accumulation and Maintenance Settlement Trusts and two Life Settlement Trusts holding 80.06% (2002: 80.06%) of the capital of Carrwood Plc (formerly Downtex Plc).

Office and showroom rent and other services to the value of £44,965 (2002: £34,390) were charged from Hodgsons, a partnership of which D E M Mond is principal. The balance due to Hodgsons at 31 December 2003 was £Nil (2002: £34,391).

20 SHARE CAPITAL

	2003 £	2002 £
Authorised:		
25,000,000 Ordinary shares of £0.02 each	<u>500,000</u>	<u>500,000</u>
	2003 £	2002 £
Allotted, called up and fully paid:		
12,490,641 Ordinary shares of £0.02 each	<u>249,813</u>	<u>249,813</u>

Options were granted in 1998 and are still outstanding under the Company's share option scheme. These options are exercisable for a total of 400,000 ordinary shares at a price of 25p. Options are exercisable between three and ten years from the date of grant. The market price of the Company's shares has remained below the exercise price, so there is no dilutive effect on earnings per share.

21 REVALUATION RESERVE

	2003 £	2002 £
At 1 January 2003	32,264	32,264
Transfer to the profit and loss account on realisation	<u>(32,264)</u>	<u>—</u>
At 31 December 2003	<u>—</u>	<u>32,264</u>

22 PROFIT AND LOSS ACCOUNT

	2003 £	2002 £
At 1 January 2003	369,631	818,399
Accumulated loss for the financial year	(938,474)	(448,768)
Transfer from revaluation reserve	<u>32,264</u>	<u>—</u>
At 31 December 2003	<u>(536,579)</u>	<u>369,631</u>

Carrwood Plc (formerly Downtex Plc)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Loss for the financial year	(938,474)	(448,768)
Opening shareholders' equity funds	988,474	1,437,242
Closing shareholders' equity funds	<u>50,000</u>	<u>988,474</u>

24 CASH FLOWS

a Reconciliation of operating loss to net cash outflow from operating activities

	2003	2002
	£	£
Operating loss	(911,205)	(483,297)
Amortisation	144,842	10,885
Depreciation	84,977	75,306
Loss on disposal of fixed assets	8,451	–
Decrease/(increase) in stocks	91,000	(161,030)
Decrease/(increase) in debtors	550,554	(42,490)
(Decrease)/increase in creditors	218,185	418,603
Net cash inflow/(outflow) from operating activities	<u>186,804</u>	<u>(182,023)</u>

b Analysis of cash flows for headings netted in the cash flow

Returns on investment and servicing of finance

	2003	2002
	£	£
Interest paid	(77,269)	(76,080)
Net cash outflow from returns on investments and servicing of finance	<u>(77,269)</u>	<u>(76,080)</u>

Taxation

	2003	2002
	£	£
Taxation	<u>-</u>	<u>-</u>

Capital expenditure

	2003	2002
	£	£
Payments to acquire tangible fixed assets	(124,171)	(159,568)
Receipts from sale of fixed assets	38,476	–
Net cash inflow/(outflow) from capital expenditure	<u>85,695</u>	<u>(159,568)</u>

Financing

	2003	2002
	£	£
Repayment of bank loans	(32,000)	(32,000)
Net cash outflow from financing	<u>(32,000)</u>	<u>(32,000)</u>

Carrwood Plc (formerly Downtex Plc)
NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

		2003	2002
		£	£
c	Analysis of net debt		
		At	At
		1 Jan 2003	31 Dec 2003
		£	£
	Cash in hand and at bank	85,241	–
	Overdrafts	(1,362,913)	–
		<u>(1,277,672)</u>	<u>–</u>
	Debt due within 1 year	(32,000)	–
	Debt due after 1 year	(168,000)	–
		<u>(200,000)</u>	<u>–</u>
	Total	<u><u>(1,477,672)</u></u>	<u><u>–</u></u>