

**Carrwood Plc**  
**FINANCIAL STATEMENTS**  
for the year ended  
31 December 2004

# Carrwood Plc

## FINANCIAL STATEMENTS

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CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2-4
Statement of directors' responsibilities	5
Independent auditors' report to the members	6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Accounting policies	10
Notes to the financial statements	11-15

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# Carrwood Plc

## OFFICERS AND PROFESSIONAL ADVISERS

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### 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  
M1 4HF

### AUDITORS

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

### BROKERS

W H Ireland  
11 St James's Square  
Manchester  
M2 6WH

### REGISTRARS

Neville Registrars  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA

### NOMINATED ADVISER

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
London  
NW1 2EP

### SOLICITORS

Halliwells LLP  
St James' Court  
Brown Street  
Manchester  
M2 2JF

### BANKERS

Barclays Bank Plc  
1 Bridge Street  
Stockport  
Cheshire  
SK1 1XU

# Carrwood Plc

## DIRECTORS' REPORT

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The directors submit their report and financial statements of Carrwood Plc (formerly Downtex Plc) for the year ended 31 December 2004.

### 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 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 on 29 December 2003.

### REVIEW OF ACTIVITIES

During the past year the Board has continued to assess various appropriate opportunities to reverse a new business into the Company. The criteria which the Board had set were to identify good quality profitable businesses, the logic being that a reverse acquisition of such a business by Carrwood could prove to be an attractive route to market for the target company and one which may allow your Board to create value over the longer term for shareholders. This has not currently proved possible, mainly because as stockmarket conditions steadily improved during the year, many good quality businesses were able to pursue their own flotation plans independently. Your Board was further hampered by the fact that the limited amount of cash remaining made the undertaking of due diligence extremely difficult. However the Board are still pursuing a number of initiatives which might lead to a reverse acquisition.

Revenues for the year ended 31 December 2004 were nil, which reflects the disposal of the Group's operating activities at the end of the previous financial year.

Losses before and after taxation for the period were £22,353. Running costs have now been reduced to a minimum and there are no full time employees in the Company. Ongoing operating costs relate principally to maintaining the Company's listing on AIM.

Net current assets at the end of the period were £27,647.

David Mond has agreed to provide any necessary finance to ensure that the Company has sufficient cash to enable the ongoing listing and ancillary expenses to be paid for the next two years.

### RESULTS AND DIVIDENDS

The 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.

# Carrwood Plc

## DIRECTORS' REPORT

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### 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 2004	1 January 2004
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>

### SUBSTANTIAL INTERESTS

At 31 December 2004 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 regular basis and brings independent judgement to bear. 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 regular basis. These packs, together with annual budgets, enable the Board to monitor operational performance and cash position each month.

# Carrwood Plc

## DIRECTORS' REPORT

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### AUDITORS

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

3<sup>rd</sup> May 2005

# Carrwood Plc

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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

We have audited the financial statements on pages 7 to 15.

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 2004 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

3<sup>rd</sup> May 2005

**Carrwood Plc**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2004

	<i>Notes</i>	2004 £	2003 £
TURNOVER	1	-	4,726,009
Cost of sales		-	(3,595,542)
Gross profit		<u>          </u>	<u>1,130,467</u>
Other operating expenses (net)	2	<u>22,353</u>	<u>2,041,672</u>
OPERATING LOSS	3	(22,353)	(911,205)
Profit on disposal of discontinued operations	6	-	50,000
		<u>(22,353)</u>	<u>(861,205)</u>
Interest payable	7	-	77,269
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(22,353)</u>	<u>(938,474)</u>
Taxation	8	-	-
LOSS FOR THE FINANCIAL YEAR		<u>(22,353)</u>	<u>(938,474)</u>
Loss per share (pence)	9	<u>(0.18)</u>	<u>(7.51)</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.

The above results for 2003 relate to discontinued operations.

# Carrwood Plc (formerly Downtex Plc)

## BALANCE SHEET

31 December 2004

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	<i>Notes</i>	2004 £	2003 £
<b>CURRENT ASSETS</b>			
Debtors	10	16,828	50,000
Cash at bank		11,906	-
		<u>28,734</u>	<u>50,000</u>
<b>CREDITORS</b>			
Amounts falling due within one year	12	(1,087)	-
<b>NET CURRENT ASSETS</b>		<u>27,647</u>	<u>50,000</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>27,647</u>	<u>50,000</u>
 <b>CAPITAL AND RESERVES</b>			
Called up equity share capital	14	249,813	249,813
Share premium account		336,766	336,766
Profit and loss account	15	(558,932)	(536,579)
<b>SHAREHOLDERS' FUNDS</b>	16	<u>27,647</u>	<u>50,000</u>

These financial statements were approved by the directors on the 3<sup>rd</sup> May 2005 and are signed on their behalf by:

D E M Mond  
Director

**Carrwood Plc**  
**CASH FLOW STATEMENT**  
for the year ended 31 December 2004

	<i>Notes</i>	2004 £	2003 £
Net cash flow from operating activities	17	11,906	186,804
Returns on investments and servicing of finance	17	-	(77,269)
Capital expenditure and financial investment	17	-	(85,695)
<b>CASH INFLOW BEFORE FINANCING</b>		<u>11,906</u>	<u>23,840</u>
Financing	17	-	(32,000)
<b>INCREASE/(DECREASE) IN CASH IN THE PERIOD</b>		<u>11,906</u>	<u>(8,160)</u>
Transfer of net debt to subsidiary undertaking		-	1,453,832
 <b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
		2004 £	2003 £
Increase/(decrease) in cash in the period		11,906	(8,160)
Net cash outflow from bank loans		-	32,000
Transfer of net debt to subsidiary undertaking		-	1,453,832
<b>CHANGE IN NET FUNDS</b>	17	<u>11,906</u>	<u>1,477,672</u>
<b>NET DEBT AT 1 JANUARY</b>	17	-	<u>(1,477,672)</u>
<b>NET FUNDS AT 31 DECEMBER</b>	17	<u>11,906</u>	<u>-</u>

# Carrwood Plc

## ACCOUNTING POLICIES

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### 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.

### 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

## NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

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### 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:

	2004	2003
	£	£
United Kingdom	-	4,588,470
EC	-	83,974
Rest of World	-	53,565
	<u>-</u>	<u>4,726,009</u>

### 2 ANALYSIS OF NET OPERATING EXPENSES

	2004	2003
	£	£
Distribution costs	-	1,149,150
Administrative expenses	22,353	892,522
Net operating expenses	<u>22,353</u>	<u>2,041,672</u>

### 3 OPERATING LOSS

Operating loss is stated after charging:

	2004	2003
	£	£
Amortisation	-	144,842
Depreciation of owned fixed assets	-	84,977
Loss on disposal of fixed assets	-	8,451
Auditors' remuneration	-	-
- as auditors	850	8,500
	<u>850</u>	<u>8,500</u>

### 4 PARTICULARS OF EMPLOYEES

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

	2004	2003
	No	No
Number of production staff	-	34
Number of sales & distribution staff	-	64
Number of administrative staff	-	10
	<u>-</u>	<u>108</u>

# Carrwood Plc

## NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

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The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	-	1,197,032
Social security costs	-	91,304
	<u>-</u>	<u>1,288,336</u>

### 5 DIRECTORS' EMOLUMENTS

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

	2004	2003
	£	£
Emoluments receivable	<u>-</u>	<u>97,740</u>

### 6 PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS

	2004	2003
	£	£
Disposal of discontinued operations:		
Profit on sale of operation	<u>-</u>	<u>50,000</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

	2004	2003
	£	£
Interest payable on bank borrowing	<u>-</u>	<u>77,269</u>

### 8 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004	2003
	£	£
Current tax:		
Corporation tax	-	-
Over/under provision in prior year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax:		
Decrease in deferred tax provision	-	-
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

# Carrwood Plc

## NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

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(b) Factors affecting current tax charge

	2004	2003
	£	£
Loss on ordinary activities before taxation	<u>(22,353)</u>	<u>(938,474)</u>
Profit/(loss) on ord actvs by rate of tax	(6,706)	(281,542)
Losses carried forward	6,706	-
Transferred to subsidiary on hive down	-	281,542
Total current tax (note 8(a))	<u>-</u>	<u>-</u>

9 LOSS PER SHARE

	2004	2003
	pence	pence
Loss per ordinary share	<u>(0.18)</u>	<u>(7.51)</u>

Loss per share have been calculated on the net basis on the loss on ordinary activities after taxation of £22,353 (2003 - £(938,474) using the average number of ordinary shares in issue of 12,490,641 (2003 - 12,490,641).

10 DEBTORS

	2004	2003
	£	£
Other debtors	<u>16,828</u>	<u>50,000</u>

11 DEFERRED TAXATION

	2004	2003
	£	£
The movement in the deferred taxation account during the year was:		
Balance brought forward	-	(97,330)
Transferred on hive down	-	97,330
Balance carried forward	<u>-</u>	<u>-</u>

12 CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Accruals and deferred income	<u>1,087</u>	<u>-</u>

# Carrwood Plc

## NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

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### 13 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.

Office and showroom rent and other services to the value of £Nil (2003: £44,965) were charged from Hodgsons, a partnership of which D E M Mond is principal. The balance due to Hodgsons at 31 December 2004 was £Nil (2003 £Nil).

### 14 SHARE CAPITAL

	2004 £	2003 £
Authorised:		
25,000,000 Ordinary shares of £0.02 each	<u>500,000</u>	<u>500,000</u>
	2004 £	2003 £
Allotted, called up and fully paid:		
12,490,641 Ordinary shares of £0.02 each	<u>249,813</u>	<u>249,813</u>

Options under the Company's share option scheme that were granted in 1998 have been cancelled on the 18<sup>th</sup> March 2005 and are no longer outstanding.

### 15 PROFIT AND LOSS ACCOUNT

	2004 £	2003 £
At 1 January 2004	(536,579)	369,631
Accumulated loss for the financial year	(22,353)	(938,474)
Transfer from revaluation reserve	-	32,264
At 31 December 2004	<u>(558,932)</u>	<u>(536,579)</u>

### 16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Loss for the financial year	(22,353)	(938,474)
Opening shareholders' equity funds	<u>50,000</u>	<u>988,474</u>
Closing shareholders' equity funds	<u>27,647</u>	<u>50,000</u>

# Carrwood Plc

## NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

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### 17 CASH FLOWS

#### a Reconciliation of operating loss to net cash inflow from operating activities

	2004	2003
	£	£
Operating loss	(22,353)	(911,205)
Amortisation	-	144,842
Depreciation	-	84,977
Loss on disposal of fixed assets	-	8,451
Decrease in stocks	-	91,000
Decrease in debtors	33,172	550,554
Increase in creditors	1,087	218,185
Net cash inflow from operating activities	<u>11,906</u>	<u>186,804</u>

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

##### Returns on investment and servicing of finance

	2004	2003
	£	£
Interest paid	-	(77,269)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>-</u>	<u>(77,269)</u>

##### Capital expenditure

	2004	2003
	£	£
Payments to acquire tangible fixed assets	-	(124,171)
Receipts from sale of fixed assets	-	38,476
<b>Net cash inflow from capital expenditure</b>	<u>-</u>	<u>85,695</u>

##### Financing

	2004	2003
	£	£
Repayment of bank loans	-	(32,000)
<b>Net cash outflow from financing</b>	<u>-</u>	<u>(32,000)</u>

#### c Analysis of net funds

	At 1 Jan 2004	Cash flows	At 31 Dec 2004
	£	£	£
Cash in hand and at bank	-	11,906	11,906