

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, or the contents of this document, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares, please send this document and any accompanying documents or forms as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom you sell or have sold or transferred your shares for delivery to the purchaser or transferee. However, this document and any accompanying documents should not be sent or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities law or regulations, including, but not limited to, the USA and the Excluded Territories.

This document comprises an admission document prepared in accordance with the AIM Rules. This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been approved by or filed with the Financial Services Authority.

The Directors and the Proposed Directors, whose names appear on page 7 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors, the Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors, the Proposed Directors and the Company are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading.

Application will be made for the Existing Ordinary Shares to be re-admitted, and the New Ordinary Shares to be admitted, to trading on AIM. It is expected that Admission will become effective and dealings for normal settlement in the Enlarged Share Capital will commence on 4 January 2006.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and if appropriate consultation with an independent professional financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List. Neither the Existing Ordinary Shares nor the New Ordinary Shares will be dealt on any other recognised investment exchange and no other such application will be made. Furthermore neither the London Stock Exchange nor the UKLA has itself examined or approved the contents of this document.**

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**Carrwood plc (to be renamed ClearDebt Group plc)**  
**Acquisition of ClearDebt Limited**  
**Placing of 60,350,000 new Ordinary Shares at 2 pence per new Ordinary Share**  
**Issue of Carrwood Warrants**  
**Admission of the Enlarged Share Capital to trading**  
**on AIM**  
**Notice of Extraordinary General Meeting**  
**Present Nominated Adviser                      Broker and Proposed Nominated Adviser**  
**Zeus Capital Limited                              WH Ireland Limited**

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**YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.**

A notice convening the Extraordinary General Meeting to be held at George House, 48 George Street, Manchester M1 4HF at 11.00 a.m. on 3 January 2006 is set out at the end of this document. The accompanying Form of Proxy for use at the Extraordinary General Meeting should be completed and returned by post or (during normal business hours) by hand to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA, as soon as possible, and, to be valid, must arrive not less than 48 hours before the time fixed for the Extraordinary General Meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.

WH Ireland and Zeus Capital who are both regulated by the Financial Services Authority, are acting as the Company's proposed nominated adviser and nominated adviser respectively in connection with the matters set out in this document. Their responsibilities in respect of their respective roles as the Company's nominated adviser under the AIM Rules are owed solely to London Stock Exchange and are not owed to the Company or to any director or proposed director of the Company or to any other person in respect of his or its decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by WH Ireland or Zeus Capital as to any of the contents of this document in connection with the proposed Placing.

WH Ireland and Zeus Capital are acting for the Company and no one else and will not be responsible to anyone other than the Company for providing advice in relation to the Proposals. Neither WH Ireland nor Zeus Capital will be offering advice or will be responsible for providing the protections afforded to their customers to recipients of this document in respect of the Placing or any acquisition of shares or securities in the Company.

This document is not an offer of securities for sale in the United States and the New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, or under the laws of any state, district or other jurisdiction of the US or any of the Excluded Territories and no regulatory clearances in respect of the New Ordinary Shares have been or will be applied for in any such jurisdiction.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy from Carrwood Shareholders for the Extraordinary General Meeting	11.00 a.m. on 1 January 2006
Extraordinary General Meeting	11.00 a.m. on 3 January 2006
Admission and commencement of dealings in the Existing Ordinary Shares and the New Ordinary Shares on AIM	4 January 2006
CREST stock accounts credited in respect of New Ordinary Shares	4 January 2006
Despatch of certificates in respect of the Carrwood Warrants	11 January 2006
Despatch of definitive share certificates in respect of New Ordinary Shares to be held in certificated form	11 January 2006

## PLACING STATISTICS

Number of Existing Ordinary Shares	12,490,641
Number of Consideration Shares	179,837,228
Number of Warrant Shares	31,599,058
Number of Ordinary Shares being issued pursuant to the Placing	60,350,000
Placing Price	2p
Gross proceeds of the Placing	£1,207,000
Number of Ordinary Shares in issue following Admission	252,677,869
Market capitalisation of Carrwood at the Placing Price following Admission	£5,053,557
Existing Share Capital expressed as a percentage of the Enlarged Share Capital	4.94%
Aggregate number of New Ordinary Shares and Warrant Shares expressed as a percentage of the Enlarged Share Capital (assuming all Warrants are exercised)	95.61%

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of ClearDebt pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 10 December 2005 between (1) the Vendors (2) the Company (3) ClearDebt and (4) Sound Financial relating to the Acquisition, which is conditional, <i>inter alia</i> , on the passing of the Resolutions at the EGM, further details of which are set out in paragraph 8 of Part I of this document
“the Act”	the Companies Act 1985, as amended
“Admission”	the re-admission of the Existing Ordinary Shares to trading on AIM and the admission to trading on AIM of the New Ordinary Shares becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company, as amended from time to time
“the Board” or “the Directors”	the directors of the Company, as at the date of this document, whose names are set out on page 7 of this document
“Carrwood Warrant Instrument”	an instrument of the Company dated 10 December 2005 constituting the Carrwood Warrants, further details of which are set out in paragraph 9.11 of Part VII of this document
“Carrwood Warrants”	warrants constituted by and subject to the terms and conditions of the Carrwood Warrant Instrument, to subscribe for a total of 24,018,722 Warrant Shares at 4p per share between the first anniversary of Admission and the third anniversary of Admission (but only once on each such anniversary), further details of which are set out in paragraph 9.11 of Part VII of this document
“City Code”	the City Code on Takeovers and Mergers
“ClearDebt”	ClearDebt Limited, registered number 5157741
“ClearDebt Shares”	ordinary shares of £1 each in the capital of ClearDebt
“Combined Code”	the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003
“the Company” or “Carrwood”	Carrwood plc, registered number 02441375 (to be renamed ClearDebt Group plc)
“Completion”	completion of the Acquisition on the terms set out in the Acquisition Agreement
“Consideration Shares”	the 179,837,228 new Ordinary Shares to be issued in accordance with the terms of the Acquisition Agreement which will, for the avoidance of doubt, include 29,837,228 new Ordinary Shares to be issued to Sound Financial in satisfaction of the Sound Financial Loan
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form

“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“Daily Official List”	the daily official list of the United Kingdom Listing Authority
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 11.00 a.m. on 3 January 2006, notice of which is set out at the end of this document, or any adjournment of that meeting
“EIS”	the Enterprise Investment Scheme as prescribed in Part VII chapter III of the Income and Corporation Taxes Act 1988 as amended
“Enlarged Group”	the Company and its subsidiaries and subsidiary undertakings following Completion
“Enlarged Share Capital”	the issued ordinary share capital of the Company upon Admission
“Excluded Territories”	Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa and their respective territories or possessions
“Existing Ordinary Shares”	the 12,490,641 Ordinary Shares in issue at the date of this document
“Existing Share Capital”	the issued ordinary share capital of the Company at the date of this document
“Existing Shareholder”	a holder of Existing Ordinary Shares
“Form of Proxy”	the form of proxy which accompanies this document for use by Existing Shareholders in connection with the EGM
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and its subsidiaries and subsidiary undertakings at the date of this document
“Independent Director”	Gerald Carey
“IVA”	Individual Voluntary Arrangement
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	up to 240,187,228 new Ordinary Shares to be issued pursuant to the Placing and the Acquisition, all of which will have been created in accordance with the Act
“Official List”	the Official List of the United Kingdom Listing Authority
“Ordinary Shares”	ordinary shares of 2p each in the capital of the Company, all of which have been created in accordance with the Act
“Overseas Shareholders”	Existing Shareholders who are resident in, or citizens of, countries other than the UK
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the conditional placing of the Placing Shares at the Placing Price, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 10 December 2005 between (1) the Company (2) WH Ireland (3) Zeus Capital and (4) the Directors and the Proposed Directors relating to the Placing and the application for Admission, details of which are set out in paragraph 16 of Part VII of this document
“Placing Price”	2p per Ordinary Share
“Placing Shares”	the 60,350,000 new Ordinary Shares to be issued pursuant to the Placing

“Proposals”	the Acquisition, the Placing and Admission
“Proposed Directors”	David Shalom and Andrew Smith
“Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Resolutions”	the resolutions set out in the notice of Extraordinary General Meeting at the end of this document
“Shareholders”	holders of Ordinary Shares
“Sound Financial”	Sound Financial plc, registered number 5038983, a company of which David Mond is a director and shareholder
“Sound Financial Loan”	the loan of £500,000 together with interest thereon at the rate of 6 per cent. per annum accruing from 7 October 2005 owing by ClearDebt to Sound Financial
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“United Kingdom Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“US”, “USA”, or “United States”	the United States of America, each State thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction
“Vendors”	the holders of ClearDebt Shares at the date of this document
“Warrants”	the Carrwood Warrants and the WHI Warrants
“Warrant Shares”	Ordinary Shares issued pursuant to the exercise of the Warrants
“WH Ireland”	WH Ireland Limited
“WHI Warrant Deed”	the deed of the Company dated 10 December 2005 constituting the WHI Warrants, further details of which are set out in paragraph 9.6 of Part VII of this document
“WHI Warrants”	warrants issued to WH Ireland to subscribe for a total of 7,580,336 Warrant Shares at the Placing Price at any time before the third anniversary of Admission
“Zeus Capital”	Zeus Capital Limited

**DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY  
AND ADVISERS**

<b>Directors</b>	Gerald Carey ( <i>Non-executive Chairman</i> ) David Emanuel Merton Mond ( <i>Chief Executive Officer and Company Secretary</i> )
<b>Proposed Directors</b>	David Michael Shalom ( <i>Non-executive Finance Director</i> ) Andrew Frederick Smith ( <i>Marketing Director</i> )
<b>Registered and Head Office</b>	George House 48 George Street Manchester M1 4HF
<b>Nominated Adviser (up to Admission)</b>	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT
<b>Broker and Nominated Adviser (to be appointed on Admission)</b>	WH Ireland Limited 11 St. James's Square Manchester M2 6WH
<b>Solicitors to the Company</b>	Halliwells LLP St. James's Court Brown Street Manchester M2 2JF
<b>Solicitors to WH Ireland</b>	Cobbetts LLP Ship Canal House King Street Manchester M2 4WB
<b>Auditors</b>	Baker Tilly Brazennose House Lincoln Square Manchester M2 5BL
<b>Reporting Accountants</b>	Alexander & Co 17 St. Ann's Square Manchester M2 7PW
<b>Registrars</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA

## PART I

### LETTER FROM THE CHAIRMAN OF CARRWOOD PLC

# CARRWOOD PLC

(Incorporated and registered in England and Wales under the Companies Act 1985  
(as amended) with registered number 2441375)

*Directors:*

Gerald Carey  
David Emanuel Merton Mond

*Registered Office:*

George House  
48 George Street  
Manchester  
M1 4HF

10 December 2005

*To the holders of Existing Ordinary Shares*

Dear Shareholder,

**Acquisition of ClearDebt Limited**  
**Placing of 60,350,000 new Ordinary Shares at 2p per share**  
**Issue of Carrwood Warrants**  
**Admission of the Enlarged Share Capital to trading on AIM**  
**Notice of Extraordinary General Meeting**  
**Change of name to ClearDebt Group plc**

#### 1. Introduction

The Company has today announced that it has agreed subject, *inter alia*, to Existing Shareholder approval, to acquire the entire issued share capital of ClearDebt for a consideration of £3 million to be satisfied by the issue of 150,000,000 new Ordinary Shares at a price of 2p per new Ordinary Share and 15,000,000 Carrwood Warrants to the Vendors, and the assumption of the Sound Financial Loan. The Company intends to, and has agreed that, on Admission it will satisfy the Sound Financial Loan by the issue to Sound Financial of 29,837,228 new Ordinary Shares and 2,983,722 Carrwood Warrants.

The Company also proposes to raise £1,207,000 by means of a placing of 60,350,000 new Ordinary Shares at 2p per share. These funds will be used to finance the development of ClearDebt and provide additional working capital for the Enlarged Group.

In addition, for each 10 Placing Shares subscribed for under the Placing, one Carrwood Warrant will be issued to the subscribers thereof. The Carrwood Warrants will not be traded on AIM or any other market. Further details in respect of the Carrwood Warrants are set out in paragraph 9.11 of Part VII of this document.

By reason of the size of ClearDebt in relation to Carrwood, the Acquisition is classified as a reverse takeover under the AIM Rules and therefore requires the approval of Existing Shareholders in general meeting. To complete the Acquisition and implement the Placing it will also be necessary to give the Directors the required powers and authorities to allot the New Ordinary Shares. In view of the significance of the Acquisition, the Directors also propose to change the name of the Company to ClearDebt Group plc.

The Proposals are conditional, *inter alia*, on the approval of Existing Shareholders.

The purpose of this document is to give you details of the Proposals and to ask you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, notice of which is set out at the end of this document.

#### 2. Reasons for the Acquisition

Since the Company disposed of the trade, assets and liabilities of its wholesale and retail distribution activities on 29 December 2003, the Board has continued to assess opportunities to acquire suitable companies. The Board has sought good quality businesses, the acquisition of which, or investment in which, the Board anticipated would create value for shareholders. The Board believes that the proposed acquisition of ClearDebt meets these criteria.

### **3. Information on ClearDebt**

#### **(a) Introduction**

ClearDebt was founded on 18 June 2004 by David Mond, a senior partner of Hodgsons, a Manchester-based firm of chartered accountants and insolvency practitioners. ClearDebt advises consumers who are finding it difficult to pay their debts as they fall due. The principal solution offered is the IVA.

ClearDebt was incorporated in June 2004 and commenced trading in April 2005.

#### **(b) Products and Services**

Consumers with debt problems have various options available to them including an IVA, a consolidation loan, the use of a debt management company or bankruptcy. An IVA is often the preferred solution for those individuals who are able to use it as it allows the individual to continue with their day to day lives with less restrictions than would be enforced in bankruptcy.

IVAs were introduced by the Government as part of the Insolvency Act 1986 to assist debtors by offering an alternative to bankruptcy. Creditors generally benefit from a higher return than if the debtor filed for bankruptcy. An IVA is a legally-binding agreement between a debtor and its unsecured creditors which provides for payment by the debtor of a fixed monthly amount for a period of time, commonly five years, to a trust account supervised by an insolvency practitioner.

In setting up the agreement, the insolvency practitioner calculates what the debtor can afford to pay and agrees this with the debtor. A meeting is then convened with creditors to vote on the proposal at which 75 per cent. of creditors voting must approve the arrangement. If passed, the arrangement binds all other creditors. For the period of the IVA the insolvency practitioner is responsible for supervising the arrangement to ensure that payments are made by the debtor and for distributing the amounts due to creditors. Insolvency practitioners charge a nominee's fee for securing an agreement and an annual supervisor's fee for supervising payments during the life of the IVA. Both the nominee's fee and the supervisor's fee are paid for ultimately by the creditors and are deducted from the monthly payments received from the debtor.

Among the advantages of an IVA are that:

- it allows a debtor to avoid bankruptcy which can prevent a debtor from running a business or opening a bank account;
- it is interest-free as all debts are frozen and no further interest or charges accrue when the IVA is agreed. Any debt remaining at the end of the IVA period is written off. This contrasts with the position under debt management or debt consolidation arrangements where interest often continues to accrue during the period of the arrangement;
- as the debtor is seen to be making an effort to pay off their debts, creditors will often look upon debtors with IVAs more favourably in the future when considering further credit arrangements; and
- the creditor generally benefits from a higher return than if the debtor filed for bankruptcy.

ClearDebt's IVA process has been based on "lean manufacturing" principles which are implemented to minimise wasted time and maximise throughput. These principles are incorporated in the "debt analyser" bespoke software and operating system which has been developed by ClearDebt. In the first stage of the process, debtors complete a short questionnaire which provides basic information and which generates a report indicating a range of possible debt solutions. Where an IVA might be appropriate, the debtor then completes a more detailed second-stage questionnaire which generates a personalised report.

ClearDebt's IVA process is internet-based and allows the debtor to populate the secure database with their own relevant information. The system allows the same process to deal with debtors who either have or who do not have assets such as property, vehicles, savings and endowments, and those who are either in full-time employment or self employed.

From this database the relationship administrator is able to produce automatically generated documentation for the entire IVA process including information packs, letters and statutory forms which include the debtor's personal information.

This allows costs to be kept low. The ClearDebt business model also requires a smaller number of staff who are relationship administrators. They recommend an appropriate debt solution to a debtor. Elsewhere in the industry many staff are focused on telesales, a function ClearDebt does not require. ClearDebt's "debt analyser" software has been designed to be easily scaleable to enable large numbers of IVAs to be handled by the minimum number of staff.

Clients benefit from the allocation of an individual relationship administrator who deals with their case from beginning to end. This provides consistent, knowledgeable and dedicated contact and streamlines delivery.

Where an IVA is not appropriate, ClearDebt will advise the debtor on alternative solutions such as debt management, debt consolidation or bankruptcy. A concise but informative report is sent to all clients where an IVA appears not to be appropriate giving details of where additional help may be sought. This involves minimal cost as the bespoke system design allows such reports to be generated and populated with specific information with little or no administrative input. ClearDebt aims to respond positively to all its users to encourage them to return if their situation changes or to recommend the service to others.

ClearDebt receives two types of fee in relation to IVAs, both of which are paid for by the creditors and are deducted from the monthly payments received from the debtor. A nominee's fee is charged for setting up the arrangement, followed by an annual supervisor's fee. ClearDebt's fees are substantially lower than those of most of its publicly traded competitors.

Different levels of fees are also applied with a reduced rate available to debtors owing less than £15,000. It is anticipated by the Board that these debtors will initially represent a small percentage of clients but it means that the benefits of an IVA are open to more individuals who might otherwise be prevented from entering into an IVA by higher fees, which reduce the dividend below a level acceptable to creditors.

The Board believes that ClearDebt's business process and relatively low fees will allow ClearDebt to operate in a sector of the marketplace where most competitors do not actively seek business (that is debts under £10,000).

ClearDebt's low fee structure allows it to pass on a higher proportion of debtor payments to creditors. The Directors and the Proposed Directors believe that this will encourage creditors to favour IVAs put forward to them by ClearDebt.

ClearDebt currently employs six operational staff and has two insolvency practitioners on its board. The Board believes that the experience of using a lean business process and an internet platform indicates that this number of staff can handle more than 70 cases per month.

(c) **Advertising and Marketing**

ClearDebt's marketing strategy concentrates on a low-cost model involving internet prospect acquisition techniques to attract the customers that its systems are designed to handle. These techniques including keyword-based search engine advertising, search engine optimisation and relationship marketing (through the development of tools that encourage site re-visits and techniques like email marketing) which are designed to minimise the cost per acquisition and which will be closely managed to ensure they remain efficient and low cost.

ClearDebt plans to complement this by, and is implementing, the use of more traditional media channels to increase brand awareness and to widen the pool from which cases can be sought. The Board expects this to assist with the formation of referral relationships with financial institutions to provide a further method of acquiring cases.

It is the Board's view that marketing activity undertaken by its competitors, future changes in the nature of IVAs and government plans to increase take up of the procedure, will help to grow the market for IVAs. ClearDebt's marketing communication is being developed as a result of both competitor analysis and consumer qualitative research. The Board believes that the service, the level of assistance provided to debtors and a strong brand will increase ClearDebt's market share.

(d) **Markets and Competition**

(i) Level of consumer debt

Private individuals in the UK owed more than £1,100 billion in August 2005 and unsecured lending to individuals amounted to £190.5 billion. Over the year to August 2005, total debt had risen by 10.5 per cent. The previous year had seen the largest single year increase in personal debt since the Bank of England was founded in 1694.

Total credit card debt in August 2005 was £56.2 billion. The British Bankers Association said that, in July 2005 76 per cent. of credit card balances were bearing interest. Currently, a quarter of families have at least one credit card where the outstanding balance is not cleared each month; these families owe an average of nearly £2,500 each (14 per cent. higher than in the same period in 2004).

(ii) Evidence of repayment difficulties

The Citizens' Advice Bureau ("CAB") has seen a 75 per cent. increase in the number of people seeking help for debt problems over the past seven years. The CAB dealt with 1.1 million debt issues in the last year for which records are available (2003/4) and nearly 707,000 of these related to consumer debt.

The Consumer Credit Counselling Service saw call levels grow by 30 per cent. in 2004 and is predicting a 50 per cent. rise in 2005. In the first half of 2005 County Court Judgments against personal debtors rose by 15 per cent. to more than 290,000 people.

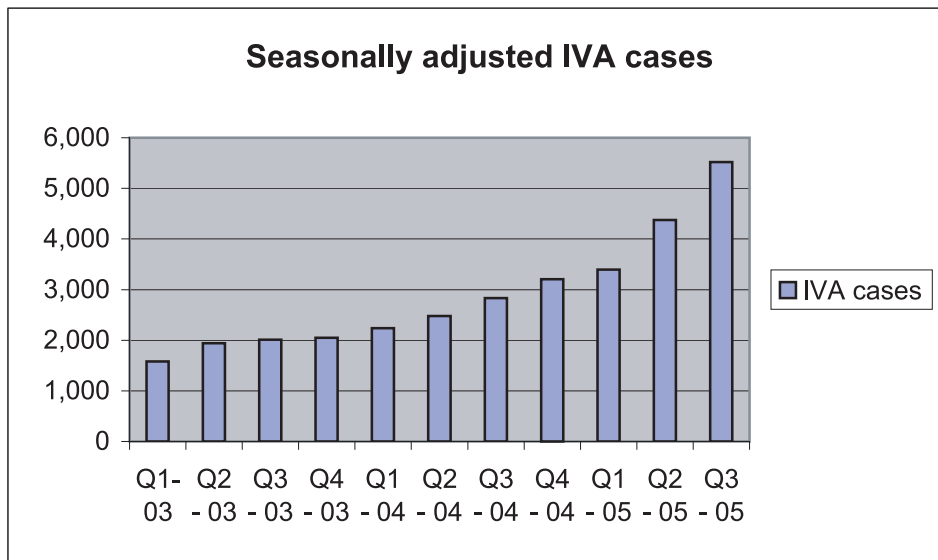
The growth of household debt continues to outstrip that of earnings. Debt is now just under 150 per cent. of annual income. UK banks are increasing their provisions for bad debt; these have approximately tripled between the second quarter of 1999 and the same period in 2005. The proportion of debtors considering their debt to either be a heavy burden or "somewhat of a problem" has increased from around 30 per cent. to around 40 per cent. between 2003 and 2004.

Mortgage arrears increased for the first time in 6 years in the second half of 2004 and have since increased further by a small amount. Mortgage repossession actions rose by over 52 per cent. year on year in the second quarter of 2005.

(iii) Number of personal insolvencies

The Department of Trade and Industry states that research attributes increases in personal insolvency to economic factors, particularly availability and levels of credit, although asset/debt ratio, interest rates and employment levels are all factors.

The IVA is an increasingly popular solution for consumer debt problems. The latest available statistics, for the third quarter of 2005, show an increase of 26.1 per cent. in the number of IVAs compared with the previous quarter and an increase of 95.0 per cent. on the corresponding quarter of the previous year. These statistics suggest a market of around 20,000 IVAs in England and Wales in 2005. The number of IVAs is growing approximately three times as quickly as bankruptcies.



(Source - Government News Network, 4 November 2005).

(iv) Competition

Only licensed insolvency practitioners are permitted to act as nominees or supervisors of IVAs. The Government has expressed an intention to implement new IVA procedures which will simplify the process. The Board believes that this will require ClearDebt's competitors to introduce fee structures closer to its present model. The Government has also indicated that it will not allow people other than licensed insolvency practitioners to be nominees or supervisors of IVAs.

The supply of insolvency practitioners is limited, representing a barrier to entry for debt consolidation and debt management firms who cannot offer an IVA service without an insolvency practitioner. Practitioners are beginning to focus on the increasing levels of consumer debt and the rising acceptance among debtors and creditors of an IVA as an appropriate solution. A number of large groups have emerged who are successfully using television advertising and telesales as a primary method of acquiring their cases. The Board believes that ClearDebt's low fee structure will challenge the charges these firms can make and the methods they use to acquire their work.

(e) **Financial Information**

The table below summarises the audited trading results of ClearDebt for the period ended 30 June 2005 and the unaudited management figures for the four months ended 31 October 2005. The audited information for the period ended 30 June 2005 has been extracted from the Accountants' Report set out in Part V of this document and should be read in conjunction with the full text of the Accountants' Report.

	<b>Period ended 30 June 2005 (audited) £</b>	<b>4 months ended 31 October 2005 (unaudited) £</b>
Turnover	8,630	39,232
Gross loss	(6,960)	(50,122)
Loss on ordinary activities before taxation	(12,997)	(83,765)

ClearDebt's accounting policies define gross loss as turnover, less direct payroll costs and direct advertising and marketing costs associated with the collection and processing of IVA cases. Presently all of ClearDebt's payroll costs are direct in nature and the Board believes that the present level of staffing is sufficient to process a significantly higher level of caseload than that experienced in the first four months of the current year.

ClearDebt also operates a conservative revenue recognition policy and only recognises turnover on the approval of the IVA by creditors.

**4. Information on Carrwood**

(a) **Background**

The principal activity of the Company was formerly the wholesale and retail distribution of household textiles and flat pack furniture accessories. Since 29 December 2003 when the trade, assets and liabilities were sold, the directors of the Company have pursued acquisition possibilities.

(b) **Financial Information**

The table below summarises the audited trading results of the Company for the three years ended 31 December 2004 set out in Part III of this document and the unaudited interim results for the six months ended 30 June 2005 set out in Part IV of this document. The audited information for the three years ended 31 December 2004 has been extracted from the Accountants' Report set out in Part III of this document and should be read in conjunction with the full text of the Accountants' Report.

	Six months ended 30 June 2005 (unaudited) £'000	Year ended 31 December 2004 (audited) £'000	Year ended 31 December 2003 (audited) £'000	Year ended 31 December 2002 (audited) £'000
Turnover	-	-	4,726	6,120
Gross profit	-	-	1,130	1,274
Operating loss	(16)	(22)	(911)	(483)
Loss on ordinary activities before taxation	(16)	(22)	(938)	(559)

**5. Current trading and prospects of the Enlarged Group**

*The Group*

Since 30 June 2005, the date to which the unaudited interim results set out in Part IV of this document have been prepared, Carrwood has not traded.

*ClearDebt*

The trading results of ClearDebt for the period to 30 June 2005 are set out in Part V of this document. Since that date to 31 October 2005, ClearDebt has successfully completed 30 cases, against a budget of 40 cases. As at 23 November 2005, the last date for which information is available, ClearDebt has 25 booked creditors meetings. Since ClearDebt began trading, only one out of 38 cases in which a creditors meeting has been booked has not completed.

*The Enlarged Group*

Following implementation of the Proposals, the Board's objective will be to develop ClearDebt's existing business and take advantage of its position in the growing market for IVAs. The Directors and the Proposed Directors believe that the prospects for the Enlarged Group are encouraging.

**6. Directors, Proposed Directors and senior management**

The Directors of the Company comprise Gerald Carey and David Mond. It is proposed that, on Admission, David Shalom will join the Board as non-executive Finance Director and Andrew Smith will join as Marketing Director. Brief summaries of the biographies of the Directors and Proposed Directors are set out below.

**Directors**

*Gerald Carey (aged 62)*

Gerald Carey is a former regional director of Barclays Bank plc and is a non-executive Chairman of six other companies. He is a Fellow of the Chartered Institute of Bankers and is an Approved Person within the Financial Services Authority.

*David Mond (aged 60)*

David qualified as a chartered accountant in 1971. Since that time he has been in public practice as a chartered accountant specialising in insolvency and turnaround situations. He is senior partner of Hodgsons Chartered Accountants. For 10 years David served on the Council of the Association of Business Recovery Professionals (formerly SPI), retiring in April 2003. He has been a director of Carrwood since 1989 and recently was involved in the administration of the FADS household décor business and its acquisition by Strategic Retail Plc which consequently listed on AIM in December 2003. He has recently been appointed a director of another AIM listed company, MKM Group plc. David is a licensed insolvency practitioner.

## **Proposed Directors**

### ***David Shalom (aged 38)***

David qualified with Deloitte & Touche's audit division in 1991 and subsequently spent four years in their corporate recovery division. In 1995, David joined Coral Products plc, a fully listed company, and was appointed finance director in 1997, aged 30. In 2002, he became finance director of a private textile importer before leaving in 2004 to take up a role as a consultant in a specialist financial consulting practice involved in corporate finance and the provision of part-time directorships to the small and medium-sized enterprise market. In addition to his non-executive role at ClearDebt, he is part-time finance director of Worthington Group plc and finance director of a private equity backed daycare hospital which is being built in Manchester.

### ***Andrew Smith (aged 49)***

Andrew is a member of the Chartered Institute of Public Relations and also has diplomas from the Chartered Institute of Marketing and the Communications, Advertising and Marketing Foundation. He has worked in marketing communications for 28 years including experience in the consumer finance and professional services sectors. Between 1987 and 1989 he was marketing communications manager for chartered accountants, BDO Binder Hamlyn, managing a large department with significant national and local budgets. Between 1992 and 2004 Andrew was a director of specialist insolvency communications firm, Smith Grundon & Partners Limited. He joined ClearDebt in August 2004.

Further details of the Directors' and Proposed Directors' directorships are set out in paragraph 7.1 of Part VII of this document.

## **Senior Management**

### ***Lawrence Freedman (aged 60)***

Lawrence qualified as a chartered accountant in 1973 with G Moffatt and Co. Since 1986 he has been in public practice as a chartered accountant specialising in all types of insolvency procedures. He became a partner of Hodgsons, Chartered Accountants in 1988. He is a licenced insolvency practitioner and, together with David Mond, takes formal insolvency appointments within his role at ClearDebt.

### ***Vicky Fletcher (aged 27)***

Vicky is the operations manager of ClearDebt, overseeing a team of five employees, and is responsible for all back office activities, including contact with debtors and creditors. She joined ClearDebt in August 2004 after working for a London firm of insolvency practitioners and has experience in personal and corporate insolvency.

## **Advisory Board**

ClearDebt has also established an advisory board which will meet three times a year to discuss personal debt issues with the Board. The advisory board will include Professor David Milman, professor of corporate and insolvency law at Lancaster University, Dr. Keith Pond, senior lecturer in banking and economics at Loughborough University, and Michael Green, research fellow at the University of Wales (Bangor).

## **7. Details of the Placing**

The Company is proposing to raise £1,207,000 (before expenses) by the issue of 60,350,000 Placing Shares pursuant to the Placing at the Placing Price. The Placing Shares will represent 23.88 per cent. of the Enlarged Share Capital.

The Placing Shares will be issued fully paid and will, on issue, rank *pari passu* with the Existing Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid.

In addition, for each 10 Placing Shares subscribed for under the Placing, one Carrwood Warrant will be issued to the subscribers thereof. The Carrwood Warrants will not be traded on AIM or any other market. Further details in respect of the Carrwood Warrants are set out in paragraph 9.11 of Part VII of this document.

The Placing is subject, *inter alia*, to the satisfaction of the following conditions on or before 8.00 a.m. on 4 January 2006 or such later time and date (being not later than 5.00 p.m. on 30 January 2006) as WH Ireland and the Company may agree:

- (a) the passing of the Resolutions at the EGM;
- (b) the completion of the Acquisition;
- (c) Admission having occurred; and
- (d) WH Ireland not having exercised its rights in certain circumstances to terminate the Placing Agreement prior to Admission.

Further details of the Placing Agreement are set out in paragraph 16 of Part VII of this document.

## **8. Details of the Acquisition**

By an agreement dated 10 December 2005, Carrwood has conditionally agreed to acquire the entire issued share capital of ClearDebt from the Vendors subject, *inter alia*, to Existing Shareholder approval. The consideration for the Acquisition is £3 million which is to be satisfied by the issue of 150,000,000 new Ordinary Shares and 15,000,000 Carrwood Warrants to the Vendors, and the assumption of the Sound Financial Loan. The Company intends to, and has agreed that, on Admission, it will satisfy the Sound Financial Loan by the issue to Sound Financial of 29,837,228 new Ordinary Shares and 2,983,722 Carrwood Warrants. Pursuant to the Acquisition Agreement, David Mond has given certain warranties and indemnities in relation to ClearDebt and its tax position. If the conditions contained in the Acquisition Agreement are not satisfied by 30 January 2006 (or such later date as Carrwood and WH Ireland agree) the Acquisition Agreement will terminate.

## **9. Related party transaction**

As David Mond, the principal shareholder of ClearDebt, is a Director, the Acquisition is classified as a related party transaction under section 320 of the Act and the AIM Rules. For the purposes of section 320 of the Act, the transaction is required to be approved by the Existing Shareholders. The opinion of the Independent Director on the terms of the Acquisition is set out in paragraph 20 of this Part I.

## **10. Lock-in arrangements**

The Directors and certain of the Shareholders following Admission who will together hold 59.79 per cent. of the Enlarged Share Capital have agreed that they will not (save in certain specific circumstances) dispose of any Ordinary Shares for a period of 12 months following Admission and only dispose of Ordinary Shares through WH Ireland for a period of 12 months thereafter. In addition, Sound Financial has agreed lock-in arrangements in the same terms for 12 months following Admission. The Placing Shares, other than in respect of those subscribed for by Gerald Carey, are not subject to any lock-in agreement.

Details of the lock-in agreements are set out in paragraph 9.7 of Part VII of this document.

## **11. Taxation**

Information on taxation in the UK with regard to holdings of Ordinary Shares is set out in paragraph 11 of Part VII of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate independent professional adviser immediately.

## **12. Corporate Governance**

The Directors and Proposed Directors acknowledge the importance of the Combined Code and the Company intends, following Admission, to comply with the Combined Code insofar as practicable for a public company of its size. The Board has established audit and remuneration committees with formally delegated duties and responsibilities.

The audit committee, which will meet at least twice a year, will consist of Gerald Carey, as Chairman, and David Shalom. The audit committee will determine the terms of engagement of the Company's auditors, determine in consultation with the Company's auditors the scope of the audit and receive and review reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems of the Company. The audit committee will have unrestricted access to the Company's auditors.

The remuneration committee which will meet at least once a year, will consist of David Mond, as Chairman, and Gerald Carey. The remuneration committee will determine the terms and conditions of service including the remuneration and grant of options under any share scheme of the Company to the directors of the Company and directors of other companies in the Enlarged Group.

The Directors and Proposed Directors recognise that a system of internal controls and reporting procedures is vital for the Enlarged Group and will therefore maintain such systems as are required to control revenues, costs and quality thresholds at each of the Enlarged Group's locations.

The Company will ensure, in accordance with Rule 21 of the AIM Rules, that its directors and applicable employees do not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by its directors and applicable employees.

### **13. Share Option Schemes**

The Directors intend to establish share option schemes shortly after Admission in order to incentivise directors and key members of staff.

### **14. Dividend Policy**

To date the Company has not paid a dividend. It is expected that any cash generated by the Enlarged Group's operations in the short to medium term will be devoted to funding the Enlarged Group's planned development. The Board will continue to review the appropriateness of its dividend policy as the Enlarged Group develops, subject to the availability of the Company's distributable reserves.

### **15. The City Code**

The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). Carrwood is such a company and its shareholders are entitled to the protection afforded by the City Code.

As at the date of this document, trusts of which David Mond is a trustee own 83.9 per cent. of the issued share capital of the Company. Following implementation of the Proposals, the interest of David Mond and persons acting in concert with him which, for this purpose, includes Sound Financial will amount to 75.96 per cent. of the Enlarged Share Capital.

As implementation of the Proposals will not give rise to a change in the control of Carrwood, the Panel has confirmed that no obligation will arise under the City Code for a general offer to be made for the Company by David Mond and persons acting in concert with him.

### **16. Extraordinary General Meeting**

The Acquisition is classed as a reverse takeover for the purpose of the AIM Rules and is therefore conditional upon the approval of the Existing Shareholders. An Extraordinary General Meeting has been convened for 11.00 a.m. on 3 January 2006 at George House, 48 George Street, Manchester M1 4HF, at which the Resolutions will be proposed for the purposes of approving the Proposals.

At this meeting, resolutions will be proposed to:

- approve the Acquisition for the purposes of the AIM Rules and for the purposes of section 320 of the Act;
- increase the Company's authorised share capital;
- authorise the issue of new Ordinary Shares pursuant to, *inter alia*, the Placing, the Acquisition and the issue of the Warrants; and
- change the Company's name to ClearDebt Group plc.

In addition, a special resolution will be proposed to disapply statutory pre-emption rights of Shareholders in accordance with section 95 of the Act in relation to the issue of the New Ordinary Shares in connection with the Placing, the Acquisition and the issue of the Warrants and also in relation to the issue of 25,000,000 Ordinary Shares.

Save for the issue of the New Ordinary Shares pursuant to the Placing and the Acquisition and the issue of the Warrants, the Directors have no present intention of exercising the authority to allot any unissued share capital of the Company.

## **17. Action to be taken**

A Form of Proxy is enclosed for use at the EGM. Whether or not you intend to be present at the meeting you are requested to complete, sign and return the Form of Proxy to the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible but, in any event, so as to arrive not later than 11.00 a.m. on 1 January 2006. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you subsequently wish to do so.

Shareholders who are CREST members should refer to their CREST sponsors regarding the action to be taken in connection with this document.

## **18. Further Information**

Your attention is drawn to the further information set out in Parts II to VII of this document and in particular to the Risk Factors relating to the Enlarged Group set out in Part II.

## **19. Dealing arrangements**

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares to be re-admitted and admitted, respectively, to trading on AIM. It is expected that Admission will become effective and dealings, for normal settlement, will commence on 4 January 2006. If the Resolutions are not passed or the Acquisition is not completed, the Existing Ordinary Shares will continue to be traded on AIM.

The Ordinary Shares are eligible for settlement through CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if the relevant shareholder so wishes. Settlement of transactions in the Ordinary Shares through CREST is voluntary and Shareholders who wish to receive and retain share certificates will be able to do so.

## **20. Recommendations and opinions**

The Independent Director, who has been so advised by Zeus Capital, believes that the terms of the Acquisition are fair and reasonable in so far as the Shareholders are concerned. In providing advice to the Independent Director, Zeus Capital has relied upon information supplied by, and the commercial assessment of, the Independent Director.

The Directors and the Proposed Directors, who have been advised by WH Ireland, believe that the Proposals are fair and reasonable and in the best interests of the Company and its Shareholders as a whole. In providing advice to the Directors and the Proposed Directors, WH Ireland has relied upon the information supplied by the Directors and Proposed Directors and their commercial assessments.

Accordingly:

- (i) the Independent Director recommends Shareholders to vote in favour of the resolution numbered 1 to be proposed at the Extraordinary General Meeting. David Mond will not vote on the resolution numbered 1 in respect of the Ordinary Shares in which he is interested. The Independent Director does intend to vote on the resolution numbered 1 in respect of his own beneficial holding of 20,000 Ordinary Shares representing approximately 0.2 per cent. of the Existing Share Capital; and
- (ii) the Directors recommend Shareholders to vote in favour of the resolutions numbered 2 and 3. The Directors intend to vote in favour of the resolutions numbered 2 and 3 in respect of their own beneficial holdings of, in aggregate, 10,500,000 Ordinary Shares, representing approximately 84.1 per cent. of the Existing Share Capital.

Yours faithfully,

**Gerald Carey**

**Chairman**

## PART II

### RISK FACTORS

Potential investors should carefully consider the risks described below before making a decision to invest in the Company. If any of the following risks actually occur, the Enlarged Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Enlarged Group's results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Enlarged Group, which are described below and elsewhere in the document. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Enlarged Group's business. The information set out below does not constitute an exhaustive summary of the risks affecting the Enlarged Group and is not set out in any order of priority.

#### 1. Risks relating to the Enlarged Group

##### *Limited trading history*

ClearDebt has only a limited operating history and it is therefore difficult to evaluate the Enlarged Group's business and future prospects. The future success of the Enlarged Group will depend on the Directors' and Proposed Directors' ability to implement its strategy. Whilst the Directors and the Proposed Directors are optimistic about the Enlarged Group's prospects, there is no certainty that anticipated revenues or growth will be achieved.

##### *Operating results are volatile and difficult to predict*

Operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside the Enlarged Group's control. These factors include seasonal and economic patterns and trends which may affect the markets for the products and services the Enlarged Group offers.

##### *Brand recognition*

Establishing, enhancing and maintaining the ClearDebt brand is fundamental to the Enlarged Group's efforts to attract and expand its customer base. Promotion of the ClearDebt brand will depend largely on marketing and advertising which may not be effective to promote the brand. Even if recognition of the brand increases, it may not lead to an increase in the number of customers.

##### *EIS and VCT relief*

Provisional clearance has been obtained from the Inland Revenue that the Enlarged Group's business qualifies for EIS relief under EIS and as a qualifying business for VCT relief. Although qualifying investors should obtain tax relief on their investments under EIS relief or VCT relief neither the Enlarged Group, the Directors nor the Proposed Directors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Neither the Enlarged Group, the Directors nor the Proposed Directors give any warranties or undertakings that EIS relief or VCT relief if granted will not be withdrawn. Investors must take their own advice and rely on it. If the Enlarged Group carries on activities beyond those disclosed to the Inland Revenue then shareholders may cease to qualify for the tax benefits outlined in this document.

##### *Requirements for further funds*

There may be a requirement for the Enlarged Group to raise further funds in the future in order to fully exploit opportunities available and to fund further expansion. Such a funding requirement may be by way of the issue of further Ordinary Shares on a non pre-emptive basis. There is no commitment in place guaranteeing that any funds required in the future will be available and, if further equity finance is raised, the interests of existing shareholders may be diluted.

### *Management of growth*

The ability of the Enlarged Group to implement its strategy in a rapidly evolving market requires effective planning and management control systems. The Board anticipates that further expansion will be required to respond to market opportunities and the potential growth in its client base. The Enlarged Group's growth plans may place a significant strain on the Enlarged Group's management, operational, financial and personnel resources.

Therefore, the Enlarged Group's further growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Enlarged Group's growth could have material adverse effect on the Enlarged Group's business, financial condition and results of operations.

### *Dependence on senior management and employees*

As with any company, the Enlarged Group's results are dependent upon the performance and continued services of the Enlarged Group's senior management and other key personnel, in particular licensed insolvency practitioners. The loss of the services of its senior management or key employees, in particular a licensed insolvency practitioner, could have a detrimental effect on the Enlarged Group.

### *Other directorships and interests*

Investors should note that none of the non-executive Directors or the non-executive Proposed Directors are or will be in any way limited (other than by their normal duties as company directors) by way of their involvement with the Enlarged Group, from acting in the management or conduct of the affairs of any other company. Should any conflicts of interest be identified they will be declared and dealt with appropriately by the Directors and/or the Proposed Directors.

## **2. Risks associated with the personal insolvency industry**

### *The Market*

The market in which ClearDebt operates has relatively low barriers to entry and there can be no guarantee that the Enlarged Group will be able to respond to competitive challenges effectively, particularly if an organisation with substantial financial resources decides to enter the market.

In addition, public perception of debt management companies may alter which could have adverse effects on the Enlarged Group.

### *Regulation*

ClearDebt operates in a highly regulated environment and changes to legislation which governs ClearDebt's business may adversely impact on the prospects of the Enlarged Group.

### *Legislation and compliance*

ClearDebt's business is founded upon the insolvency processes existing under current insolvency legislation. Any change in insolvency legislation (and, in particular, any change which results in the IVA process either being unavailable or less attractive to individuals with debt problems) or the introduction of additional stringent compliance regulations could significantly affect the ability of the Enlarged Group to operate in its current form.

This document has been prepared on the basis of current legislation, rules and practice and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any changes in legislation, and in particular any changes to bases of taxation, tax relief and rates of tax, may affect the availability of reliefs.

### 3. General risks

#### *Trading market for the Ordinary Shares*

The market price of the Ordinary Shares may be subject to fluctuations in response to many factors, including variations in the operating results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Enlarged Group's sector and other events and factors outside the Enlarged Group's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

#### *Investment risk and AIM*

The Existing Ordinary Shares and the New Ordinary Shares will be quoted on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Investors should be aware that the value of the Existing Ordinary Shares and the New Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets. The price at which investors may dispose of their shares in the Enlarged Group may be influenced by a number of factors, some of which may pertain to the Enlarged Group, and others of which are extraneous. On any disposal investors may realise less than the original amount invested.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise their investment in the Company than in a company whose shares are quoted on the Official List.

#### *Market Perception*

Market perception of the Enlarged Group may change for a number of reasons, potentially affecting the value of investors' holdings and the ability of the Enlarged Group to raise further funds by the issue of further Ordinary Shares or otherwise. Some of the reasons affecting the market perception of the Enlarged Group may be outside the control of the Enlarged Group.

The risks listed above do not necessarily comprise all those faced by the Enlarged Group.

## PART III

### FINANCIAL INFORMATION ON CARRWOOD

The Directors  
Carrwood PLC  
George House  
48 George Street  
Manchester  
M1 4HF

WH Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

10 December 2005

Dear Sirs

#### **CARRWOOD PLC (FORMERLY DOWNTTEX PLC) "CARRWOOD" OR "THE COMPANY"**

We report on the financial information on Carrwood set out below. This financial information has been prepared for inclusion in the admission document dated 10 December 2005 of Carrwood ("the Admission Document").

#### **Basis of preparation**

The financial information set out in this report is based on the audited financial statements of Carrwood for the three years ended 31 December 2004 and has been prepared on the basis set out in paragraph 1 on page 26.

Baker Tilly, Chartered Accountants and Registered Auditors, of Brazennose House, Lincoln Square, Manchester M2 5BL were auditors to the Company for the two years ended 31 December 2004. PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, of 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW were auditors to the Company for the year ended 31 December 2002. Each of the audit reports throughout the three years ended 31 December 2004 was unqualified.

#### **Responsibility**

Such financial statements are the responsibility of the Directors of Carrwood who approved their issue.

The Directors of Carrwood are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatements whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 31 December 2004 and of its losses and cash flows for the three years then ended.

**Consent**

We consent to the inclusion of this report in the Admission Document and accept responsibility for this report in accordance with the AIM Rules.

**Declaration**

We confirm that to the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this report is in accordance with the facts and does not omit anything likely to affect the import of such information.

Yours faithfully

**Alexander & Co**  
**Registered Auditor**  
**Chartered Accountants**

**CARRWOOD PLC**

**PROFIT AND LOSS ACCOUNTS  
FOR THE THREE YEARS ENDED 31 DECEMBER 2004**

	Notes	2004 £'000	2003 £'000	2002 £'000
<b>Turnover</b>	1,2			
Ongoing activities		-	4,726	5,227
Acquisitions		-	-	893
		<hr/>	<hr/>	<hr/>
Cost of sales	3	-	(3,596)	(4,846)
		<hr/>	<hr/>	<hr/>
<b>Gross profit</b>		-	1,130	1,274
Distribution costs	3	-	(1,149)	(1,026)
Administrative expenses	3,4	(22)	(892)	(731)
		<hr/>	<hr/>	<hr/>
<b>Operating loss</b>	5			
Ongoing activities		(22)	(911)	(170)
Acquisitions		-	-	(313)
Profit on disposal of discontinued operations	8,4	-	50	-
		<hr/>	<hr/>	<hr/>
<b>Loss on ordinary activities before interest</b>		(22)	(861)	(483)
Interest payable	9	-	(77)	(76)
		<hr/>	<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(22)	(938)	(559)
Tax on loss on ordinary activities	10	-	-	110
		<hr/>	<hr/>	<hr/>
Loss for the financial year		(22)	(938)	(449)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Loss per share (pence)	11	(0.18)	(7.51)	(3.59)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses other than those shown in the above profit and loss accounts.

The results for 2002 and 2003 relate to activities which were discontinued during the year ended 31 December 2003.

The accompanying notes are an integral part of the financial information.

**CARRWOOD PLC****BALANCE SHEETS AT 31 DECEMBER**

	Notes	2004 £'000	2003 £'000	2002 £'000
<b>Fixed assets</b>				
Intangible assets	12	-	-	155
Tangible assets	13	-	-	677
		<hr/>	<hr/>	<hr/>
		-	-	832
		<hr/>	<hr/>	<hr/>
<b>Current assets</b>				
Stocks	14	-	-	1,793
Debtors	15	17	50	1,283
Cash at bank and in hand		12	-	85
		<hr/>	<hr/>	<hr/>
		29	50	3,161
<b>Creditors: amounts falling due within one year</b>	17	(1)	-	(2,837)
		<hr/>	<hr/>	<hr/>
<b>Net current assets</b>		28	50	324
		<hr/>	<hr/>	<hr/>
<b>Total assets less current liabilities</b>		28	50	1,156
<b>Creditors: amounts falling due after more than one year</b>	18	-	-	(168)
		<hr/>	<hr/>	<hr/>
<b>Net assets</b>		28	50	988
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>				
Called up share capital	21	250	250	250
Share premium account	22	337	337	337
Revaluation reserve	23	-	-	32
Profit and loss account	24	(559)	(537)	369
		<hr/>	<hr/>	<hr/>
Shareholders' funds	25	28	50	988
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial information.

**CARRWOOD PLC**

**CASHFLOW STATEMENTS  
FOR THE THREE YEARS ENDED 31 DECEMBER 2004**

	Notes	2004 £'000	2003 £'000	2002 £'000
<b>Cash inflow/(outflow) from operating activities</b>	26(a)	12	187	(274)
<b>Returns on investments and servicing of finance</b>	26(b)	-	(77)	(76)
<b>Capital expenditure and financial investment</b>	26(b)	-	(86)	(131)
<b>Acquisitions</b>	27	-	-	(268)
<b>Equity dividends paid</b>		-	-	(41)
		-----	-----	-----
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		12	24	(790)
<b>Financing</b>	26(b)	-	(32)	298
		-----	-----	-----
<b>Increase /(decrease) in cash in period</b>		12	(8)	(492)
		=====	=====	=====
<b>Reconciliation of net cash flow to movement in net debt</b>				
Increase/(decrease) in cash in period		12	(8)	(492)
Net cash outflow from bank loans		-	32	32
Net cash inflow from related party loans		-	-	(330)
Transfer of net debt to subsidiary undertaking		-	1,784	-
		-----	-----	-----
Movement in net debt in the period	26(c)	12	1,808	(789)
<b>Opening net debt</b>	26(c)	-	(1,808)	(1,019)
		-----	-----	-----
<b>Closing net debt</b>	26(c)	12	-	(1,808)
		=====	=====	=====

**NOTES TO THE FINANCIAL INFORMATION**

**1. Basis of accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

**(a) 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.

**(b) 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.

**(c) 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

**(d) 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.

**(e) Depreciation**

Depreciation of fixed assets other than freehold land is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Land and buildings	–	50 years
Plant and 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.

**(f) Stocks**

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

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**(g) Operating leases and hire purchase contracts**

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.

**(h) 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.

**(i) Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the resulting gain or loss has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

**(j) Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

**CARRWOOD PLC**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**2. Turnover**

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

An analysis of turnover is given below:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
United Kingdom	-	4,588	5,819
EC	-	84	75
Rest of World	-	54	226
	<u>-</u>	<u>4,726</u>	<u>6,120</u>
	<u><u>-</u></u>	<u><u>4,726</u></u>	<u><u>6,120</u></u>

**3. Analysis of cost of sales and net operating expenses**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost of sales</b>			
Ongoing activities	-	3,596	3,739
Acquisitions	-	-	1,107
	<u>-</u>	<u>3,596</u>	<u>4,846</u>
	<u><u>-</u></u>	<u><u>3,596</u></u>	<u><u>4,846</u></u>
<b>Distribution costs</b>			
Ongoing activities	-	1,149	962
Acquisitions	-	-	64
	<u>-</u>	<u>1,149</u>	<u>1,026</u>
	<u><u>-</u></u>	<u><u>1,149</u></u>	<u><u>1,026</u></u>
<b>Administrative expenses</b>			
Ongoing activities	22	892	696
Acquisitions	-	-	35
	<u>22</u>	<u>892</u>	<u>731</u>
	<u><u>22</u></u>	<u><u>892</u></u>	<u><u>731</u></u>

(The ongoing activities of 2002 and 2003 were discontinued in 2003)

**4. Exceptional items**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Recognised in arriving at operating loss:</i>			
Diminution in value of goodwill (included within administrative expenses)	-	135	-
<i>Recognised below operating loss:</i>			
Profit on disposal of discontinued operations	-	(50)	-
	<u>-</u>	<u>85</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>85</u></u>	<u><u>-</u></u>

**CARRWOOD PLC**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**5. Operating loss**

Operating loss is stated after charging:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amortisation	-	10	11
Diminution in value of goodwill (note 4)	-	135	-
Depreciation of owned fixed assets	-	85	75
Loss on disposal of fixed assets	-	8	-
Auditors' remuneration – as auditors	1	9	16
	<u>          </u>	<u>          </u>	<u>          </u>

**6. Particulars of employees**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>No</b>	<b>No</b>	<b>No</b>
Number of production staff	-	34	68
Number of sales and distribution staff	-	64	52
Number of administrative staff	-	10	13
	<u>          </u>	<u>          </u>	<u>          </u>
	-	108	133
	<u>          </u>	<u>          </u>	<u>          </u>

The aggregate payroll costs of the above were:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	-	1,197	1,408
Social security costs	-	91	123
	<u>          </u>	<u>          </u>	<u>          </u>
	-	1,288	1,531
	<u>          </u>	<u>          </u>	<u>          </u>

**7. Directors' emolument**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Emoluments receivable	-	98	141
	<u>          </u>	<u>          </u>	<u>          </u>

**8. Profit on disposal of discontinued operations**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Disposal of discontinued operations:			
Profit on sale of operation	-	50	-
	<u>          </u>	<u>          </u>	<u>          </u>

Further details relating to the sale of the discontinued operation are included at note 20.

**CARRWOOD PLC**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**9. Interest payable**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loan interest	-	77	76
	<u>          </u>	<u>          </u>	<u>          </u>

**10. Tax on loss on ordinary activities**

(a) Analysis of charge in the year	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current tax:			
Corporation tax	-	-	-
Over provision in prior year	-	-	(6)
Total current tax	<u>          </u>	<u>          </u>	<u>          </u>
	-	-	(6)
Deferred tax:			
Decrease in deferred tax provision	-	-	(104)
Tax on loss on ordinary activities	<u>          </u>	<u>          </u>	<u>          </u>
	-	-	(110)

(b) Factors affecting current tax charge

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before taxation	(22)	(938)	(559)
Loss on ordinary activities by rate of tax (2004,2003 – 30%, 2002 – 20%)	<u>          </u>	<u>          </u>	<u>          </u>
	(7)	(282)	(112)
Prior year adjustment	-	-	(6)
Expenses not deductible for tax purposes	-	-	2
Capital allowances in excess of depreciation	-	-	(1)
Losses carried forward	7	-	111
Transferred to subsidiary on hive down	-	282	-
Total current tax (note 10(a))	<u>          </u>	<u>          </u>	<u>          </u>
	-	-	(6)

**11. Loss per share**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Loss per ordinary share	<u>          </u>	<u>          </u>	<u>          </u>
	(0.18)	(7.51)	(3.59)

Loss per share has been calculated on the net basis on the loss on ordinary activities after taxation of £22,353 (2003 – £(938,474), 2002 – £(448,768)) using the average number of ordinary shares in issue of 12,490,641 (2003 and 2002 – 12,490,641).

**CARRWOOD PLC**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**12. Intangible fixed assets**

	<b>Goodwill £'000</b>	<b>Trademark £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2002	178	10	188
At 31 December 2002	178	10	188
Disposals	(178)	(10)	(188)
At 31 December 2003	-	-	-
At 31 December 2004	-	-	-
<b>Amortisation</b>			
At 31 January 2002	15	7	22
Charge for the year	9	2	11
At 31 December 2002	24	9	33
Charge for year	9	1	10
Impairment	135	-	135
On disposal	(168)	(10)	(178)
At 31 December 2003	-	-	-
At 31 December 2004	-	-	-
<b>Net book value</b>			
At 31 December 2004	-	-	-
At 31 December 2003	-	-	-
At 31 December 2002	154	1	155

**CARRWOOD PLC**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**13. Tangible fixed assets**

	<b>Land &amp; Buildings £'000</b>	<b>Plant &amp; Machinery £'000</b>	<b>Motor Vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2002	439	261	118	818
Additions	17	142	-	159
At 31 December 2002	456	403	118	977
Additions	13	111	-	124
Disposals	(469)	(514)	(118)	(1,101)
At 31 December 2003	-	-	-	-
At 31 December 2004	-	-	-	-
<b>Depreciation</b>				
At 1 January 2002	33	131	61	225
Charge for the year	10	48	17	75
At 31 December 2002	43	179	78	300
Charge for year	16	61	8	85
Disposals	(59)	(240)	(86)	(385)
At 31 December 2003	-	-	-	-
At 31 December 2004	-	-	-	-
<b>Net book value</b>				
At 31 December 2004	-	-	-	-
At 31 December 2003	-	-	-	-
At 31 December 2002	413	224	40	677

**Land and buildings at net book value comprise:**

	<b>2004 £'000</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Short leasehold	-	-	34
Freehold and long leasehold	-	-	379
Total of above	-	-	413

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 had been accounted for on a historical cost basis at 31 December 2002, their historical cost would have been £409,289, accumulated depreciation £70,552 and written down value £338,737. Following the disposal of the asset during the year ended 31 December 2003, no revision to the amounts stated above for 2003 and 2004 is required.

**CARRWOOD PLC**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**14. Stocks**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	-	-	580
Finished goods and goods for resale	-	-	1,213
	<u>-</u>	<u>-</u>	<u>1,793</u>
	<u>-</u>	<u>-</u>	<u>1,793</u>

**15 Debtors**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	-	-	1,077
Other debtors	17	50	-
Prepayments and accrued income	-	-	109
Deferred taxation (note 16)	-	-	97
	<u>17</u>	<u>50</u>	<u>1,283</u>
	<u>17</u>	<u>50</u>	<u>1,283</u>

**16. Deferred taxation**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The movement in the deferred taxation account during the year was:			
Balance brought forward	-	(97)	7
Profit and loss account movement arising during the year	-	-	(104)
Transferred on hive down	-	97	-
	<u>-</u>	<u>97</u>	<u>(104)</u>
Balance carried forward	<u>-</u>	<u>-</u>	<u>(97)</u>
	<u>-</u>	<u>-</u>	<u>(97)</u>

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

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Excess of taxation allowances over depreciation on fixed assets	-	-	13
Tax losses available	-	-	(110)
	<u>-</u>	<u>-</u>	<u>(97)</u>
	<u>-</u>	<u>-</u>	<u>(97)</u>

## CARRWOOD PLC

### NOTES TO THE FINANCIAL INFORMATION (continued)

#### 17. Creditors: amounts falling due within one year

	2004 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts	-	-	1,395
Trade creditors	-	-	772
Other taxation and social security	-	-	161
Other creditors	-	-	80
Directors current accounts	-	-	250
Accruals and deferred income	1	-	179
	<u>1</u>	<u>-</u>	<u>2,837</u>

#### 18. Creditors: amounts falling due after more than one year

	2004 £'000	2003 £'000	2002 £'000
Bank loans	-	-	168
	<u>-</u>	<u>-</u>	<u>168</u>

Interest on bank loans was charged at normal commercial rates.

#### 19. Commitments under operating leases

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

	Land and Buildings		
	2004 £'000	2003 £'000	2002 £'000
Operating leases which expire:			
Within 1 year	-	-	47
Within 2 to 5 years	-	-	70
After more than 5 years	-	-	126
	<u>-</u>	<u>-</u>	<u>243</u>

#### 20. Related Party Transactions

J L S Mond and D E M Mond, who were directors of the Company during the three years ended 31 December 2004, 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% (2003) and 80.06% (2002) of Carrwood.

Office and showroom rent and other services to the value of £nil (2003 – £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 2004 was £nil (2003 – £nil, 2002 – £34,391).

On 29 December 2003 the Company's trade, assets and liabilities were transferred to Downtex plc (formerly known as Carrwood Limited) a wholly owned subsidiary company, for a consideration of £1.

On 29 December 2003 the entire share capital of Downtex plc was sold to D E M Mond and J L S Mond for £50,000.

## CARRWOOD PLC

### NOTES TO THE FINANCIAL INFORMATION (continued)

#### 20. Related Party Transactions (continued)

Included within other debtors are the following amounts due from the directors:

	2004	2003	2002
	£	£	£
D E M Mond	15,000	25,000	-
J L S Mond	-	25,000	-
	<u>15,000</u>	<u>25,000</u>	<u>-</u>

The maximum balances due from the directors during each year on the loans referred to above were:

D E M Mond	25,000	25,000	-
J L S Mond	25,000	25,000	-
	<u>25,000</u>	<u>25,000</u>	<u>-</u>

The loans are interest free.

Included within other creditors were the following balances due to related parties:

	2004	2003	2002
	£	£	£
D E M Mond	-	-	250,000
Downtex plc Retirement Benefit Scheme	-	-	80,000
	<u>-</u>	<u>-</u>	<u>330,000</u>

The loans were unsecured, interest free and repayable on demand.

Since 31 December 2004, D E M Mond has indemnified the Company and personally paid liabilities of £27,856 which arose in respect of operating leases entered into by Carrwood prior to the hive-down of its trade into Downtex plc on 29 December 2003.

#### 21. Share capital

	2004	2003	2002
	£'000	£'000	£'000
Authorised			
25,000,000 Ordinary shares of £0.02 each	500	500	500
	<u>500</u>	<u>500</u>	<u>500</u>
Allotted, issued and fully paid			
12,490,641 Ordinary shares of £0.02 each	250	250	250
	<u>250</u>	<u>250</u>	<u>250</u>

Options under the Company's share option scheme that were granted in 1998 were cancelled on the 18 March 2005 and are no longer outstanding.

#### 22. Share premium account

	2004	2003	2002
	£'000	£'000	£'000
Balance brought forward and carried forward	337	337	337
	<u>337</u>	<u>337</u>	<u>337</u>

**CARRWOOD PLC**

**NOTES TO THE FINANCIAL INFORMATION (continued)**

**23. Revaluation reserve**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance brought forward	-	32	32
Transfer to the profit and loss account on realisation	-	(32)	-
	<hr/>	<hr/>	<hr/>
Balance carried forward	<u>-</u>	<u>-</u>	<u>32</u>

**24. Profit and loss account**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance brought forward	(537)	369	818
Accumulated loss for the financial year	(22)	(938)	(449)
Transfer from revaluation reserve	-	32	-
	<hr/>	<hr/>	<hr/>
Balance carried forward	<u>(559)</u>	<u>(537)</u>	<u>369</u>

**25. Reconciliation of movements in shareholders' funds**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	(22)	(938)	(449)
Opening shareholders' equity funds	50	988	1,437
	<hr/>	<hr/>	<hr/>
Closing shareholders' equity funds	<u>28</u>	<u>50</u>	<u>988</u>

**26. Cash flows**

(a) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating loss	(22)	(911)	(483)
Amortisation	-	145	11
Depreciation	-	85	75
Loss on disposal of fixed assets	-	8	-
Decrease in stocks	-	91	78
Decrease/(increase) in debtors	33	551	(42)
Increase in creditors	1	218	87
	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>12</u>	<u>187</u>	<u>(274)</u>

## CARRWOOD PLC

### NOTES TO THE FINANCIAL INFORMATION (continued)

#### 26. Cash flows (continued)

(b) Analysis of cash flows for headings netted in the cashflow

	2004 £'000	2003 £'000	2002 £'000
<b>Returns on investment and servicing of finance</b>			
Interest paid	-	(77)	(76)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>-</u>	<u>(77)</u>	<u>(76)</u>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets	-	(124)	(131)
Receipts from sale of fixed assets	-	38	-
<b>Net cash outflow from capital expenditure</b>	<u>-</u>	<u>(86)</u>	<u>(131)</u>
<b>Financing</b>			
New loans	-	-	330
Repayment of bank loans	-	(32)	(32)
<b>Net cash (outflow)/inflow from financing</b>	<u>-</u>	<u>(32)</u>	<u>298</u>

(c) Analysis of net debt

	Cash in hand £'000	Over- drafts £'000	Debt		Total £'000
			More than one year £'000	Less than one year £'000	
At 1 January 2002	128	(915)	(200)	(32)	(1,019)
Cash flow	(43)	(448)	32	(330)	(789)
At 31 December 2002	85	(1,363)	(168)	(362)	(1,808)
Cash flow	(85)	1,363	168	362	1,808
At 31 December 2003	-	-	-	-	-
Cash flow	12	-	-	-	12
At 31 December 2004	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>

#### 27. Acquisitions

On 2 January 2002 the Company acquired the trade and assets of Visions Homeware Limited for a consideration of £268,400. Assets acquired comprised stock (£239,700) and plant and machinery (£28,700). No adjustments to book value of assets acquired were necessary to state them at fair value to the company.

#### 28. Contingent liabilities

As at 31 December 2004 there were arrears of rent amounting to £3,845 relating to a lease on a property occupied by a company that D E M Mond owned. On 11 October 2005, all outstanding arrears were paid by Mr Mond. Mr Mond confirms that there is no claim on the Company by him in respect thereof.

## PART IV

### UNAUDITED INTERIM RESULTS OF CARRWOOD FOR THE SIX MONTHS ENDED 30 JUNE 2005

The following is the text of the interim results announcement issued by Carrwood on 8 September 2005:

#### “Interim Report 2005

##### Chairman’s Statement

As previously reported to you the Company disposed of its trade, assets and liabilities on the 29 December 2003.

The Directors have been actively pursuing a number of initiatives to acquire interests in businesses and companies. Discussions are ongoing with one company that might lead to a reverse acquisition.

The Company made a loss before taxation for the 6 months ended 30 June 2005 of £15,740 (2004 – loss £11,734).

Gerald Carey, FCIB

Chairman

7 September 2005

#### PROFIT AND LOSS ACCOUNT

	6 months to 30 June 2005	6 months to 30 June 2004	Year ended 31 Dec 2004
Note	(unaudited) £	(unaudited) £	(audited) £
Turnover	-	-	-
Operating Loss	(15,740)	(11,734)	(22,353)
Loss on Ordinary Activities before Taxation	(15,740)	(11,734)	(22,353)
Loss for the Period	(15,740)	(11,734)	(22,353)
Dividends	2 -	-	-
Deficit for the Period	(15,740)	(11,734)	(22,353)
Loss per Ordinary Share	3 (0.13p)	(0.09p)	(0.18p)

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains or losses has been presented.

The interim results have been prepared on the basis of the accounting policies set out in the Company’s accounts for the year ended 31st December 2004, and are neither audited nor reviewed.

## BALANCE SHEET

	At 30.06.05 (Unaudited) £	At 30.06.04 (Unaudited) £	At 31.12.04 (Audited) £
<b>Fixed Assets</b>			
Intangible assets	-	-	-
Tangible assets	-	-	-
	-----	-----	-----
	-	-	-
	-----	-----	-----
<b>Currents Assets</b>			
Debtors	4,337	15,000	16,828
Cash at bank	11,117	23,266	11,906
	-----	-----	-----
	15,454	38,266	28,734
<b>Creditors – amounts falling due within 1 year</b>	(3,547)	-	(1,087)
	-----	-----	-----
Net current assets	11,907	38,266	27,647
	-----	-----	-----
Total assets less current liabilities	11,907	38,266	27,647
	-----	-----	-----
<b>Net assets</b>	11,907	38,266	27,647
	=====	=====	=====
<b>Capital and Reserves</b>			
Called up share capital	249,813	249,813	249,813
Share premium account	336,766	336,766	336,766
Profit & loss account (deficit)	(574,672)	(548,313)	(558,932)
	-----	-----	-----
	11,907	38,266	27,647
	=====	=====	=====

### Notes to the financial information

1. The interim results are unaudited and do not comprise full accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year ended 31st December 2004 are in abbreviated form and have been extracted from the published accounts filed with the Registrar of Companies. These were audited and reported upon without qualification by Baker Tilly and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.
2. No interim dividend is being proposed or paid.
3. The loss per share has been calculated on the 12,490,641\* ordinary shares in issue (30.06.04 12,490,641\*).

Copies of this report will be sent to all shareholders and are available on request free of charge from the registered office of the Company.

Carrwood Plc, George House, 48 George Street, Manchester M1 4HF".

\* This number was incorrectly stated as 12,490,650 in the published interim results.

## PART V

### FINANCIAL INFORMATION ON CLEARDEBT

The Directors  
ClearDebt Limited  
George House  
48 George Street  
Manchester  
M1 4HF

WH Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

10 December 2005

Dear Sirs

#### **ClearDebt Limited (“ClearDebt”)**

We report on the financial information on ClearDebt. This financial information has been prepared for inclusion in the admission document dated 10 December 2005 of Carrwood (“the Admission Document”).

#### **Basis of Preparation**

The financial information set out below is based upon the audited financial statements of ClearDebt for the period ended 30 June 2005 and has been prepared on the basis set out in paragraph 1 on page 45.

Baker Tilly, Chartered Accountants and Registered Auditors, of Brazennose House, Lincoln Square, Manchester M2 5BL were auditors to ClearDebt for the period ended 30 June 2005. The audit report for the period ended 30 June 2005 was unqualified.

#### **Responsibility**

The financial statements, which form the basis of the financial information in this report, are the responsibility of the directors of ClearDebt and have been approved by them.

The Directors of Carrwood are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and report our opinion to you.

#### **Basis of Opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to ClearDebt's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion the financial information set out below gives for the purpose of the Admission Document a true and fair view of the state of affairs of ClearDebt as at 30 June 2005 and of its loss and cash flow for the period then ended.

**Consent**

We consent to the inclusion in the Admission Document of this report and accept responsibility for the report for the purposes of the AIM Rules.

**Declaration**

We confirm that to the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this report is in accordance with the facts and does not omit anything likely to affect the import of such information.

Yours faithfully

**Alexander & Co**  
**Registered Auditor**  
**Chartered Accountants**

**CLEARDEBT LIMITED**

**FINANCIAL INFORMATION FOR THE PERIOD  
18 JUNE 2004 TO 30 JUNE 2005**

**Profit and Loss account for the period 18 June 2004 to 30 June 2005**

	<b>Note</b>	<b>£</b>
<b>Turnover</b>	1,2	8,630
Cost of sales		(15,590)
		<hr/>
<b>Gross loss</b>		(6,960)
Administrative expenses		(6,037)
		<hr/>
<b>Loss on ordinary activities before taxation</b>	3	(12,997)
Taxation		-
		<hr/>
<b>Loss for the period</b>		<u>(12,997)</u>

The operating loss for the period arises from ClearDebt's continuing operations.

There were no recognised gains or losses other than the loss shown in the profit and loss account.

The accompanying notes are an integral part of the financial information.

**CLEARDEBT LIMITED****BALANCE SHEET  
AS AT 30 JUNE 2005**

	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Intangible assets	6		92,065
Tangible assets	7		103,581
			<hr/>
			195,646
<b>Current assets</b>			
Debtors	8	8,630	
		<hr/>	
		8,630	
		<hr/>	
<b>Creditors: amounts falling due within one year</b>	9	217,272	
		<hr/>	
<b>Net current liabilities</b>			(208,642)
			<hr/>
<b>Total assets less current liabilities</b>			(12,996)
			<hr/> <hr/>
<b>Shareholders' funds</b>			
Called up share capital	10		1
Profit and loss account	11		(12,997)
			<hr/>
	12		(12,996)
			<hr/> <hr/>

The accompanying notes are an integral part of the financial information.

**CLEARDEBT LIMITED****CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2005**

	£	£
<b>Net cash inflow from operating activities</b>		199,807
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(105,784)	
Payments to acquire intangible fixed assets	(94,024)	
	<hr/>	
Net cash outflow from capital expenditure		(199,808)
		<hr/>
Net cash outflow before financing		(1)
<b>Financing</b>		
Issue of shares	1	
	<hr/>	
Net cash inflow from financing		1
		<hr/>
<b>(Decrease)/increase in cash</b>		<u><u>-</u></u>

**Note to the cashflow statement**

	£
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>	
Operating loss	(12,997)
Depreciation charges	2,203
Amortisation charges	1,959
Increase in debtors	(8,630)
Increase in creditors	217,272
	<hr/>
Net cash inflow from operating activities	<u><u>199,807</u></u>

**CLEARDEBT LIMITED**

**NOTES TO THE FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2005**

**1. Accounting Policies**

**Basis of accounting**

The financial information has been prepared under the historical cost convention.

**Turnover**

Turnover represents the value of work done in the period.

**Fixed assets**

All fixed assets are initially recorded at cost.

**Depreciation**

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

Website development	25% per annum straight line
Fixtures and fittings	25% per annum straight line

**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:-

Development costs	25% per annum straight line
-------------------	-----------------------------

**Going concern**

ClearDebt is dependent upon the financial support of Hodgsons who have confirmed that they are willing to provide the necessary resources for at least the next 12 months.

**2. Turnover**

The turnover and loss before tax are attributable to the principal activity of the group, which is the provision of IVAs to individuals experiencing personal debt problems. All turnover originated in the UK.

**3. Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging:

	<b>£</b>
Amortisation	1,959
Depreciation of owned assets	2,203
Auditors' remuneration	1,750
	<u><u>          </u></u>

**CLEARDEBT LIMITED****NOTES TO THE FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2005 (Continued)****4. Particulars of employees**

Number of administrative staff 4

The aggregate payroll of the above were:

**£**

Wages and salaries 5,584

Social security costs 507

6,091

**5. Directors' emoluments**

The directors received no remuneration during the period.

**6. Intangible fixed assets**

**Development  
Costs  
£**

**Cost**

At 18 June 2004 -

Additions 94,024

At 30 June 2005 94,024

**Amortisation**

At 18 June 2004 -

Charge for the period 1,959

At 30 June 2005 1,959

**Net book value**

At 30 June 2005 92,065

**CLEARDEBT LIMITED**

**NOTES TO THE FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2005 (Continued)**

**7. Tangible fixed assets**

	<b>Website development costs £</b>	<b>Fixtures &amp; fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 18 June 2004	-	-	-
Additions	74,512	31,272	105,784
	<hr/>	<hr/>	<hr/>
At 30 June 2005	<u>74,512</u>	<u>31,272</u>	<u>105,784</u>
<b>Depreciation</b>			
At 18 June 2004	-	-	-
Charged in period	1,552	651	2,203
	<hr/>	<hr/>	<hr/>
At 30 June 2005	<u>1,552</u>	<u>651</u>	<u>2,203</u>
<b>Net book value</b>			
At 30 June 2005	<u>72,960</u>	<u>30,621</u>	<u>103,581</u>

**8. Debtors**

	<b>£</b>
Trade debtors	8,630
	<hr/>
	<u>8,630</u>

**9. Creditors: amounts fall due within one year**

	<b>£</b>
Trade creditors	23,248
Other creditors (note 13)	192,274
Accruals	1,750
	<hr/>
	<u>217,272</u>

## CLEARDEBT LIMITED

### NOTES TO THE FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2005 (Continued)

#### 10. Share Capital

	£
<b>Authorised</b>	
1,000 ordinary shares of £1.00 each	1,000
	<u>          </u>
	£
<b>Allotted, issued and fully paid</b>	
Ordinary share of £1.00	1
	<u>          </u>

One subscriber ordinary share was issued at par when ClearDebt was incorporated to form the initial capital base.

After the year end, a further 999 ordinary shares were issued at par and the authorised share capital was increased to 2,000 ordinary shares of £1.00 each.

#### 11. Equity Reserves

	<b>Total</b>
	£
<b>Profit and loss account</b>	
Retained loss for the period	(12,997)
	<u>          </u>
At 30 June 2005	(12,997)
	<u>          </u>

#### 12. Reconciliation of movements in shareholders' funds

	<b>30 June 2005</b>
	£
Loss for the period	(12,997)
Net proceeds of equity share issue	1
	<u>          </u>
Net deduction from shareholders' funds	(12,996)
	<u>          </u>

#### 13. Related party transactions

ClearDebt was under the control of Mr D E M Mond throughout the current period.

Mr D E M Mond is the senior partner of Hodgsons, a corporate and personal insolvency practice. Hodgsons have launched ClearDebt and provided the necessary start-up funding.

The balance due to Hodgsons at 30 June 2005 totalled £192,274 and was fully repaid on 10 October 2005.

No interest is being charged on the amounts outstanding.

## PART VI

### PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited pro forma statement of net assets of the Enlarged Group, following the proposed acquisition of ClearDebt and the Placing, has been prepared to illustrate the effect of the proposed transactions on the net assets of Carrwood as at 30 June 2005, as if the proposed transactions had occurred on that date. This statement has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group. Because of its nature, the pro forma financial information addresses a hypothetical situation and therefore does not represent the Enlarged Group's actual financial position or results.

	<b>Carrwood as at 30 June 2005 Note 1 £'000</b>	<b>ClearDebt as at 30 June 2005 Note 2 £'000</b>	<b>Adjustments Note 3 £'000</b>	<b>Pro forma net assets at 30 June 2005 £'000</b>
<b>Fixed Assets</b>				
Tangible fixed assets	-	103	-	103
Intangible fixed assets	-	92	3,159	3,251
	-	195	3,159	3,354
<b>Current Assets</b>				
Debtors	4	9	-	13
Cash at bank and in hand	11	-	1,103	1,114
	15	9	1,103	1,127
<b>Creditors: amounts due within one year</b>	(3)	(217)	192	(28)
<b>Net current assets/(liabilities)</b>	12	(208)	1,295	1,099
<b>Net assets/(liabilities)</b>	12	(13)	4,454	4,453

#### Notes to the pro forma statement of net assets

##### Notes:

1. The net assets of Carrwood as at 30 June 2005 have been extracted, without material adjustment, from the unaudited interim results of Carrwood set out in Part IV of this document.
2. The net assets of ClearDebt as at 30 June 2005 have been extracted, without material adjustment, from the audited balance sheet set out in Part V of this document.
3. Adjustments have been made to reflect:
  - i) the issue of a convertible loan note to Sound Financial on 7 October 2005, pursuant to which Sound Financial advanced £500,000 to ClearDebt by way of a loan;
  - ii) the repayment of the balance due as at 30 June 2005 to Hodgsons, a corporate and insolvency practice of which David Mond is a senior partner;
  - iii) the satisfaction of the Sound Financial Loan by the issue of 29,837,228 new Ordinary Shares and 2,983,722 Carrwood Warrants;
  - iv) the Placing to raise £1,207,000, less estimated expenses of £412,000;

The adjustments made are summarised below:

	Adjustment to intangible fixed assets £'000	Adjustment to cash and bank £'000	Adjustment to creditors due within one year £'000
(i) <b>Convertible loan</b> The receipt of £500,000 from Sound Financial upon the issue of the convertible loan note	-	500	(500)
(ii) the repayment of the amount due to Hodgsons	-	(192)	192
(iii) <b>Satisfaction of loan</b> The satisfaction of the Sound Financial Loan by the issue of new Ordinary Shares	-	-	500
(iv) <b>Proceeds from the Placing</b> The proceeds of the Placing of £1,207,000, less estimated expenses of £412,000	-	795	-
(v) <b>Acquisition of ClearDebt</b> The goodwill arising on the acquisition of ClearDebt by reference to the fair value of the consideration given compared to the fair value of the net assets acquired	3,159	-	-
	<u>3,159</u>	<u>1,103</u>	<u>192</u>

4. Save as disclosed in note 3 above, no adjustments have been made to take account of any changes in the financial position of Carrwood since 30 June 2005, nor in respect of the financial position of ClearDebt since 30 June 2005.

The Directors  
Carrwood plc  
George House  
48 George Street  
Manchester  
M1 4HF

WH Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

10 December 2005

Dear Sirs

## **CARRWOOD PLC**

We report on the pro forma combined net assets (the "Pro forma financial information") set out in Part VI of the AIM admission document dated 10 December 2005 which has been prepared on the basis of the accounting policies adopted by Carrwood plc in preparing the financial statements for the period ended 31 December 2004.

## **RESPONSIBILITIES**

It is the responsibility of the Directors of Carrwood plc to prepare the pro forma financial information in accordance with Schedule Two of the AIM Rules with reference to paragraph 20.2 of Annex I of the Prospectus Rules.

It is our responsibility to form an opinion as required by paragraph 7 of Annex II of the Prospectus Rules as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the dates of their issue.

## **BASIS OF OPINION**

We conducted our work in accordance with the Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of Carrwood plc.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated.

## **OPINION**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of Carrwood plc.

**DECLARATION**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we accept responsibility for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

We hereby consent to the inclusion of this report in the Admission Document.

Yours faithfully

**Alexander & Co**

## PART VII

### ADDITIONAL INFORMATION

#### 1 Responsibility

- 1.1 The Directors and the Proposed Directors, whose names appear on page 7 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge of the Directors, the Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Alexander & Co accept responsibility for their reports set out in Parts III, V and VI of this document. To the best of the knowledge of Alexander & Co (who have taken all reasonable care to ensure that such is the case), the information contained in such reports is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2 The Group

- 2.1 The Company was incorporated and registered in England and Wales on 9 November 1989 under the Act as a private company limited by shares with the name Dashlock Limited and with registration number 2441375. On 7 September 1990, the Company changed its name to Downtex Bedding Limited. On 18 June 1998, the Company re-registered as a public limited company and changed its name to Downtex plc. On 6 January 2004, the Company changed its name to Carrwood plc.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.3 The Company's registered office, head office and principal place of business is at George House, 48 George Street, Manchester M1 4HF. The telephone number at the registered office is 0161 228 7444. The ISIN number of the Ordinary Shares is GB0003083390.
- 2.4 The Company has one wholly owned subsidiary, ClearDebt Group Limited (to be renamed Carrwood Limited) which is registered in England and Wales with registration number 5416538 and which is dormant.
- 2.5 Following the Acquisition, ClearDebt will become a wholly owned subsidiary of the Company.

#### 3 Share Capital

- 3.1 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each, two of which were issued credited as fully paid to the subscribers to the Company's Memorandum of Association.
- 3.2 On 13 August 1990, by or pursuant to resolutions of the Company passed on that date the authorised share capital of the Company was increased from £1,000 to £250,000 by the creation of 249,000 ordinary shares of £1 each.
- 3.3 On 17 June 1998, by or pursuant to resolutions of the Company passed on that date:
  - 3.3.1 the authorised share capital of the Company was increased from £250,000 to £500,000 by the creation of 250,000 ordinary shares of £1 each;
  - 3.3.2 the sum of £199,900, being part of the accumulated profit and loss reserve of the Company, was capitalised and appropriated as capital to and amongst the holders of ordinary shares in the Company and the directors were authorised to apply such sum in paying up in full at par 199,900 of the unissued ordinary shares so created and to allot and distribute such shares, credited as fully paid, at par to the registered holders of shares in the Company pro rata to their existing holdings of ordinary shares in the Company; and
  - 3.3.3 each ordinary share of £1 each was sub-divided into 50 Ordinary Shares.

- 3.4 At the EGM, resolutions of the Company are being proposed that:
- 3.4.1 the Acquisition be approved;
- 3.4.2 the authorised share capital of the Company be increased from £500,000 to £10,000,000 by the creation of 475,000,000 new Ordinary Shares;
- 3.4.3 conditionally on Admission, the directors of the Company be generally and unconditionally authorised pursuant to section 80 (1) of the Act to exercise all and any powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount equal to £7,000,000. The authority will expire (unless previously renewed, varied, or revoked by the Company in general meeting) at the earlier of the conclusion of the annual general meeting of the Company next following the passing of the resolution and 15 months from the date of the resolution. The Company will be able, at any time prior to the expiry of the authority, to make an offer or agreement which would or might require relevant securities to be allotted after expiry of the authority and the directors of the Company will be able to allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired; and
- 3.4.4 conditionally on Admission, the directors of the Company be given power pursuant to section 95(1) of the Act (with such power expiring at the same time as the authority referred to in paragraph 3.4.3 above (the “Proposed Section 80 Authority”)) to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the Proposed Section 80 Authority as if section 89(1) of the Act did not apply to any such allotment save that the power will be limited to:
- (i) the allotment of equity securities pursuant to a rights issue or similar offer to shareholders of the Company where the interests of all shareholders of the Company are proportionate or as nearly proportionate as practical to the numbers of Ordinary Shares held by them;
- (ii) the allotment of equity securities pursuant to the Placing;
- (iii) the allotment of equity securities pursuant to the Acquisition;
- (iv) the allotment of equity securities pursuant to the issue of the Warrants;
- (v) the allotment (otherwise than pursuant to paragraph 3.4.4 (i) to (iv) above (inclusive)) for cash of equity securities up to an aggregate nominal amount of £500,000; and
- 3.4.5 the Company change its name to ClearDebt Group plc.
- 3.5 The Directors and the Proposed Directors intend to exercise the authorities described in paragraphs 3.4.3 and 3.4.4 to issue 240,187,228 new Ordinary Shares pursuant to the Placing and the Acquisition (representing 95.06 per cent. of the Enlarged Share Capital).
- 3.6 The Placing and the Acquisition will result in the issue of 240,187,228 new Ordinary Shares. The Company’s authorised and issued share capital at the date of this document is and it is expected to be immediately following Admission:

	<b>At the date of this document</b>		<b>Following Admission</b>	
	<b>Amount</b>	<b>Number of Ordinary Shares</b>	<b>Amount</b>	<b>Number of Ordinary Shares</b>
Authorised	£500,000.00	25,000,000	£10,000,000.00	500,000,000
Issued and fully paid	£249,812.82	12,490,641	£5,053,557.38	252,677,869

3.7 *Share Capital Reconciliation*

	<b>At 31 December 2004</b>	<b>At 31 December 2003</b>
Issued Ordinary Shares	12,490,641	12,490,641

- 3.8 On Admission, Shareholders who do not participate in the Placing will suffer an immediate dilution of 95.06 per cent. of their interests in the Company.
- 3.9 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.4.4 above.
- 3.10 Save for the Warrants, and save as otherwise set out in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding options, debentures or convertible securities issued or proposed to be issued by the Company.
- 3.11 On 3 August 1998, 2,148,000 Ordinary Shares were issued at 25p per share raising in aggregate £537,000. At this time the entire issued share capital of the Company was admitted to trading on AIM.
- 3.12 On 10 June 1999, 212,500 Ordinary Shares were issued at 20p per share raising in aggregate £42,500.

#### **4 Memorandum and Articles of Association and Mandatory Bids**

##### **Memorandum of Association**

- 4.1 The objects of the Company are set out in full in clause 4 of its Memorandum of Association and include the carrying on of business as a general commercial company and the carrying on of any other trade or business which may seem to the Company and the directors to be advantageous and to directly or indirectly enhance any or all of the business of the Company.

##### **Articles of Association**

- 4.2 The Articles which were adopted pursuant to a resolution of the Company passed on 17 June 1998 contain provisions, *inter alia*, in respect of the Ordinary Shares, general meetings of the Company and the directors to the following effect:

###### *4.2.1 Voting Rights*

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

###### *4.2.2 Major Shareholders*

Nothing in the Articles confers on major shareholders in the Company any voting rights which are different to those conferred on the holders of Ordinary Shares as described in paragraph 4.2.1 above.

Pursuant to section 198 of the Act, holders of three per cent. or more of the nominal value of the Company's share capital are required to notify their interest in writing to the Company. To the extent that persons who already hold at least 3 per cent. or more of the nominal value of the Company's share capital increase or decrease their holding, section 198 of the Act requires that this is also notified to the Company by the shareholder.

Pursuant to section 212 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares to comprised, to give such further information as may be required in accordance with section 212(2) of the Act.

#### 4.2.3 *General Meetings*

An annual general meeting shall be held once a year, within 15 months of the previous annual general meeting.

Subject to a member's right to requisition an extraordinary general meeting pursuant to section 368 of the Act, general meetings of the Company are convened at the discretion of the board, and with the exception of the annual general meeting, all such general meetings of the Company shall be extraordinary general meetings.

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution or (except as provided by statute) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' notice in writing to its members. Any other extraordinary general meeting shall be called by at least 14 clear days' notice by the Company. Notice shall be given to all members and the directors and the auditors.

Every notice calling a general meeting shall specify the place, day and hour of the meeting. Every notice must include a reasonably prominent statement that 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 and that a proxy need not be a member of the Company.

A general meeting may be called by shorter notice if it is agreed: (i) in the case of an annual general meeting, by all the members entitled to attend and vote; and (ii) in the case of an extraordinary general meeting, by a majority in the number of the members having a right to attend and vote, being a majority together holding at least 95 per cent. in nominal value of the shares giving that right.

#### 4.2.4 *Changes in capital*

The Company may by ordinary resolution cancel any shares which have not been taken (or are subject to agreement to take) and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

The Company may, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including redeemable shares).

#### 4.2.5 *Variation of Rights*

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

#### 4.2.6 *Alteration of Capital*

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may, subject to the Statutes, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Statutes, the Company may purchase its own shares (including redeemable shares).

#### 4.2.7 *Redemption*

The Company may, by special resolution and subject to the Statutes, create shares which are liable to be redeemed. As at the date of this document, there are no shares in issue which are capable of being redeemed by the Company.

#### 4.2.8 *Conversion*

The Company may, by ordinary resolution and subject to the Statutes, convert all or any of its fully-paid shares into stock of the same class and denomination and reconvert such stock into fully paid up shares of the same class and denomination.

#### 4.2.9 *Distribution of assets on a winding up*

In the event of liquidation of the Company the holders of shares are entitled *pari passu* to any surplus dividends. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie.

#### 4.2.10 *Transfer of Shares*

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Company's register of members.

The directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 212 of the Act, then the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

#### 4.2.11 *Dividends and other distributions*

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the directors. The directors may pay interim dividends if it appears to them that they are justified by the profits of the Company. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie. The directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 212 of the Act, then, provided that the shares concerned represent at least

0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

#### 4.2.12 *Borrowing Powers*

Subject to the provisions of the Act and as provided in the Articles, the directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The directors shall restrict the borrowings of the Company and the borrowings of any other companies within the Group so as to secure that the aggregate amount for the time being outstanding (after adjustments provided for in the Articles) at any one time owing by the Group in respect of monies borrowed, determined in accordance with the Articles, shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of £3 million or three times the aggregate of the nominal amount paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserve of the Group as shown in the latest audited balance sheet of the Group but adjusted as may be necessary to take account of such deductions as are specified in the Articles.

#### 4.2.13 *Constitution of board of directors*

The minimum number of directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall not be more than eight. No shareholder qualification is required of any director.

#### 4.2.14 *Retirement of directors by rotation*

The Articles do not contain any provision to exclude the operations of section 293(2) of the Act and, accordingly, special notice will be required of any resolution appointing or approving the appointment of a director who has attained the age of 70.

At every annual general meeting of the Company one third of the directors or the number nearest to but not exceeding one third shall retire by rotation and be eligible for re-election. The directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will (unless they otherwise agree) be determined by lot.

#### 4.2.15 *Remuneration of directors*

The fees to be paid to the directors shall be determined by the Remuneration Committee of the Company from time to time.

Each director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the directors of the Company or otherwise in the discharge of his duties as a director. Any director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the directors determine.

#### 4.2.16 *Permitted interests of directors*

Subject to the provisions of the Statutes, a director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the director holding that office or of the fiduciary relationship thereby established.

A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the directors may determine. A director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

#### 4.2.17 *Restrictions on voting by directors*

Save as provided below, a director shall not vote on or in respect of any contract or arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning a placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he does not to his knowledge hold directly or indirectly an interest in shares representing one per cent. or more of any class of the equity share capital or voting rights;
- (e) any arrangement for the benefit of employees of the Company and its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (f) any contract for the purchase or maintenance of insurance against any liability of any directors.

#### 4.3 *Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares*

##### 4.3.1 *Mandatory bid*

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

##### 4.3.2 *Squeeze-out*

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will

compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

#### 4.3.3 *Sell-out*

The Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 5 **Directors' and Proposed Directors' Interests**

5.1 The following persons are directors of the Company:

Gerald Carey (*Non-executive Chairman*)

David Mond (*Chief Executive Officer*)

5.2 It is proposed that the following persons will become directors of the Company on Admission:

David Shalom (*Non-executive Finance Director*)

Andrew Smith (*Marketing Director*)

5.3 The business address of all of the Directors is, and of the Proposed Directors will be, George House, 48 George Street, Manchester M1 4HF.

5.4 The interests of the Directors and of the Proposed Directors (all of which are beneficial) in the issued share capital of the Company as at 9 December 2005 (being the latest practicable business day prior to the date of this document), such interests being those which are required to be notified by each Director and Proposed Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director or Proposed Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director or Proposed Director are:

<b>Director/Proposed Director</b>	<b>Current</b>		<b>Following Admission</b>	
	<b>Number of Ordinary Shares</b>	<b>Percentage of Existing Share Capital</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of Enlarged Share Capital</b>
David Mond	10,480,000*	83.9	108,130,000*	42.8
Gerald Carey	20,000	0.2	1,020,000	0.4
David Shalom	Nil	Nil	3,750,000	1.5
Andrew Smith	Nil	Nil	6,750,000	2.7

\* 10,480,000 shares are held in 5 trusts of which David Mond is a trustee and/or members of his immediate family are beneficiaries. In addition David Mond will, following Admission, have the right to acquire up to 6,000,000 Ordinary Shares pursuant to call options that become exercisable in the event that the present holders of such Ordinary Shares leave the employment of the Enlarged Group as "bad leavers". In the event that such call options become exercisable the purchase price per Ordinary Share will be 2p.

- 5.5 In addition, the following Directors and Proposed Directors will, following Admission, have been granted the number of Carrwood Warrants set out in the table below. Further details in respect of the Carrwood Warrants are set out in paragraph 9.11 of this Part VII.

<b>Director</b>	<b>Number of Carrwood Warrants</b>
David Mond	9,765,000
Gerald Carey	100,000
David Shalom	375,000
Andrew Smith	675,000

In total, 24,018,722 Carrwood Warrants will, following Admission, have been granted.

- 5.6 In respect of each Director and Proposed Director, there are no conflicts of interest between any duties they have to the Company and the private interests and/or other duties they may also have.
- 5.7 There are no outstanding loans granted by any member of the Group to the Directors or the Proposed Directors or any guarantees provided by any member of the Group for the benefit of the Directors or the Proposed Directors.
- 5.8 No Director or Proposed Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

## **6 Substantial Shareholders**

- 6.1 Insofar as is known to the Company and in addition to the interests of the Directors disclosed in paragraph 5.4 above, the following persons are, at the date of this document, and are expected, following Admission, to be interested directly or indirectly in 3 per cent. or more of the Enlarged Share Capital:

<b>Shareholder</b>	<b>Current</b>		<b>Following Admission</b>	
	<b>Number of Ordinary Shares</b>	<b>Percentage of Existing Share Capital</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of Enlarged Share Capital</b>
Oliver Mond <sup>1</sup>	585,000	4.7	4,935,000	2.0
Raymond Donn <sup>2</sup>	400,000	3.2	4,150,000	1.6
Sound Financial <sup>3</sup>	Nil	-	29,837,228	11.8

<sup>1</sup> In addition, Oliver Mond will, following Admission, have been granted 435,000 Carrwood Warrants.

<sup>2</sup> In addition, Raymond Donn will, following Admission, have been granted 375,000 Carrwood Warrants.

<sup>3</sup> In addition, Sound Financial will, following Admission, have been granted 2,983,722 Carrwood Warrants.

- 6.2 None of the Company's major holders of Ordinary Shares listed above has voting rights different from the other holders of Ordinary Shares.
- 6.3 Save as disclosed in paragraph 5 above and in this paragraph 6, and insofar as the Company has the information, neither the Directors nor the Proposed Directors are aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, is or will be interested (within the meaning of the Act) directly or indirectly in 3 per cent. or more of the issued Ordinary Share capital of the Company.
- 6.4 Save as disclosed in paragraph 5 above and in this paragraph 6, and insofar as the Company has the information, neither the Directors nor the Proposed Directors are aware of any person or persons who either alone or, if connected jointly following the implementation of the Proposals, will (directly or indirectly) exercise or could exercise control over the Company.
- 6.5 Other than the protections afforded by the City Code and/or the Act there are no measures in place to ensure that any person or persons who could exercise control over the Company do not abuse that control.

## 7 Additional Information on the Directors

7.1 Other than directorships of Group companies, the Directors and Proposed Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<b>Director</b>	<b>Current</b>	<b>Past</b>
David Mond	Briskloom Limited ClearDebt Limited Dunham Forest Golf and Country Club Limited Downtex plc (in administration) Fads (Trading) Limited Hodgsons Leveys (Fads) Limited Leveys Limited MKM Group plc Park Court Management Company (Southport) Limited Portcullis Securities Limited RMCB Limited (in administration) Sound Financial plc Strategic Retail plc Textstyle World (Fads) Limited	Association of Business Recovery Professionals Casebyte Limited (in receivership) Crofrush Limited Pearlteam Limited
Gerald Carey	dayinsure.com Limited DCML Limited Dealer Car Manager Limited Neatfleet Limited Oxley Technology Group Limited RBIG Corporate Risk Services Limited	None
David Shalom	AJWL 2004 Limited A Sindall Limited Blissful Harmony Limited Bolinten Limited BS Dollamore Limited Gardiner of Selkirk Limited George Priestley & Sons Limited GFC Products Limited Granby Bell Limited H Armitage & Co (Eccleshill) Limited Henderson Holmes & Reiss Limited Henry Mason (Shipley) Limited Hind Priestley Limited Hulme Holmberg Limited Ilia Limited Jerome (1999) Limited Jerome Group Plc Manchester Diagnostics and Treatment Centre Limited Merrall & Musgrave Limited Merral Spinning Company Limited NBC 2004 Limited Prize Peach Limited Quality Textile Exports Limited	Coral Products plc Dunham Forest Golf and Country Club Limited

<b>Director</b>	<b>Current</b>	<b>Past</b>
David Shalom (continued)	Solinia Limited Taskready Limited VM Thomas Limited West Yorkshire Weavers Limited Wildtime Limited Worthington Buttons Limited Worthington Distribution Limited Worthington Fabrics Limited Worthington Group Plc Worthington Holdings Limited Worthington Textiles Limited Worthington Threads Limited Worthington Trimmings Limited	
Andrew Smith	Andrew Timothy Public Relations Limited (in liquidation) Smith Grundon & Partners Limited (in liquidation)	EDM plc Digital Signatures Limited Hibrox Limited Winner Smith Grundon Limited

- 7.2 Save as disclosed in paragraphs 7.3 to 7.8 of Part VII of this document, none of the Directors has:
- 7.2.1 any unspent convictions in relation to indictable offences;
  - 7.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
  - 7.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
  - 7.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 7.2.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 7.2.6 been officially publicly criticised incriminated or sanctioned by any statutory or regulatory authorities (including designated professional bodies); or
  - 7.2.7 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of a company in the five years preceding the date of this document.
- 7.3 Downtex plc, a company of which David Mond is a director was placed into administration on 2 July 2004 with an estimated total deficiency as regards creditors of £472,319.00 and an estimated deficiency as regards members of £522,319.00.
- 7.4 RMCB Limited, a company of which David Mond is a director was placed into administration on 23 March 2005 with an estimated surplus as regards preferential creditors of £228,839.00, an estimated deficiency to non-preferential creditors of £804,326.00 (of which £675,724.00 was due to David Mond) and an estimated deficiency to members of £804,327.00. The statement of affairs reveals a total of 45 trade creditor entries totalling £111,714.82.
- 7.5 Casebyte Limited, a company of which David Mond was a director was placed into administrative receivership by David Mond as debenture holder on 11 October 2001 with an estimated total deficiency as regards unsecured creditors of £22,688.77 and an estimated total deficiency as regards members of £199,108.77. The statement of affairs reveals a total of 19 trade creditor entries totalling £22,706.49.

- 7.6 Andrew Timothy Public Relations Ltd, a company of which Andrew Smith is a director entered into a voluntary winding up showing an estimated total deficiency as regards its members of £100,583.00 and an estimated deficiency as regards unsecured creditors of £100,483.00. The liquidators' statement of affairs also reveals 17 entries totalling £45,829.62 for trade creditors.
- 7.7 Smith Grundon & Partners Limited, a company of which Andrew Smith is a director, was ordered to be wound-up on 24 February 2005. The deficiency as regards creditors was less than £10,000.
- 7.8 On 20 May 2004, the Association of Chartered Certified Accountants (one of David Mond's recognised professional bodies) Appeal Committee upheld the findings of the decision of the Disciplinary Committee who on 14 January 2004 had issued a severe reprimand to David Mond in respect of breaches of technical and professional standards in relation to a 1996 matter concerning a company of which David Mond was previously the supervisor. David Mond sought a judicial review in respect of the decision, the judgement in which was handed down on 28 July 2005 and an order given (*inter alia*) that the decision of the Disciplinary and Appeal Committees be quashed and the proceedings be remitted to a differently constituted Disciplinary Committee.
- 7.9 Save as disclosed in this document, no Director or Proposed Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

## 8 Directors' Remuneration

- 8.1 Neither of the Directors have received any remuneration or other benefit from the Company as directors during the period from 1 January 2004 to the date of this document.
- 8.2 Details of the Directors and Proposed Directors' service contracts/non-executive letters of appointment all of which are conditional on Admission are as follows:

	<b>Date of contract</b>	<b>Notice period from the Company (or ClearDebt as the case may be) (months)</b>	<b>Notice period to the Company (or ClearDebt as the case may be) (months)</b>	<b>Annual salary (£)</b>
<b>Director</b>				
David Mond	10 December 2005	6	6	18,000
Gerald Carey	10 December 2005	6	6	18,000
<b>Proposed Director</b>				
David Shalom	10 December 2005	6	6	18,000
Andrew Smith <sup>1</sup>	10 December 2005	12 <sup>2</sup>	12 <sup>2</sup>	42,000

<sup>1</sup> Andrew Smith's service agreement is with ClearDebt.

<sup>2</sup> Andrew Smith's service agreement is for an initial fixed term of twelve months.

- 8.3 Neither the Directors nor the Proposed Directors receive Ordinary Shares or options over Ordinary Shares in lieu of remuneration or as any form of compensation or are paid bonuses.
- 8.4 Other than as disclosed in this paragraph 8, no member of the Group is party to any service contract with any of the Group's senior management which provides for benefits on the termination of any such arrangement.
- 8.5 No Director has any accrued pension benefits.
- 8.6 There is no arrangement under which any Director or Proposed Director has waived or agreed to waive future emoluments.

- 8.7 Save as disclosed in this paragraph 8 there are no existing or proposed service or consultancy agreements between any Director or Proposed Director and any member of the Group.
- 8.8 In the year ended 31 December 2004 the total aggregate remuneration paid, and benefits-in-kind granted, to the Directors was nil. The amounts payable to the Directors and the Proposed Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 31 December 2005 will be nil (excluding any discretionary payments which may be made under these arrangements).

## **9 Material Contracts**

### **The Company**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material or are, or may, contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group:

- 9.1 the Placing Agreement, further details of which are contained in paragraph 16 of this Part VII;
- 9.2 the Acquisition Agreement, further details of which are contained in paragraph 8 of Part I of this document;
- 9.3 an agreement dated 17 October 2005 made between (1) the Company and (2) WH Ireland, whereby WH Ireland agreed to act as financial adviser to the Company for a fee of £1,500 plus VAT per month (together with out of pocket expenses) from the date of the agreement until the date of Admission together with a success fee of £75,000 plus VAT payable on Admission. In addition, the agreement provides that the WHI Warrants are to be issued to WH Ireland;
- 9.4 an agreement dated 10 December 2005 made between (1) the Company and (2) WH Ireland, whereby, conditional upon Admission, WH Ireland has agreed to act as nominated adviser to the Company for an annual fee of £20,000 plus VAT (save for the first 12 months following Admission where such fee shall be £10,000 plus VAT) (together with out of pocket expenses) for a minimum period of 12 months from Admission. The agreement is subject to termination on 6 months' notice at any time after the initial 12 month period;
- 9.5 an agreement dated 10 December 2005 made between (1) the Company and (2) WH Ireland, whereby, conditional on Admission, WH Ireland has agreed to act as broker to the Company for an annual fee of £15,000 plus VAT (save for the first 12 months following Admission where such fee shall be £10,000 plus VAT) (in each case, together with out of pocket expenses) for a minimum period of 12 months from Admission. In addition, WH Ireland is to receive, by way of commission, a sum equal to 5 per cent. of the aggregate value of the Placing Shares, for which WH Ireland procured the subscribers, at the Placing Price. The agreement is subject to termination on 6 months' notice at any time after the initial 12 month period;
- 9.6 a warrant deed dated 10 December 2005 made by the Company pursuant to which the Company has agreed, conditional upon Admission, to grant the WHI Warrants to WH Ireland. The warrant deed permits subscription for 7,580,336 Ordinary Shares at the Placing Price, in whole or in part, at any time from Admission to the third anniversary of Admission;
- 9.7 lock-in agreements dated 10 December 2005 between (1) WH Ireland, (2) the Company and:
- 9.7.1 (3) certain Shareholders following Admission (the "Locked in Persons") under which the Locked in Persons have agreed with the Company and WH Ireland not to dispose of any interest in Ordinary Shares held by them for a period of 12 months from Admission, except in limited circumstances. The agreement also contains orderly market provisions for a further period of 12 months following the lock-in period; and
- 9.7.2 (3) Sound Financial, under which Sound Financial has agreed with the Company and WH Ireland not to dispose of any interest in Ordinary Shares held by it for a period of 12 months from Admission, except in limited circumstances.

The circumstances in which the lock in arrangements will not apply are as follows:

- (i) in acceptance of a general offer made to the Company's shareholders to acquire all of the Ordinary Shares;

- (ii) for a disposal by the personal representatives of the Locked in Persons if any of them shall die during the period of such restrictions;
  - (iii) in the event of an intervening Court Order;
  - (iv) in the case of a disposal pursuant to any compromise or arrangement under Section 425 of the Act; and
  - (v) in the case of Sound Financial only, in the event of a distribution in specie to its shareholders who will in turn enter into identical lock-in arrangements;
- 9.8 an asset sale and purchase agreement dated 29 December 2003 made between (1) the Company, (2) Downtex plc (then called Carrwood Limited which was, at that time, a wholly owned subsidiary of the Company) (“Downtex”) and (3) David Emanuel Merton Mond (the “Downtex Hive-down Agreement”), pursuant to which the Company sold all of its assets and undertaking in respect of its business of design, manufacture, retail, sale and distribution of household textile products to Downtex. The consideration for the acquisition was the assumption by Downtex of all of the liabilities of the Company including certain liabilities under lease arrangements and the payment of £1. Pursuant to this agreement, David Mond agreed to indemnify the Company in the circumstances where Downtex does not comply with its requirement to perform any of the contracts of the Company following the acquisition;
- 9.9 a share sale and purchase agreement dated 29 December 2003 made between (1) the Company and (2) Jonathan Louis Stephen Mond and David Emanuel Merton Mond (the “Buyers”) pursuant to which the Company sold the entire issued share capital of Downtex to the Buyers for a cash consideration of £50,000 (the “Downtex Share Sale Agreement”). Pursuant to this agreement the Buyers agreed to indemnify the Company against all liabilities it incurs as a result of its performance of the Downtex Hive-down Agreement including any claims arising out of the transfer of employees pursuant to that agreement. The Downtex Share Sale Agreement was approved by the Company in general meeting for the purposes of section 320 of the Act;
- 9.10 an agreement dated 19 October 2005 made between (1) the Company and the Independent Director and (2) Zeus Capital, whereby Zeus Capital has agreed to act as nominated adviser to the Company until Admission and as adviser to the Independent Director for a total fee of £35,000 plus VAT. Zeus Capital has agreed to subscribe for 750,000 Ordinary Shares at the Placing Price under the Placing. Providing the Acquisition is completed, Zeus Capital will be appointed as financial adviser to the Company as from 1 February 2006 and will be paid an amount to be agreed at that time; and
- 9.11 an instrument of the Company dated 10 December 2005 constituting the Carrwood Warrants pursuant to which the Company will, subject to Admission, grant warrants to subscribe for an aggregate of 24,018,722 Warrant Shares at 4p per Warrant Share between the first anniversary of Admission and the third anniversary of Admission. The Carrwood Warrants are only exercisable by the holders thereof once on each of the first, second and third anniversaries of Admission. The Carrwood Warrants are not transferable.

### **ClearDebt**

The following contract, not being a contract entered into in the ordinary course of business, has been entered into by ClearDebt within the two years immediately preceding the date of this document and is, or may be, material or is, or may contain provisions under which ClearDebt has an obligation or entitlement which is material to the Enlarged Group:

- 9.12 a convertible loan note instrument dated 28 September 2005 (“the Sound Financial Loan Note”) pursuant to which Sound Financial advanced to ClearDebt by way of a loan the sum of £500,000 which carried interest at the rate of 6 per cent. per annum. This loan note instrument is convertible or redeemable at the option of Sound Financial on the implementation of the Proposals. On Admission, the Company intends to, and has agreed to, satisfy the Sound Financial Loan Note by the issue of new Ordinary Shares and Carrwood Warrants to Sound Financial. This will result in Sound Financial holding 29,837,228 Ordinary Shares and 2,983,722 Carrwood Warrants which will be issued pursuant to the terms of the Acquisition Agreement.

## **10 Corporate Governance**

- 10.1 The Board fully supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that, as its securities are not listed on the Official List, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Combined Code, insofar

as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.

The main features of the Company's corporate governance procedures, which do not constitute full compliance with the Combined Code, are as follows:

- the Board has a non-executive chairman who takes an active role in board matters;
- the Company has an audit committee and a remuneration committee, each of which will consist of two non-executive directors and will meet regularly with executive directors in attendance by invitation. The audit committee has unrestricted access to the Group's auditors and ensures that auditor independence has not been compromised;
- all business activity is organised within a defined structure with formal lines of responsibility and delegation of authority, including a schedule of "matters referred to the board"; and
- regular monitoring of key performance indicators and financial results together with comparison of these against expectations.

## 10.2 *Audit Committee*

The following is a summary of the terms of reference under which the Company's Audit Committee operates. The Audit Committee is chaired by Gerald Carey and will include David Shalom.

The Audit Committee shall have at least one member and each member shall be a non-executive director. The Audit Committee shall meet at least two times in every year and any other time as required by either the chairman of the Audit Committee, the finance director of the Company or the external auditors of the Company. In addition, the Audit Committee shall meet with the external auditors of the Company (without any of the executives attending) at least once a year.

The Audit Committee shall, *inter alia*:

- monitor the financial reporting and internal control principles of the Company;
- maintain appropriate relationships with external auditors including considering the appointment and remuneration of external auditors;
- review all financial results of the Company, including all announcements in respect thereof before submission of the relevant documents to the Board;
- review and discuss (where necessary) any issues and recommendations of the external auditors including reviewing the external auditors' management letter and management's response;
- consider all major findings of internal operational audit reviews and management's response to ensure co-ordination between internal and external auditors;
- review the Board's statement on internal reporting systems and keep the effectiveness of such systems under review; and
- consider all other relevant findings and audit programmes of the Company.

The chairman of the Audit Committee shall report annually to the Board on behalf of the Company's shareholders on all matters within its duties and responsibilities. The Audit Committee shall compile a report to Shareholders on its activities to be included in the Company's annual report.

The Audit Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company; and
- obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

### 10.3 *Remuneration Committee*

The following is a summary of the terms of reference under which the Company's Remuneration Committee operates. The Remuneration Committee comprises David Mond and Gerald Carey.

The Remuneration Committee shall have at least one member who shall be a non-executive director. The Remuneration Committee shall meet at least two times in every year and any other time as required by either the chairman of the Remuneration Committee, the finance director of the Company or the external auditors of the Company.

The Remuneration Committee shall, *inter alia*:

- ensure that the executive directors are fairly rewarded for their individual contributions to the overall performance of the Company;
- consider the remuneration packages of the executive directors and any recommendations made by the managing director for changes to their remuneration packages including in respect of bonuses (including associated performance criteria), other benefits, pension arrangements and other terms of their service contracts and any other matters relating to the remuneration of or terms of employment applicable to the executive directors that may be referred to the Remuneration Committee by the Board;
- oversee and review all aspects of any share option schemes including the selection of eligible directors and other employees and the terms of any options granted;
- demonstrate to the Company's shareholders that the remuneration of the executive directors is set by an independent committee of the Board; and
- consider and make recommendations to the Board about the public disclosure of information about the executive directors' remuneration packages and structures in addition to those required by law or by the London Stock Exchange.

The chairman of the Remuneration Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Remuneration Committee shall produce an annual report which will form part of the Company's annual report and consider each year whether such report should be put to the Shareholders for approval at the annual general meeting.

The Remuneration Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company;
- assess the remuneration paid by other UK listed companies of a similar size in any comparable industry sector and to assess whether changes to the executive directors remuneration is appropriate for the purpose of making their remuneration competitive; and
- obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

## 11 **United Kingdom Taxation**

The following paragraphs, which are based on current legislation, summarise the position of shareholders who are ordinarily resident in the UK for taxation purposes and who hold their shares as an investment.

### 11.1 *Taxation of dividends*

No tax will be withheld by the Company when it pays a dividend.

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The lower rate of income tax on dividend income is currently 10 per cent.

An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 22 per cent.) will have no income tax to pay in respect of the dividend.

The higher rate of income tax on dividends is currently 32.5 per cent. This means that a shareholder who is a higher rate taxpayer (currently 40 per cent.) will have further income tax to pay at a rate of 22.5 per cent. of the cash dividend paid plus the related tax credit (or 25 per cent. of the net dividend). For example, a dividend of £90 will carry a tax credit of £10. The income tax payable by a higher rate taxpayer would be 32.5 per cent. of £100, namely £32.50 less the tax credit of £10 leaving a net tax liability of £22.50.

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from the Inland Revenue.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from the Company and the dividend in received and related tax credit will constitute franked investment income.

Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

#### 11.2 *Taxation of chargeable gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding. If a Shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on their circumstances arise subject to, in the case of individuals and trustees, a deduction for so called taper relief the amount of which depends on various factors, in particular the length of the period of ownership of the shares.

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain.

#### 11.3 *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax (SDRT) will generally be payable on the issue of the New Ordinary Shares.

#### 11.4 *Enterprise Investment Scheme and Venture Capital Trust ("VCT")*

The Company may qualify for EIS and VCT relief following the acquisition in order to finance the growth and development of the Enlarged Group. If the requirements of a "qualifying business" for the purposes of EIS and VCT relief are met, a subscription for new Ordinary Shares could have certain advantages for investors.

**If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than in the UK, you should consult your professional adviser immediately.**

## 12 **Working Capital**

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing and the existing facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is at least 12 months from the date of this document.

## 13 **Environmental issues**

The Group is not aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Enlarged Group.

## **14 Litigation**

### **The Group**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) in which any Group company is involved by or against any Group company which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position or profitability.

### **ClearDebt**

There are no material governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which it is aware) in which ClearDebt is involved by or against ClearDebt which may have or have had in the last twelve months preceding the date of this document a significant effect on ClearDebt's financial position or profitability.

## **15 Significant Changes**

### **The Company**

There has been no significant change in the financial or trading position of the Company since 30 June 2005, being the date to which the Company's latest interim accounts were prepared.

### **ClearDebt**

There has been no significant change in the financial or trading position of ClearDebt since 30 June 2005, being the date to which the ClearDebt's latest audited accounts were prepared.

## **16 Arrangements relating to the Placing**

16.1 Pursuant to the Placing Agreement, WH Ireland has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Under the Placing Agreement:

16.1.1 the Company has agreed to pay WH Ireland a commission equal to 5 per cent. of the proceeds of the Placing so far as such proceeds relate to subscribers procured by WH Ireland (plus any applicable VAT) together with a corporate advisory fee of £75,000. In addition, the Company has agreed, conditionally on Admission, to grant the WHI Warrants to WH Ireland;

16.1.2 the Company has agreed to pay all other costs and expenses of the Placing and related arrangements together with VAT on all such costs and expenses; and

16.1.3 the Company and David Mond have given certain customary warranties and the Company has given certain customary indemnities, in each case as to the accuracy of the information in this document and as to other matters in relation to the Group and the Enlarged Group and their respective businesses.

16.2 WH Ireland has agreed to subscribe for 1,250,000 Ordinary Shares at the Placing Price under the Placing.

## **17 Related Party Transactions**

Details of related party transactions of the Enlarged Group are described in respect of Carrwood in note 20 (page 34) to the Financial Information on Carrwood in Part III of this document and in respect of ClearDebt in note 13 (page 48) to the Financial Information on ClearDebt in Part V of this document.

Your attention is drawn in particular to the following contracts, all of which were entered into since 1 January 2002, and other matters which constitute related party transactions:

17.1 the Downtex Hive-down Agreement, further details of which are set out in paragraph 9.8 of this Part VII, and in which David Mond, a director of the Company is interested;

17.2 the Downtex Share Sale Agreement, further details of which are set out in paragraph 9.9 of this Part VII, and in which David Mond, a director of the Company is interested;

17.3 the Sound Financial Loan Note, further details of which are set out in paragraph 9.12 of this Part VII, and in which David Mond, a director of, and shareholder in, Sound Financial and a director of ClearDebt, is interested;

- 17.4 the Acquisition Agreement in which David Mond, a director of the Company and of ClearDebt is interested; and
- 17.5 the payment by ClearDebt, on 10 October 2005, of £301,631.10 to Hodgsons Chartered Accountants (“Hodgsons”), a corporate and personal insolvency practice of which David Mond is the senior partner. During the period from ClearDebt’s incorporation to 30 September 2005, ClearDebt did not operate its own bank account. All of ClearDebt’s costs for this period were met by Hodgsons, all such amounts being lent by Hodgsons to ClearDebt by way of an interest free loan repayable on demand. The payment of £301,631.10 related to the aggregate of the balance of £192,274.00 which was outstanding at 30 June 2005 and the sum of £109,357.10 which was made available by Hodgsons during the period from 1 July 2005 to 30 September 2005. This payment satisfied the repayment of all amounts outstanding at 30 September 2005 in full. Save for non-material amounts in respect of payments in relation to certain utilities (for example gas, electricity and water rates), no further payments of this nature have been made by Hodgsons on behalf of ClearDebt.

Other than the Acquisition Agreement, none of the above transactions is considered material either in the context of the Proposals or in the context of the turnover of the Company in the relevant periods.

## **18 General**

- 18.1 Presently ClearDebt occupies freehold premises owned by David Mond. There is no formal lease or licence agreement in place, although the Directors intend to negotiate a lease on commercial terms following Admission.
- 18.2 It is estimated that the total expenses payable by the Company in connection with the Acquisition, the Placing and Admission will amount to approximately £412,000 (including VAT). Advisers to the Company have agreed to subscribe for, in aggregate, 3,500,000 Ordinary Shares at the Placing Price under the Placing.
- 18.3 WH Ireland has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 18.4 Zeus Capital has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 18.5 Alexander & Co have given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 18.6 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Enlarged Group’s business.
- 18.7 There have been no interruptions in the business of the Enlarged Group, nor are there any significant recent trends, which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of the Enlarged Group or which are reasonably likely to have a material effect on the prospects of the Enlarged Group for the next 12 months.
- 18.8 The Placing Price does not represent a premium over the nominal value of 2p per Ordinary Share.
- 18.9 The Ordinary Shares are in registered form. No temporary documents of title will be issued.
- 18.10 Save as disclosed in this document there have been no payments by the Enlarged Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 18.11 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 18.11.1 received, directly or indirectly from the Enlarged Group within the 12 months preceding the date of this document; or
- 18.11.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Enlarged Group, on or after Admission, any of the following:
- fees totalling £10,000 or more;
  - securities of the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
  - any other benefit with the value of £10,000 or more at the date of this document.

- 18.12 Save as disclosed in this document, the Directors and the Proposed Directors are unaware of any exceptional factors which have influenced the Enlarged Group's activities.
- 18.13 Save as disclosed in this document, there are no investments in progress which are significant to the Enlarged Group.
- 18.14 The financial information on the Company contained in Part III of this document does not constitute statutory accounts within the meaning of section 240 of the Act. A copy of the audited accounts of the Company for the three year period ended 31 December 2004 has been delivered to the Registrar of Companies in England and Wales. The auditors reports on those accounts were unqualified and did not contain any statements under section 237 of the Act. The Company's current auditors, Baker Tilly, Chartered Accountants and Registered Auditors, of Brazennose House, Lincoln Square, Manchester M2 5BL audited the Company's financial statements for the two years ended 31 December 2003 and 2004 upon which unqualified audit opinions have been given. The Company's previous auditors, PricewaterhouseCoopers LLP, Chartered Accountants, of 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW audited the Company's financial statements for the year ended 31 December 2002 upon which an unqualified audit opinion was given.
- 18.15 The financial information on ClearDebt contained in Part V of this document does not constitute statutory accounts within the meaning of section 240 of the Act. The auditors report on those accounts was unqualified and did not contain any statement under section 237 of the Act. ClearDebt's current auditors, Baker Tilly, Chartered Accountants and Registered Auditors, of Brazennose House, Lincoln Square, Manchester M2 5BL audited ClearDebt's financial statements for the period ended 30 June 2005 upon which an unqualified audit opinion has been given.
- 18.16 This document does not constitute an offer to sell, or the solicitation of an offer to acquire, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful. The Ordinary Shares have not been, and will not be, registered under the US Securities Act or under the applicable securities laws of any state of the United States, any province or territory of Canada, Japan, South Africa, Australia or the Republic of Ireland and may not be sold, directly or indirectly, within the United States or the Excluded Territories or to any citizen, national or resident of the United States or the Excluded Territories.
- 18.17 The information in Part I of this document which has been sourced from Government News Network, 4 November 2005, has been accurately reproduced and, so far as the Company is aware and has been able to ascertain from information published by Government News Network, no facts have been omitted which might render the reproduced information inaccurate or misleading.
- 18.18 This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including such terms as "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "may", "will", "would" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not matters of fact. They appear in a number of places throughout this document and include statements regarding the Enlarged Group's intentions, beliefs or current expectations concerning, among other things, the Enlarged Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Enlarged Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation: conditions in the markets, the market position of the Enlarged Group, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the AIM Rules or other legal or regulatory requirements, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

## **19 Documents available for inspection**

Copies of the following documents may be inspected at the Registered Office of the Company and at the offices of Halliwells LLP, St. James's Court, Brown Street, Manchester M2 2JF during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until one month following Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited accounts of the Company for the two financial years ended 31 December 2003 and 2004;
- (c) the unaudited interim results of the Company for the six months ended 30 June 2005;
- (d) the audited accounts of ClearDebt for the period ended 30 June 2005;
- (e) the material contracts referred to in paragraph 9 above;
- (f) the Directors' and the Proposed Directors' service contracts and letters of appointment;
- (g) the consent letters referred to in paragraph 18 above;
- (h) the letter from Alexander & Co set out in Part VI of this document; and
- (i) this document.

Dated 10 December 2005

# Carrwood plc

(Company number 2441375)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary meeting of Carrwood plc (to be renamed ClearDebt Group plc) will be held at George House, 48 George Street, Manchester M1 4HF at 11.00 a.m. on 3 January 2006, for the purpose of considering and, if thought fit, passing the following resolutions of the Company, of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution:

### ORDINARY RESOLUTIONS

#### Resolution 1

THAT subject to and conditional upon the Placing Agreement (as defined in the admission document of the Company dated 10 December 2005 (the "Admission Document") a copy of which is produced to the meeting and signed by the Chairman for identification purposes) becoming unconditional in all respects (save in respect of any condition therein relating to the resolutions to be passed at this meeting and Admission (as defined in the Admission Document) becoming effective) for the purposes of section 320 of the Companies Act 1985 and Rule 14 (Reverse take-overs) of the AIM Rules the proposed acquisition by the Company of the entire issued share capital of ClearDebt (as detailed in the Admission Document) pursuant to the terms and subject to the conditions of the Acquisition (as defined in the Admission Document), be and is hereby approved and the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents as they may in their absolute discretion consider necessary and/or desirable in order to implement and complete the Acquisition in accordance with its terms, subject to such immaterial amendments or variations to them as the directors of the Company may in their absolute discretion think fit;

#### Resolution 2

THAT subject to and conditional upon the Placing Agreement becoming unconditional in all respects (save in respect of any condition therein relating to the resolutions to be passed at this meeting and Admission becoming effective):

- (a) that the authorised share capital of the Company be increased from £500,000 to £10,000,000 by the creation of 475,000,000 ordinary shares of 2p each in the capital of the Company; and
- (b) for the purposes of and pursuant to section 80(1) of the Companies Act 1985 (the "Act"), the directors of the Company be and they are hereby authorised generally and unconditionally to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £7,000,000 to such persons at such times and upon such terms and conditions as they may determine (subject always to the Articles of Association of the Company) provided this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired.

### SPECIAL RESOLUTION

#### Resolution 3

THAT subject to and conditional upon the Placing Agreement becoming unconditional in all respects (save in respect of any condition therein relating to the resolutions to be passed at this meeting and Admission becoming effective):

- (a) for the purposes of and pursuant to section 95(1) of the Act, the directors of the Company be and they are hereby authorised and empowered to allot equity securities (within the meaning of section 94 of the Act) pursuant to the general authority and power conferred by the resolution numbered 2(b) in this notice of meeting as if section 89(1) of the Act did not apply to any such allotment provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that this authority and power shall be limited:
- (i) to the allotment of equity securities pursuant to a rights issue or similar offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate or as nearly proportionate as practical (and taking into account any prohibitions against or difficulties concerning the making of an offer or allotment to shareholders whose registered address or place of residence is overseas and subject to such exclusions as the directors of the Company may deem necessary or expedient to deal with fractional entitlement or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory) to the respective numbers of ordinary shares held by them;
  - (ii) to the allotment of equity securities pursuant to the Placing (as that term is defined in the Admission Document);
  - (iii) to the allotment of equity securities pursuant to the Acquisition (as that term is defined in the Admission Document);
  - (iv) to the allotment of equity securities pursuant to the issue of the Warrants (as described in the Admission Document);
  - (v) to the allotment (otherwise than pursuant to paragraphs (i) to (iv) above (inclusive)) for cash of equity securities up to an aggregate nominal amount of £500,000 to the allotment of equity securities pursuant to the Placing (as that term is defined in the Admission Document); and
- (b) the Company's name be changed to "ClearDebt Group plc".

**REGISTERED OFFICE:**

George House  
48 George Street  
Manchester M1 4HF

**BY ORDER OF THE BOARD**

**David Mond**  
**Company Secretary**

DATED 10 December 2005

**NOTES:**

- (1) *A member of the Company may appoint one or more proxies to attend and, on a poll, to vote instead of the member. A proxy of a member need not also be a member.*
- (2) *The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority must be deposited with the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA not less than 48 hours before the time for holding the meeting. A Form of Proxy accompanies this document for use by members.*
- (3) *Completion of the Form of Proxy will not preclude a member from attending and voting in person.*
- (4) *Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.*
- (5) *In the case of joint holders of a share the vote of the senior holder who tenders the vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the statutory register of members in respect of the share.*
- (6) *As permitted by Regulation 41 of the Uncertificated Securities Regulations 1995, only those holders of ordinary shares in the Company who are registered on the Company's share register as at 11.00 a.m. on 1 January 2006 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend the Extraordinary General Meeting or adjournment and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after that time shall be disregarded in determining the rights of any person to attend and/or vote at the Extraordinary General Meeting or adjourned meeting.*

