

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

FOR

QUEENSWOOD LIMITED

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QUEENSWOOD LIMITED

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QUEENSWOOD LIMITED

COMPANY INFORMATION

DIRECTORS :

Mr. Frank W. Milne
Mrs. Kathleen A. Milne
Mr. Anthony F. Milne
Mr. Eric J. Milne
Mrs. K. Alexandra Rees

SECRETARY :

Langtry Secretaries Ltd.

REGISTERED OFFICE :

Second Floor
16 New Street
St. Peter Port
Guernsey GY1 2PF
Channel Islands

REGISTERED NUMBER :

25950

ACCOUNTANTS AND TAXATION
ADVISORS:

Smith & Williamson Limited
Old Library Chambers
21 Chipper Lane
Salisbury
Wiltshire SP1 1BG

QUEENSWOOD LIMITED

DIRECTORS' REPORT

The directors present their annual report with the financial statements of the Company for the year ended 30 September 2004.

INCORPORATION :

The Company is incorporated in Guernsey, Channel Islands.

PRINCIPAL ACTIVITIES :

The principal activities of the Company during the year continued to be that of trading in garden and home products by Mail Order.

DIRECTORS :

The directors of the Company are as stated on page 1. There have been no changes in the composition of the Board during the year or to the date of this report. No director held any beneficial interest in the issued share capital of the Company during the year. The directors are discretionary beneficiaries of the Castor & Pollux Trust which is the beneficial owner of the Company.

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

ON BEHALF OF THE BOARD:


Langtry Secretaries Ltd.
Secretary

Dated 12 November 2004

QUEENSWOOD LIMITED

PROFIT AND LOSS ACCOUNT
For The Year Ended 30 September 2004

	Notes	£	<u>2004</u> £	£	<u>2003</u> £
Turnover			993,714		831,737
Change in Stocks of Finished Goods			30,640		22,512
			<u>1,024,354</u>		<u>854,249</u>
Raw Materials and Consumables			(454,477)		(422,229)
			<u>569,877</u>		<u>432,020</u>
Staff Costs		(174,825)		(136,391)	
Depreciation	2	(273)		(302)	
Other Operating Charges		(478,293)		(352,482)	
		<u> </u>	<u>(653,391)</u>	<u> </u>	<u>(489,175)</u>
Operating loss	2		(83,514)		(57,155)
Other interest receivable and similar income			470		202
Interest payable and similar charges	3		(11,752)		(10,321)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			<u>(94,796)</u>		<u>(67,274)</u>
Tax on Loss on Ordinary Activities	4		0		0
			<u>(94,796)</u>		<u>(67,274)</u>
Retained Loss Brought Forward			<u>(1,593,039)</u>		<u>(1,525,765)</u>
RETAINED LOSS CARRIED FORWARD			<u>(1,687,835)</u> =====		<u>(1,593,039)</u> =====

There were no recognised gains or losses other than those passing through the profit and loss account.

The notes on pages 6 to 10 form part of these financial statements.

QUEENSWOOD LIMITED

BALANCE SHEET
As At 30 September 2004

	Notes	£	<u>2004</u> £	£	<u>2003</u> £
FIXED ASSETS:					
Tangible Assets	5		470		743
CURRENT ASSETS:					
Stocks		166,870		136,230	
Debtors	6	40,876		75,097	
Cash at Bank and in Hand		3,712		46,899	
		<u>211,458</u>		<u>258,226</u>	
CREDITORS:					
Amounts falling due within one year	7	73,897		109,203	
NET CURRENT ASSETS:			<u>137,561</u>	<u>149,023</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>138,031</u>	<u>149,766</u>	
CREDITORS:					
Amounts falling due after more than one year	8		(83,061)	(1,742,803)	
			<u>54,970</u>	<u>(1,593,037)</u>	
			=====	=====	
CAPITAL AND RESERVES:					
Called Up Share Capital	9		1,742,805	2	
Profit and Loss Account			(1,687,835)	(1,593,039)	
SHAREHOLDERS' FUNDS	10		<u>54,970</u>	<u>(1,593,037)</u>	
			=====	=====	

QUEENSWOOD LIMITED

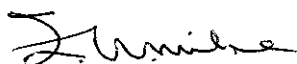
BALANCE SHEET
As At 30 September 2004

In preparing these financial statements:

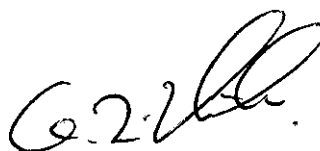
- (a) The directors are of the opinion that the Company is entitled to the exemption from audit conferred by Section 249 A (1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249 B (2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the Company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226 of the Companies Act 1985, and which otherwise comply with the requirements of this act relating to accounts, so far as applicable to the Company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board of Directors
on 12 November 2004



F.W. Milne, Director



A.F. Milne, Director

The notes on pages 6 to 10 form part of these financial statements.

QUEENSWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 September 2004

1 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Company's financial statements.

(a) Basis of accounting :

The financial statements have been prepared under the historical cost convention, on the going concern basis and in accordance with applicable accounting standards.

The Company has taken advantage of the exemption conferred in Financial Reporting Standard No. 1 (revised) from requirements to produce a cash flow statement on the grounds that it qualifies as a small company.

(b) Turnover:

Turnover represents the value of garden and home products sold by Mail Order to customers during the year exclusive of value added tax.

(c) Depreciation :

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives. The rates applicable are:

Plant and equipment	20% straight line
Furniture, fittings and fixtures	20% and 33.33% straight line
Computer equipment	25% straight line

(d) Stocks :

Stocks are valued at the lower of cost and net realisable value. Cost includes cost of purchase and costs incurred in bringing the stock to its present location and condition.

(e) Deferred Taxation :

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

QUEENSWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 September 2004

	<u>2004</u>	<u>2003</u>
	£	£
2 OPERATING LOSS		
The operating loss is stated after charging:		
Depreciation	273 ===	302 ===
Directors' remuneration (including estimated monetary value of benefits in kind)	36,449 =====	35,730 =====
3 INTEREST PAYABLE AND SIMILAR CHARGES		
Other charges	11,752 =====	10,321 =====
4 TAXATION		
Domestic current year tax - UK corporation tax	0	0
Current tax charge	0 ===	0 ===
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(94,796) =====	(67,274) =====
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19%	(18,011) =====	(12,782) =====
Effects of:		
Non deductible expenses	2	0
Depreciation	52	57
Capital allowances	(1,192)	(1,200)
Tax losses carried forward	19,149	13,925
	18,011 -----	12,782 -----
Current tax charge	0 =====	0 =====

QUEENSWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 September 2004

	<u>2004</u> £	<u>2003</u> £
4 TAXATION - continued		
The Company is exempt from taxation in Guernsey. At 30 September 2004, there were U.K. tax adjusted losses available for carry forward of approximately	1,627,408 =====	1,533,612 =====

The computation of the Company's deferred tax position gives rise to an asset balance which the directors consider should not be recognised on the basis that the tax losses available are unlikely to be reversed in the foreseeable future.

5 TANGIBLE FIXED ASSETS

	Plant and Equipment	Furniture Fittings & Fixtures	Computer Equipment	Total Fixed Assets
	£	£	£	£
COST:				
At 1 October 2003 and at 30 September 2004	4,250 -----	1,320 -----	15,219 -----	20,789 -----
DEPRECIATION:				
At 1 October 2003	4,250	975	14,821	20,046
Charge for the year	0	74	199	273
At 30 September 2004	4,250 -----	1,049 -----	15,020 -----	20,319 -----
NET BOOK VALUES:				
At 30 September 2004	0 ===	271 ===	199 ===	470 ===
At 30 September 2003	0 ===	345 ===	398 ===	743 ===

QUEENSWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 September 2004

	<u>2004</u> £	<u>2003</u> £
6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Other Debtors	40,876 =====	75,097 =====
7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade Creditors	64,105	93,171
Other Creditors	9,792	16,032
	<u>73,897</u> =====	<u>109,203</u> =====
8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Shareholder's Loan	83,061 =====	1,742,803 =====

On 7 June 2004, the shareholder's loan was converted into 1,742,803 redeemable non-cumulative preference shares subject to the following rights and privileges, as detailed in a Special resolution passed 7 June 2004:

- (a) to be classified as redeemable non-cumulative preference shares without a fixed coupon. Dividends to be entirely at the discretion of the Board of Directors.
- (b) to receive notices of and attend at general meetings of the company but not to vote thereat.
- (c) the shares may be redeemed entirely at the company's discretion.
- (d) in a winding up situation to receive a repayment of capital before any distributions to ordinary shareholders.
- (e) not to participate in any other capital or income of the company.

QUEENSWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 September 2004

	<u>2004</u> £	<u>2003</u> £
9 SHARE CAPITAL		
Authorised:		
10,000 Ordinary Shares of £1 Each	10,000	10,000
1,990,000 Preference Shares of £1 Each	1,990,000	0
	<u>2,000,000</u>	<u>10,000</u>
	=====	=====
Allotted, Called Up and Fully Paid:		
2 Ordinary Shares Of £1 Each	2	2
1,742,803 Preference Shares of £1 Each	1,742,803	0
	<u>1,742,805</u>	<u>2</u>
	=====	=====
10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Opening Shareholders' Funds	(1,593,037)	(1,525,763)
Issue of non-cumulative preference shares	1,742,803	0
Loss for the Financial Year	(94,796)	(67,274)
	<u>54,970</u>	<u>(1,593,037)</u>
	=====	=====

All in respect of equity interests.

11 RELATED PARTY TRANSACTIONS

The shareholders of Queenswood Limited are the Trustees of the Castor & Pollux Trust.
At the year end the loan outstanding was £83,061 (2003: £1,742,803) per note 8.

12 TRANSACTIONS WITH DIRECTORS

Included within other creditors is £530 (2003: nil) due to Mr. Anthony F. Milne.

13 CONTROL

The ultimate controlling parties are the Trustees of the Castor & Pollux Trust.