

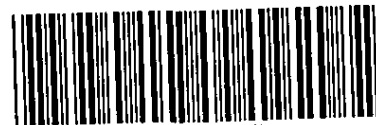
Holmes 2001 Limited

**Director's report and financial
statements**

Registered number 1429556

28 August 2006

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Director's report

The director presents his annual report and the financial statements for the year ended 28 August 2006

Principal activities

The company was a manufacturer of leather

Going concern

Due to adverse trading conditions, the directors at the time, took the decision to place the company in a company voluntary arrangement on 22 May 2001. As the director is winding the company down, the financial statements have not been prepared on a going concern basis. The effect of adopting this basis of preparation is explained in note 1.

Proposed dividend and transfer to reserves

The director does not recommend the payment of a dividend (2005 *£nil*). The loss for the year retained in the company was £10,228 (2005 *£57,163*).

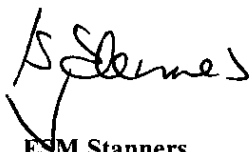
Director and director's interests

The director who held office during the year was

ESM Stanners (chairman)

The director did not hold any disclosable interests in the shares of the company. His interest in the share capital of the parent company, Profitwell Limited, is disclosed in the financial statements of that company.

By order of the board



ESM Stanners
Director

Sculcoates Tannery
Sculcoates Lane
HULL
HU5 1RL

20 June 2007

Statement of director's responsibilities in respect of the Director's Report and the financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that its financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

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Neville Street
Leeds
LS1 4DW
United Kingdom

Chartered Accountant's report to the board of directors on the unaudited financial statements of Holmes 2001 Limited

In accordance with the engagement letter dated 3 May 2006 and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company which comprise the profit and loss account, balance sheet and the related notes from the accounting records and information and explanation you have given us

This report is made to the company's board of directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's board of directors that we have done so, and state those matters that we have agreed to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's board of directors, as a body, for our work, or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England & Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet as at 28 August 2006 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view in accordance with the Companies Act 1985 and under United Kingdom Accounting Standards. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given us and we do not, therefore, express an opinion on the financial statements.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

KPMG LLP
Chartered Accountants
20 June 2007

Profit and loss account

for the year ended 28 August 2006

	Note	2006 £	2005 £
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross result		-	-
Administrative expenses		(36,215)	(124,465)
		<hr/>	<hr/>
Operating loss		(36,215)	(124,465)
Profit on sale of fixed assets		-	45,000
Other interest receivable and similar income	4	25,987	22,302
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(10,228)	(57,163)
Tax on loss on ordinary activities	5	-	-
		<hr/>	<hr/>
Loss for the financial year		(10,228)	(57,163)
		<hr/> <hr/>	<hr/> <hr/>

Movement on reserves are set out in note 9

There were no recognised gains or losses in the current or previous year other than the loss for the year

The results for the year all relate to discontinued operations

Reconciliation of movements in shareholders' funds

for the year ended 28 August 2006

	2006 £	2005 £
Loss for the financial year	(10,228)	(57,163)
Opening shareholders' deficit	(1,268,309)	(1,211,146)
	<hr/>	<hr/>
Closing shareholders' deficit	(1,278,537)	(1,268,309)
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Balance sheet

at 28 August 2006

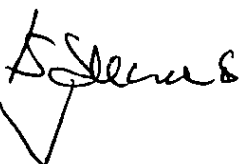
	Note	£	2006	£	£	2005	£
Current assets							
Debtors	6	648,207			648,807		
Cash at bank and in hand		6,167			2,265		
		<u>654,374</u>			<u>651,072</u>		
Creditors amounts falling due within one year	7	(1,932,911)			(1,919,381)		
Net current liabilities			(1,278,537)			(1,268,309)	
Net liabilities			<u>(1,278,537)</u>			<u>(1,268,309)</u>	
Capital and reserves							
Called up share capital	8	4,110,100			4,110,100		
Profit and loss account	9	(5,388,637)			(5,378,409)		
Shareholders' deficit			<u>(1,278,537)</u>			<u>(1,268,309)</u>	

The director

- (a) confirms that the company was entitled to exemption under section 249A(1) of the Companies Act 1985 from the requirement to have its accounts for the financial year ended 28 August 2006 audited
- (b) confirms that members have not required the company to obtain an audit of its accounts for the financial year in accordance with subsection (2) of section 249B(2) of the Companies Act 1985
- (c) acknowledges his responsibility for
 - (i) ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and
 - (ii) preparing accounts 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 that Act relating to accounts, so far as applicable to the company

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

These financial statements were approved by the board of director on 20 June 2007 and were signed on its behalf by



ESM Stanners
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Going concern

The financial statements have not been prepared on a going concern basis. Following the decision to place the company in a voluntary arrangement, assets within the financial statements have been written down to realisable value and full provision has been made for the estimated cost of the wind-down of the business which continues to trade albeit at a considerably reduced level.

The full extent of the company's liabilities have been included in the accounts except that inter-company balances have been cancelled on agreement of the three voluntary arrangements. However, the group voluntary arrangement which comprises of Profitwell Limited, Holmes 2001 Limited (formerly Holmes Halls Tanner Limited) and Hartside Limited have indicated that group liabilities will be partially settled from group assets.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Profitwell Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Pension costs

The company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the company's pension scheme are charged against income so as to spend the cost of the pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation liabilities are provided for in full.

Notes (continued)

2 Remuneration of director

	2006 £	2005 £
Director's emoluments As director	15,723	15,745

Retirement benefits are accruing to the following number of director under

	Number of directors	
	2006	2005
Defined benefit scheme	-	-

3 Staff numbers and costs

The average number of persons employed by the company (including director) during the year, analysed by category, was as follows

	Number of employees	
	2006	2005
Administration	1	1

The aggregate payroll costs of these persons were as follows

	2006 £	2004 £
Wages and salaries	14,502	14,502
Social security costs	1,221	1,243
	15,723	15,745

Notes (continued)

4 Other interest receivable and similar income

	2006 £	2005 £
Bank interest	25,987	22,302

5 Taxation

Analysis of charge in year

	2006 £	2005 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax and tax on loss on ordinary activities	-	-

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2005 higher) than the standard rate of corporation tax in the UK (30%, 2005 30%) The differences are explained below

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(10,228)	(57,163)
Current tax at 30% (2005 30%)	(3,068)	(17,149)
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,023	12,404
Non-taxable income	-	(13,500)
Fixed asset timing differences	-	10,090
Utilisation of tax losses	-	(14,945)
Short term timing differences	-	23,100
Other timing differences	2,045	-
Total current tax charge (see above)	-	-

Notes (continued)

6 Debtors

	2006 £	2005 £
Trade debtors	403	440
Other debtors	647,804	648,367
	<u>648,207</u>	<u>648,807</u>

Included within other debtors is a balance of £647,804 (2005 £648,367) which represents cash held by Deloitte as supervisor to the company voluntary arrangement

7 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	1,213,058	1,212,958
Other taxation and social security	5,387	5,457
Other creditors	9,813	9,813
Accruals	593,100	579,600
Amounts due to group undertakings	111,553	111,553
	<u>1,932,911</u>	<u>1,919,381</u>

8 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
Ordinary shares of £1 each	5,000,000	5,000,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	4,110,100	4,110,100
	<u> </u>	<u> </u>

Notes (continued)

9 Reserves

	Profit and loss account £
At beginning of year	(5,378,409)
Loss for the year	(10,228)
	<hr/>
At end of year	(5,388,637)
	<hr/>

10 Pension scheme

The company operated a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the company. The contributions are determined by a qualified actuary.

The trustees, in consultation with the company have made the decision to wind up the company pension scheme. As a result a calculation of debt on employer is required at a date to be agreed. The value of this liability has now been agreed as £400,000, which is the amount included in the financial statements in the current and prior year.

11 Ultimate parent company

The Company is a subsidiary undertaking of Profitwell Limited which is the ultimate parent company incorporated in England and Wales. Copies of the financial statements of Profitwell Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.