

**Registered number
05696525**

**KURAWOOD PLC
NON-STATUTORY INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007**

KURAWOOD PLC

COMPANY INFORMATION

DIRECTORS

Kevin Fraser
Roy Tilleard
Justin Martin
Peter McArthur

SECRETARY

Tanya Rhodes

COMPANY NUMBER

05696525

REGISTERED OFFICE

3rd Floor
Eagle House
110 Jermyn Street
London
SW1Y 6RH

AUDITORS

Rawlinson & Hunter
Chartered Accountants & Registered Auditor
Eagle House
110 Jermyn Street
London
SW1Y 6RH

KURAWOOD PLC

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KURAWOOD PLC

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE NON-STATUTORY INTERIM FINANCIAL STATEMENTS OF KURAWOOD PLC

In accordance with the engagement terms between us for the 6 months ended 31 March 2007, as set out in our engagement letter of 1 May 2007, we have audited the non-statutory interim financial statements ("the interim financial statements") of Kurawood plc ("the company") which comprise the Income Statement, Statement of Change in Equity, the Balance Sheet, the Cash Flow Statement and the related notes. These interim financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's Board of Directors, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might audit the interim financial statements, 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 audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' are responsible for preparing the interim financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by European Union. The interim 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 the interim financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in interim reports may differ from legislation in other jurisdictions.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

The directors have stated to us that so far as each director is aware at the time the interim financial statements are approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Our responsibility is to audit the interim financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the interim financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the interim financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the interim financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the interim financial statements.

OPINION

In our opinion:

- the interim financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the company's affairs as at 31 March 2007 and of its loss and cash flows for the 6 months then ended; and
- the interim financial statements have been properly prepared in accordance with the Companies Act 1985 in so far as it applies to these interim financial statements.

Rawlinson & Hunter

Chartered Accountants and Registered Auditor

Eagle House
110 Jermyn Street
London
SW1Y 6RH

Date: 12 September 2007

KURAWOOD PLC
INCOME STATEMENT
FOR THE 6 MONTHS ENDED 31 MARCH 2007

	Note	6 months ended 31 March 2007	8 months ended 30 September 2006 £
Revenue	1	28,275	-
Cost of sales		(16,492)	-
GROSS PROFIT		<u>11,783</u>	-
Administrative expenses – recurring		(100,694)	(493,613)
Administrative expenses – exceptional		(9,199)	(769,841)
OPERATING LOSS	2	(98,110)	(1,263,454)
Financial income	6	34	1,171
Financial expenses	7	(50,795)	(36,772)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(148,871)	(1,299,055)
Tax on loss on ordinary activities	8	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	17	<u>(148,871)</u>	<u>(1,299,055)</u>
All amounts relate to continuing operations.			
There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account.			
BASIC AND DILUTED LOSS PER SHARE			
Continuing Operations	9	<u>£(2.98)</u>	<u>£(25.98)</u>

The notes on pages 7 to 21 form part of these financial statements

KURAWOOD PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 31 MARCH 2007

	Share Capital £	Retained Earnings £	Total Equity £
Total equity at 1 October 2006	50,000	(1,299,055)	(1,249,055)
Loss for the 6 months	-	(148,871)	(148,871)
	<hr/>	<hr/>	<hr/>
Total equity at 31 March 2007	<u>50,000</u>	<u>(1,447,926)</u>	<u>(1,397,926)</u>

The notes on pages 7 to 21 form part of these financial statements

KURAWOOD PLC
BALANCE SHEET
AS AT 31 MARCH 2007

		31 March 2007		30 September 2006	
	Note	£	£	£	£
NON-CURRENT ASSETS					
Property, plant and equipment	10		2,627		3,415
Intangible assets	11		<u>3</u>		<u>3</u>
			2,630		3,418
CURRENT ASSETS					
Inventories	12	58,210		65,904	
Trade and other receivables	13	-		24,864	
Cash and cash equivalents		<u>513</u>		<u>4,974</u>	
		58,723		95,742	
CURRENT LIABILITIES					
Short term borrowings	14	(660,000)		(660,000)	
Current portion of long term borrowings	14	(312,881)		(178,789)	
Trade and other payables	14	<u>(211,838)</u>		<u>(151,536)</u>	
NET CURRENT LIABILITIES			<u>(1,125,996)</u>		<u>(894,583)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(1,123,366)		(891,165)
NON-CURRENT LIABILITIES					
Long term borrowings	15		<u>(274,560)</u>		<u>(357,890)</u>
NET LIABILITIES			<u>(1,397,926)</u>		<u>(1,249,055)</u>
EQUITY					
Share capital	16		50,000		50,000
Retained earnings	17		<u>(1,447,926)</u>		<u>(1,299,055)</u>
TOTAL EQUITY			<u>(1,397,926)</u>		<u>(1,249,055)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 September 2007

Kevin Fraser

Director

The notes on pages 7 to 21 form part of these financial statements

KURAWOOD PLC
CASH FLOW STATEMENT
FOR THE 6 MONTHS ENDED 31 MARCH 2007

	Note	6 months ended 31 March 2007 £	8 months ended 30 September 2006 £
Cash flows from operating activities			
Cash used in operations	19	(4,862)	(719,410)
Interest expense	7	(33)	(93)
Interest received	6	34	1,171
		<u> </u>	<u> </u>
Net cash used in operating activities		<u>(4,861)</u>	<u>(718,332)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	10	-	(3,714)
Purchases of intangible assets	11	-	(482,980)
Proceeds from sale of equipment	10	400	-
		<u> </u>	<u> </u>
Net cash raised by / (used) in investing activities		<u>400</u>	<u>(486,694)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	1,160,000
Proceeds from issue of shares	16	-	50,000
		<u> </u>	<u> </u>
Net cash raised by financing activities		<u>-</u>	<u>1,210,000</u>
Net increase / (decrease) in cash and cash equivalents	20	(4,461)	4,974
Cash and cash equivalents at beginning of period	20	4,974	-
		<u> </u>	<u> </u>
Cash and cash equivalents at end of the period	20	513	4,974
		<u> </u>	<u> </u>

The notes on pages 7 to 21 form part of these financial statements

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES

1.1 Basis of preparation of interim financial statements

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The interim financial statements have been prepared under the historical cost convention. A summary of the more important company accounting policies is set out below.

The preparation of interim financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The interim financial statements are also prepared on a going concern basis which assumes that the proposed fundraising referred to in Note 23 is successful. The directors believe that it is more likely than not that the proposed fundraising will be successful and will provide sufficient funds for the company to continue in operation for the foreseeable future and at least 12 months from the date of signing of these interim financial statements. Accordingly they consider adoption of the going concern basis to be appropriate.

1.2 Revenue

Revenue comprises the fair value of the consideration for the sale of goods and services, net of value added tax, rebates and discounts. Revenue from the sale of goods is recognised when the company has transferred risks and rewards of ownership of products to the customer, the amount of revenue can be measured reliably and collectability of the related receivables is reasonably assured.

1.3 Intangible assets

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives.

Impairment reviews are performed at the end of the first full financial year following initial recognition and, thereafter, if subsequent events or changes in circumstances indicate that the carrying value may not be recoverable. Where appropriate, the intangible fixed assets are then written down to their recoverable amount.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

1.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less residual value of each assets evenly over its expected useful life, as follows:

Leasehold		-	0% -11.4%	reducing balance
Motor vehicles		-	8.0%	reducing balance
Plant & equipment	either	-	2.0% - 18.0%	reducing balance
	or	-	18.6% - 28.8%	straight line
Office equipment and furniture	either	-	18.0%	reducing balance
	or	-	18.6% - 48.8%	straight line
Computer equipment		-	20%	straight line

1.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises purchases of finished goods and any remanufacturing costs necessary to convert inventories to the requirements of the customer. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.6 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the interim financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

1.7 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown as borrowings within current liabilities on the balance sheet.

1.8 Borrowing Costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Interest is not capitalised within property, plant and equipment.

1.9 Financial Instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Long term receivables

Long term receivables are initially measured at fair value and, are subsequently measured at amortised cost, using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Trade receivable and trade payables

See 1.11 and 1.12 below.

Cash and cash equivalents

See 1.7 above.

Short term and long term borrowings

Short term and long term borrowings are initially measured at fair value and, are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs (see above).

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

1.10 Interest Expense

Interest expense is recognised in the income statement on an accruals basis using the effective interest method.

1.11 Trade Receivables

Trade receivables are recorded at their nominal amount less any allowance for doubtful and irrecoverable debts.

1.12 Trade Payables

Trade payables are stated at their nominal value.

1.13 Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the company makes an estimate of recoverable amount. Where the carrying value of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is deemed for an individual asset. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

1.14 New IFRS standards adopted during 2007

No new IFRS standards were adopted during 2007.

1.15 Adopted IFRS not yet applied

IFRS 7 (Financial Instruments: Disclosure) was available for early application but has not been applied by the company in these financial statements. It is applicable for years commencing on or after 1 January 2007. The application of IFRS 7 in the period to 31 March 2007 would not have affected the balance sheet or the income statement as the standard is only concerned with disclosures. The company plans to adopt the standard on 1 April 2007.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

2. OPERATING LOSS

The operating loss is stated after charging:

	6 months ended 31 March 2007 £	8 months ended 30 September 2006 £
Depreciation of tangible fixed assets:		
- owned by the company	388	299
Auditors' remuneration	2,500	5,000
Exceptional items:		
- Costs incurred in respect of aborted fundraising	9,199	286,864
- Impairment of intangible fixed assets (Note 11)	-	482,977
	-	482,977

Costs incurred in respect of aborted fundraising includes £Nil (2006 - £78,419) payable to Rawlinson & Hunter, the company's auditors.

3. SEGMENTAL REPORTING

In view of the fact that the company has not commenced significant trading no segmental analysis has been provided as per IFRS 14 (Segmental Reporting).

The assets and operating expenses by geographical location are as follow:

	6 months ended 31 March 2007		8 months ended 30 September 2006	
	Net assets/ (liabilities) £	Operating expenses £	Net assets/ (liabilities) £	Operating expenses £
United Kingdom	(1,456,136)	85,319	(1,314,959)	1,080,840
New Zealand	58,210	24,574	65,904	182,614
	(1,397,926)	109,893	(1,249,055)	1,263,454

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	6 months ended 31 March 2007 £	8 months ended 30 September 2006 £
Wages and salaries	48,915	159,553
Social security costs	4,482	15,820
	<u>53,397</u>	<u>175,373</u>

The average monthly number of employees, including the directors, during the 8 months was as follows:

	6 months ended 31 March 2007 £ No.	8 months ended 30 September 2006 £ No.
Administration and sales	<u>5</u>	<u>10</u>

5. DIRECTORS' REMUNERATION

	6 months ended 31 March 2007 £	8 months ended 30 September 2006 £
Emoluments	<u>8,139</u>	<u>12,423</u>

6. FINANCIAL INCOME

	6 months ended 31 March 2007 £	8 months ended 30 September 2006 £
Bank interest receivable	<u>34</u>	<u>1,171</u>

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

7. FINANCIAL EXPENSES

	6 months ended 31 March 2007	8 months ended 30 September 2006 £
On bank loans and overdrafts	33	93
On other loans	<u>50,762</u>	<u>36,679</u>
	<u><u>50,795</u></u>	<u><u>36,772</u></u>

8. TAXATION

Factors affecting tax charge for the 6 months

The company has no UK corporation tax charge for the current or prior period due to the loss before tax suffered by the company.

Factors that may affect future tax charges

The company has unutilised tax losses of approximately £950,000 (2006 - £732,000) available to carry forward against future trading profits of the company.

9. LOSS PER SHARE

Basic and diluted loss per share has been calculated by dividing the loss for the financial period attributable to ordinary shareholders, amounting to £148,871, (2006 - £1,299,055) by 50,000 (2006 - 50,000) ordinary shares, the weighted average number in issue during the period.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

10. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer equipment £
At 1 October 2006	3,714
Additions	-
Disposal	(510)
	<hr/>
At 31 March 2007	3,204
	<hr/>
Accumulated Depreciation	
At 1 October 2006	299
Charge for the 6 months	388
On disposal	(110)
	<hr/>
At 31 March 2007	577
	<hr/>
Net Book Value	
At 31 March 2007	2,627
	<hr/> <hr/>
At 1 October 2006	3,415
	<hr/> <hr/>

11. INTANGIBLE ASSETS

	Design £	Customer lists £	Brand and copyright £	Total £
Cost				
At 1 October 2006 and 31 March 2007	415,880	25,000	42,100	482,980
	<hr/>	<hr/>	<hr/>	<hr/>
Impairment				
At 1 October 2006 and 31 March 2007	415,879	24,999	42,099	482,977
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 March 2007	1	1	1	3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2006	1	1	1	3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

On 15 May 2006 the company acquired the above intangible assets from Tardis Structures Limited ("Tardis") for consideration of £482,980. Following a review of the company's strategic objectives, an impairment review was undertaken and the intangible assets written down to their recoverable value.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

12. INVENTORIES

	2007	2006
	£	£
Finished goods and goods for resale	58,210	65,904

13. TRADE AND OTHER RECEIVABLES

	2007	2006
	£	£
Other debtors	-	24,864

14. CURRENT LIABILITIES**Amounts falling due within one year**

	2007	2006
	£	£
Short term loan	660,000	660,000
Current portion of long term borrowings	312,881	178,789
Trade payables	112,430	85,852
Social security and other taxes	59,129	38,695
Other payables	19,905	19,249
Accruals and deferred income	20,374	7,740
Trade and other payables	211,838	151,536
	1,184,719	990,325

Current portion of long term borrowings represents £312,881 (2006 - £178,789) in relation to a loan from General Capital Venture Finance Limited ("General Capital") that is disclosed in detail in note 15. The short term borrowings wholly represent monies owed to third party holders of subordinated loans.

The key features of the original agreements governing the subordinated loans were:

- The subordinated loans are interest free and unsecured.
- Repayment of the subordinated loans was due immediately upon receipt of placing proceeds to be raised on a flotation of the company on AIM by 31 October 2006.

Since the proposed flotation had not occurred by 31 October 2006, the lenders became entitled to subscribe at any time, at a set price, for a set percentage of ordinary shares in the company.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

14. CURRENT LIABILITIES
Amounts falling due within one year (Continued)

On or before 12 September 2007, all holders of the subordinated loans entered into a Conversion Agreement with the company. The Conversion Agreement is part of the fundamental restructuring detailed in note 23 "Events after the balance sheet date".

If the company is not admitted to AIM by 28 September 2007, the Conversion Agreement shall cease to have effect. In this scenario the loans will revert to original agreements and their terms that are detailed above.

15. NON-CURRENT LIABILITIES
Amounts falling due after more than one year

	2007	2006
	£	£
Loans	<u>274,560</u>	<u>357,890</u>

Loans due after more than one year wholly represent monies owed to General Capital.

The key features of the original agreement governing the General Capital loan were:

- From inception to 31 October 2006, interest accrued on the outstanding principal at the rate of 1% per month. Interest accruing during this period was capitalised and added to the outstanding principal of the loan on 31 October 2006.
- From 31 October 2006 to 31 January 2007, interest accrued on the outstanding principal at the rate of 1.5% per month. Such interest was due and payable to General Capital on the last day of each month.
- From 31 January 2007, interest accrues daily on the outstanding principal at the rate of 18% per annum. Such interest is due and payable to General Capital on the last day of each month.
- Repayment of the loan was due within three business days of the company being admitted to AIM by 31 October 2006.
- Since the proposed flotation had not occurred by 31 October 2006, repayment of the loan was due in full by 31 January 2007.
- Since repayment of the loan was not made by 31 January 2007, repayment has become due in 36 monthly instalments ending 31 January 2010.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

15. NON-CURRENT LIABILITIES

Amounts falling due after more than one year (Continued)

- At the relevant balance sheet dates, the General Capital loan was secured by a guarantee and debenture over the company's assets and personal guarantee provided by Kevin Fraser, a director of the company (see note 22).
- General Capital were granted a warrant certificate to subscribe for ordinary shares in the share capital of the company with a value of £1,250,000 by reference to the placing price on a subsequent admission to AIM at a subscription price of £0.01 per ordinary share.

On or before 12 September 2007, General Capital entered into a Loan Settlement Agreement and a Vaporisation Agreement with the company.

Under the terms of the Loan Settlement Agreement the company is entitled to repay the General Capital £690,000 in settlement of all amounts due to General Capital in respect of principal and interest on the loan provided such payment is made on or before 13 September 2007.

Under the terms of the Vaporisation Agreement the company shall conditional on admission to AIM purchase the original warrant from General Capital for £600,000 to be satisfied by the issue of a loan note by the company to General Capital of £600,000 repayable on 12 September 2011 or at the company's option on one months notice. Interest is payable on the loan at the rate of 6% from the second anniversary of its issue and the loan is unsecured.

The Loan Settlement Agreement and Vaporisation Agreement are part of the fundamental restructuring detailed in Note 23 "Events after the balance sheet date".

If the company is not admitted to AIM by 13 September 2007, the Vaporisation Agreement shall cease to have effect and if the loan is not repaid by 13 September 2007 the Loan Settlement Agreement shall cease to have effect. In this scenario, the General Capital creditor will revert to the original agreements and the terms that are detailed above.

16. SHARE CAPITAL

	2007	2006
	£	£
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u><u>50,000</u></u>	<u><u>50,000</u></u>

During the period to 30 September 2006, 50,000 ordinary shares of £1 each were issued at par value, for cash consideration to provide finance for the operations of the company.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 31 MARCH 2007

17. RETAINED EARNINGS

	Profit and loss account £
At 1 October 2006	(1,299,055)
Loss retained for the period	(148,871)
	(1,447,926)
At 31 March 2007	(1,447,926)

18. FINANCIAL INSTRUMENTS

The company's financial instruments comprise borrowings, cash and cash equivalents, and financial assets and various items such as trade receivables, trade payables and accruals that arise directly from its operations.

The main purpose of these financial instruments is to finance the company's operations.

The Board of directors regularly reviews and agrees policies for managing the level of risk arising from the company's financial instruments. These are summarised below:

Interest rate risk – The company has various long and short-term borrowings and borrowing facilities in Sterling. The company's exposure to movements in interest rates is regularly reviewed.

Liquidity risk – The company's policy is to maintain a mix of short and long-term borrowings with its lenders.

Credit risk – The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the company provides goods and services on deferred terms.

The company's policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit terms to ensure that the company's exposure to bad debts is minimised. Goods may be sold on a cash with order basis to mitigate credit risk. In some cases bad debt insurance is purchased where the cost is not excessive when compared to the risks covered.

KURAWOOD PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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18. FINANCIAL ASSETS AND LIABILITIES (Continued)

Financial liabilities

The company held the following financial liabilities at 31 March 2007:

	£
Loans falling due in less than one year	972,881
Loans falling due after one year but less than 5 years	274,560
Trade and other payables (due within one year)	211,838
	1,459,279
	1,459,279

The financial liabilities comprising short-term and long-term loans had the following interest and currency profile:

	Fixed rate financial liabilities £	Financial liabilities on which no interest is paid £
Sterling	587,441	660,000
	587,441	660,000

Fixed rate financial liabilities

Interest rate profile at 31 March 2007:

	Weighted average interest rate %
Sterling	18.9

Other financial liabilities

In addition, as discussed in Notes 15 and 21, the company has a share warrant agreement with General Capital. As at 31 March 2007, the share warrants are not recognised as a financial liability as the company did not have a contractual obligation in respect of these warrants at that date. The contingent liability relating to these warrants is disclosed in Note 21.

Currency exposures

At 31 March 2007, the company had no material currency exposures relating to trading activities.

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19. CASH USED IN OPERATIONS

	6 months ended 31 March 2007 £	8 months ended 30 September 2006 £
Loss on ordinary activities before tax	(148,871)	(1,299,055)
Depreciation of property, plant and equipment	388	299
Finance income	(34)	(1,171)
Finance charge	50,795	36,772
Impairments of intangible assets	-	482,977
(Increase) / Decrease in inventories	7,694	(65,904)
(Increase) / Decrease in receivables	24,864	(24,864)
Increase / (Decrease) in payables	60,302	151,536
	<u> </u>	<u> </u>
Cash used in operations	<u>(4,862)</u>	<u>(719,410)</u>

20. ANALYSIS OF CHANGES IN NET BORROWINGS

	1 October 2006 £	Cash flow - non financing £	Cash flow - financing £	31 March 2007 £
Cash and cash equivalents:	4,974	(4,461)	-	513
Borrowings:				
Short term borrowings	(826,570)	-	(99,738)	(926,308)
Long term borrowings	(333,430)	-	99,738	(233,692)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Borrowings	<u>(1,155,026)</u>	<u>(4,461)</u>	<u>-</u>	<u>(1,159,487)</u>

21. CONTINGENT LIABILITIES

As detailed in Notes 15 and, as at 31 March 2007, Kurawood Plc had contingent liabilities in respect to the share warrants. Under the terms of the Vaporisation Agreement the company shall conditional on admission to AIM purchase the original warrant from General Capital for £600,000 to be satisfied by the issue of a loan note by the company to General Capital of £600,000 repayable on 12 September 2011 or at the company's option on one months notice. Interest is payable on the loan at the rate of 6% from the second anniversary of its issue and the loan is unsecured.

KURAWOOD PLC**NOTES TO THE INTERIM FINANCIAL STATEMENTS****FOR THE 6 MONTHS ENDED 31 MARCH 2007****22. RELATED PARTY TRANSACTIONS**

On 15 May 2006 the company entered into a Netting and Set-Off Agreement with Tardis and General Capital ("the Agreement"). At the time of the Agreement, Kevin Fraser, the ultimate controlling party of the company, held 42% of the issued share capital of Tardis. Under the Agreement the company acquired certain assets of Tardis for consideration of £500,000. The acquisitions from Tardis were financed by way of General Capital making available to the company a £600,000 term loan facility. At the period end there were no balances remaining outstanding with Tardis.

The loans payable by the company to General Capital, detailed in Notes 14 and 15, were, at the relevant balance sheet dates, secured by a personal guarantee provided by Kevin Fraser.

Included in "Other payables", per Note 14, is £19,905 being an amount the company is to reimburse to Kevin Fraser. The amount relates to certain expenses that Kevin Fraser has paid for on behalf of the company.

23. EVENTS AFTER THE BALANCE SHEET DATE

At the date of signing the directors' report, and these interim financial statements, the company is pursuing a fundamental restructuring which includes three key proposals:

- Firstly, the company is engaged in attempts to raise funds by means of an initial public offering (IPO) on the Alternative Investment Market (AIM).
- Secondly, if the IPO is successful the company intends to complete its purchase of a 100% stake in PG Industries Limited, a company incorporated in New Zealand. The company has made the first payment of £25,000 to the shareholders of PG Industries in regards to the intended purchase of shares.
- Thirdly, the company intends to renegotiate its financing as detailed in the "Current and Non-current liabilities notes" (Notes 14 and 15).

On 15 May 2007 the company entered into an operating lease to rent office space. The rent is £1,500 per annum and the lease is reviewable every three months.

24. CONTROLLING PARTY

The directors regard the ultimate controlling party to be Kevin Fraser.