

Corsie Group plc

Financial statements

For the year ended 31 December 2006

Grant Thornton 

Company No. SC297926

Company Information

Company Registration Number	SC297926
Registered Office	5 Gateside Commerce Park Haddington East Lothian EH41 3ST
Director	Mr R Corsie (Chief Executive) Mr G Robertson (Sales Director) Mr D McArthur (Finance Director) Mr D Mathewson (non executive Chairman) Mr V Lall (non executive)
Secretary	Mr D McArthur
Bankers	Bank of Scotland 1 Bothwell Street Dunfermline KY11 3AG
Solicitors	Maclay Murray & Spens 3 Glenfinlas Street Edinburgh EH3 6AQ
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 1-4 Atholl Crescent EDINBURGH EH3 8LQ
Nominated advisor and broker	Ellis Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley, RH10 1LQ
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

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Chairman's Statement

This has been a period of significant change and progress for the Corsie Group.

Since the listing on AIM of the Group's shares in June 2006 the management team has taken steps to position the group for substantial growth both organically and by acquisition. Several new distributorships have been added to the portfolio of products offered by the Group and a number of acquisition opportunities continue under review.

The business was consolidated in January 2007 into a superb property facility at Haddington, East Lothian, where the Group's offices and warehouse are all integrated into the site of approximately 9000sq.metres. The current product range and stock holding requires only about 40% capacity which gives a great opportunity to add further products for distribution with minimal additional storage costs. This should result in strong bottom line growth in profits as new products are acquired for distribution. The equity finance raised in the first quarter of 2007 provided capital for this expansion.

The Board is confident that the Group is now well placed for growth in all areas of its business.

Much has been achieved over the past twelve months and I would like to thank all management and staff for their loyalty and hard work through this transition phase for the Group.

David Mathewson
Chairman
25 April 2007

Chief Executive's Report

Introduction

Following the flotation of the Company in June, significant progress has been made in all areas of the business. Key objectives set out in the prospectus have been achieved and further progress is anticipated during 2007.

Corsie comprises three distinct divisions; Greengauge Sports, Greengauge Surfaces and Spa Solutions.

Following the move to Haddington, the business is well placed to support substantial growth and deliver increased shareholder value.

Results

The results for 2006 have been impacted by numerous exceptional items most of which are positive. I have separated out those items to provide shareholders with a better understanding of the actual performance from continuing trade during the period.

Turnover from continuing operations increased 15% to £3,626,000 (2005: £3,160,000). Gross profit improved by 25% to £1,387,107 (2005: £1,113,000) with gross percentage margin improving by 3% to 38.2% (2005: 35.2%). The Directors believe that a more useful analysis of underlying comparable year-on-year trading profit would be:

- Continuing operating profit before Exceptional Items £42,117;
- Add back non-recurring Marketing and float fees of £96,558; and
- Add back share option FRS 20 of £48,000, giving a total of £186,675.

The improvement in our underlying trading profit is primarily a result of the efficiencies now being achieved by central control of divisional overhead.

Exceptional gains within the accounts are attributable to 3 main areas. The cancellation of preferential shares resulted in a gain of £1,101,000. A further gain of £213,375 reflects the accrued dividends which were waived by the shareholders ahead of the flotation. There is also a gain of £366,000 following the release of a historical tax provision. As a result, the balance sheet has improved by £2,214,192 during the period.

The efficiency and scalability of the new premises have already eliminated a number of financial constraints which we anticipate will further enhance the group earnings going forward.

Overall the Company returned a profit after tax of £1,159,034.

Trading

I am pleased to advise shareholders that all divisions made excellent progress in each of their respective markets.

All businesses contributed positively to the group with the exception of our Spa business. The Spa division was anticipated to be loss making during the year as we continue to invest in additional sales resources. We also increased our marketing spend positioning the Li'tya brand here in the UK and Ireland. We anticipate the Spa losses reducing on a monthly basis during 2007.

Chief Executive's Report

During the final quarter of 2006 we invested in additional sales and marketing resources to accelerate sales across the group. New channels to market are being pursued along with new geographical territories for key lines. We anticipate good benefits during 2007 from the sales strategy now being implemented.

Having relocated to scalable premises the plan for 2007 is to accelerate sales both organically and by acquisition. We will also consider further distribution agreements which can offer our existing customers additional products within their respective markets. Maximising the operational efficiencies within our new premises is a key objective during this financial year. Good sales momentum will be quickly translated into profit as our new fixed overhead can facilitate substantial sales growth.

Kaloss Acquisition

I highlighted in my interim report the opportunities management were considering to expand the Company both organically and by acquisition. As reported in September, Kaloss was acquired for £439,000 which was subsequently reduced to £389,000 following a net asset adjustment. Kaloss was successfully relocated and integrated by the existing management team and continues to contribute positively.

Since acquiring Kaloss, the brand has been positioned to maximise current UK sales channels and new European markets are now under consideration.

People

I would like to take this opportunity to thank our employees for their valued contribution this year and in particular during the relocation to Haddington.

New and existing distribution agreements secured

I am pleased to advise shareholders that Kaloss has secured a further new exclusive distribution agreement with Luxury Brands of Toronto. Luxury Brands owns the successful SkinScience range and Kaloss has signed a 5 year agreement to distribute the SkinScience range in Europe.

The Board also announced a 3 year extension to our existing agreement with Henselite on 11 December 2006.

New Premises

The Board advised shareholders of the business relocation to Haddington in November, which has eliminated current space constraints and provided capacity to support substantial business growth going forward. The new premises were secured on commercially attractive terms both in rental cost and option to purchase price.

Management secured a 15 year lease at an average rent of £1.32 per sq ft. over the period. As part of the agreement, an option to purchase the freehold during the next 5 years was secured at a price of £1,400,000 compared to a current valuation of £2m.

The Board's strategy to maximise shareholder value through selective acquisitions and organic growth remains unchanged. However, future consideration will now be given to leveraging the equity within the property to fund future targets.

Board Strengthened

Chief Executive's Report

Corsie appointed Vikram Lall, CBE, on 5 October 2006 as its second Non-Executive Director.

Vikram was previously director in charge of corporate finance at Brewin Dolphin Holdings Plc ("Brewin Dolphin"), where he was responsible for group corporate finance activities in Edinburgh. He retired from executive duties in December 2003 and continues to hold a non-executive directorship at Brewin Dolphin. Vikram is a member of the Institute of Chartered Accountants of Scotland and was awarded a CBE in 2005 for services to business. Since his appointment in October, Vikram has joined the remuneration committee and has been a valued member of the Board.

Outlook

The new premises offer excellent scope for expansion and the Directors are actively seeking complementary businesses which can be easily integrated into the existing overhead. Further distributions agreements are also under consideration.

The Directors expect the business to enjoy another year of growth and look forward to the future with confidence.

Richard Corsie MBE
Chief Executive Officer
25 April 2007

Corporate Governance

Corporate governance

The Directors are aware of the Combined Code applicable to listed companies on corporate governance. As a company which is quoted on AIM, the Company is not required to comply with the Code however, the Board is committed to ensuring that proper standards of corporate governance operate and has established procedures and policies that are considered appropriate to the nature and size of the group. The board considers that at this stage in the group's development, the expense of full compliance with the Combined Code and the further provisions of the Revised Combined Code is not appropriate.

Board structure

The Board is responsible for establishing the strategic direction of the Group, monitoring the Company's performance against its business plan and its trading performance and appraising and executing development and acquisition opportunities. The Board currently consists of three executive directors and two non-executive directors, one of whom is the Chairman. David McArthur, Company Secretary, is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Board considers that Vikram Lall satisfy the criteria of the Code to act as Independent Non-executive Directors. The Board meets regularly throughout the year and all necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings have taken place during the year when certain issues have been appraised. The Board has established guidelines requiring specific matters to be subject to a decision by the full Board (with other matters delegated to Board committees). The Board is responsible for leading and controlling the Company and in particular for formulating, reviewing and approving the Company's strategy, budget, major items of capital expenditure and acquisitions and disposals.

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation shall retire from office by rotation, provided however that no Director shall continue to hold office as a Director after the third annual general meeting following his election or re-election without submitting himself for re-election at the said third annual general meeting.

The Directors to retire by rotation shall include any Director who wishes to retire and those who have been the longest in office since their last re-election or appointment.

The Company has established Audit, Nomination and Remuneration Committees.

Remuneration committee

The remuneration committee is chaired by David Mathewson and its other member is Vikram Lall. The remuneration committee determines the terms and conditions of service of the executive directors and certain senior executives, including their remuneration and grant of any options. The remuneration and terms and conditions of the non-executive directors are set by the Board.

Corporate Governance

Nomination committee

The nomination committee is chaired by David Mathewson and its other member is Richard Corsie. The nomination committee is responsible for identifying and appointing executive directors and identifying and recommending to the Board any non-executive directors.

Risk management

The Directors acknowledge that they are responsible for the Company's system of internal control, for setting policy on internal control, and for reviewing the effectiveness of internal control. It is management's role to implement Board policies on risk and control, including reporting. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has delegated responsibility to the Audit Committee to review, ongoing, the appropriateness and adequacy of systems of internal control and make recommendations to the Board.

An extensive risk review was conducted preparatory to the flotation in June 2006. The Directors have reviewed the effectiveness of the Group's systems of internal control, taking account of key risks identified during the flotation process. The review considered individual risk control responsibilities, reporting lines and qualitative assessments of residual risks. Where appropriate from the results of the review, amendments to procedures were undertaken so as to improve the efficiencies of the business and hence reduce risk.

Going concern

On the basis of a review of facilities available to the group together with a review of forecasts, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Audit committee

The audit committee is chaired by David Mathewson and its other member is Vikram Lall. The audit committee has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Group is properly measured and reported on, in all cases having due regard to the interests of shareholders. The audit committee is responsible for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. It will also meet the auditors and review reports from the auditors relating to accounts and internal control systems. The committee is satisfied that Grant Thornton UK LLP are independent.

Relations with shareholders

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the Chief Executive. Company circulars and press releases have also been issued in relation to various proposals and keeping investors informed about the Group's progress.

The Company also maintains a website on the internet www.corsiegroup.com which is regularly updated and contains a wide range of information about the group. The Company's annual report and accounts,

Corporate Governance

interim reports and other relevant announcements are maintained on this website. The AGM will also be used to communicate with all shareholders and investor groups.

Internal controls

The Group's finance function is headed by the finance director, David McArthur. The key financial controls employed by the Group are summarised below:

Budgeting & planning

Corsie Group plc produce annual budgets that consist of monthly detailed profit and loss accounts, balance sheets and cash flow forecasts. The budget process is carried out by David McArthur, Finance Director, with the assistance of the sales managers, who prepare sales forecasts for the various product ranges, and Richard Corsie, who reviews salary budgets. The budgeted figures are compared to the monthly management accounts by the management team.

Reporting

Detailed monthly management accounts are prepared for each of the trading subsidiaries which show the performance for the month and the year to date against forecast. These are circulated within the management team and to the board of directors in advance of periodic board meetings. They are consolidated and the format is periodically reviewed to ensure it meets the board requirements.

Treasury and cash control

Individual records are maintained for each bank account. A summary bank balance position showing both cash book and bank statement figures for each bank account is maintained and circulated. Statements from the bank are reconciled upon receipt and a regular reconciliation is made between cashbook and bank statement entries. Summarised cash flow statements are prepared as part of the monthly management accounts, and short term cash flow forecasts are prepared if requested by any director.

Expenditure approval and delegated authority

The board of directors have adopted a tiered approach to authorising capital expenditure.

Financial systems and reconciliations controls

The Company operates a computerised financial system and has in place a number of key financial controls including reconciliations of supplier statements to the purchase ledger, regular review of the debtors ledger, and processes to match cash receipts to relevant balances. Payments (including payroll) are presented with the necessary supporting documentation to be authorised by approved individuals.

Internal audit

The Board has considered the need for an internal audit function but does not consider it necessary at the current time.

Corporate Governance

Supplier payment policy

It is a Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based upon receipt of an accurate invoice. Trade creditor days of the group at 31 December 2006 were 73 days (2005 29 days) and of the company were 100 days. Favourable payment terms were negotiated during 2006 resulting in the days as mentioned above.

Donations

During the year the Group made no donations to political parties (2005: Nil).

Disabled employees

Applications for employment by disabled persons are always fully considered bearing in mind the respective qualifications and abilities of the applicants concerned. In the event of employees becoming disabled, every effort is made to ensure their employment will continue. The training, career development and promotion of disabled persons is, as far as possible, identical to that of a person fortunate enough not to suffer from a disability.

Employee involvement

Using regular briefing procedures and meetings, managers keep employees at all levels informed about matters affecting the policy, progress and people in the business in which they work.

On behalf of the Board

Richard Corsie
Director
25 April 2006

Report of the remuneration committee

Remuneration committee and advisers

Reference is made to page 7 of the Financial Statements, which provides a summary of the role of the remuneration committee.

The remuneration committee operates within terms of reference set by the Board. These are reviewed periodically to ensure that the remuneration committee remains up to date with best practices appropriate to Corsie Group plc, its strategy and the business environment in which it operates.

As and when the remuneration committee deems appropriate, it takes external advice on remuneration from the Company's legal advisers, Maclay Murray & Spens.

The current members of the remuneration committee are David Mathewson and Vikram Lall. The Executive Directors are not members of the remuneration committee but may attend its meetings by invitation and are consulted in respect of certain of its proposals (although they are not consulted or involved in any discussions in respect of their own remuneration).

The remuneration committee determines and agrees with the Board the overall remuneration policy for the executive directors. The remuneration committee also determines, within the terms of the agreed policy, specific remuneration packages for each of the executive directors, including pension rights and any compensation payments to be paid on termination of employment.

Remuneration policy

The policy on executive directors' remuneration for the current year and subsequent financial years is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality individuals capable of achieving the Group's objectives and thereby enhance shareholder value. The package is generally weighted more towards variable pay and, in relation to the variable pay element, the package is weighted more towards long term performance.

Each executive director's remuneration package currently consists of basic salary, benefits, annual performance related bonuses, a long term incentive plan, defined contribution pension (if appropriate) and life insurance of three times basic annual salary.

The package is designed to support the Group's business strategy and to provide an appropriate incentive to maximise individual and corporate performance, whilst ensuring that overall rewards are market competitive. Details of the individual components of the package and the contracts are given below.

The remuneration of the non-executive directors is solely in the form of fees. These are agreed by the executive members of the Board, having taken independent advice on appropriate levels, within an overall limit determined by shareholders. The fees are designed to attract experienced individuals and reflect the responsibilities of the role. The fees stated are in respect of all responsibilities undertaken by the non-executive directors, including membership of Board committees.

Basic salary and benefits

Basic salary is reviewed annually by the remuneration committee and any changes take effect from 1 January each year.

Report of the remuneration committee

Share options

The New EMI Scheme was adopted by the Company on 19 May 2006.

Options granted under the New EMI Scheme are subject to the rules of the New EMI Scheme (“New Rules”), the AIM Rules and to Schedule 5 of the Income Tax (Earnings & Pensions) Act 2003. Options are granted by the Board to eligible employees as defined in the New Rules, but may be granted only after the operational date and during the periods specified in the New Rules.

Corsie Group plc entered into an option agreement with David Mathewson on 1 June 2006. Under the terms of that agreement, David Mathewson received an option to acquire 2,000,000 Ordinary Shares with effect from 1 June 2006 at an exercise price per Ordinary Share of 3p.

Details of share options granted to the executive directors are disclosed in note 28 to the financial statements.

Share options are awarded in order to provide employees with a long term performance incentive and to align their interests with those of shareholders. As such, the remuneration committee is satisfied that the current share price related performance conditions are appropriate.

The value of shares over which an option may be granted is limited by the legislation to £100,000. This limit includes any options granted under a company share option scheme approved by HM Revenue and Customs. Options granted in excess of this value will be treated as non-qualifying options which are valid but do not have the tax benefits of an EMI qualifying option.

The overall limit on the value of shares under option is £3 million. In addition to this statutory limit, the rules require that the maximum number of shares over which options are granted shall not exceed 10 per cent of the ordinary share capital of the Company in issue during a rolling 10 year period preceding each date of grant.

Annual cash bonus scheme

Corsie Group plc’s annual cash bonus scheme applies to all employees and executive directors. Bonuses under the scheme are based on individual and Company performance measures. Individual performance is measured through the Company’s performance management system. Company performance measures are based on annually defined key performance indicators (“KPIs”). The KPIs for 2006 encompassed various budgetary, portfolio growth and procedural compliance targets, the substantial majority of which were met. For employees other than executive directors, only the individual and Company performance measures determine the overall bonus award.

The remuneration committee has the discretion to award bonuses in addition to those payable under the annual cash bonus scheme in recognition of particular efforts or achievements by employees, including executive directors.

Pension scheme

The Company operates a defined contribution pension scheme for employees and executive directors. 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.

Report of the remuneration committee

Service Contracts

The following contracts of service have been entered into between the Company and the Executive Directors:

Name	Effective Date	Notice Period
Richard Corsie	1 June 2006	12 months
David McArthur	1 June 2006	6 months
Graham Robertson	1 June 2006	12 months

The following letter of appointment has been entered into between the Company and the Non-executive Directors:

Name	Effective Date	Notice Period
David Mathewson	1 June 2006	1 month
Vikram Lall	1 October 2006	1 month

Save for any payments to the Directors on termination in lieu of notice, no benefits on termination are payable by the Company.

The Board believes, in principle, in the benefits of executive directors accepting positions as non-executive directors of other companies in order to widen their skills and knowledge for the benefit of the Company, provided that the time commitments are not unduly onerous.

Directors' remuneration

The remuneration of the directors for the year ended 31 December 2006 was as follows:

		Annual		Total	Total	Pension	Pension	
		Salary	Bonus	Fees	2006	2005	2006	2005
		£	£	£	£	£	£	£
Executive:								
Richard Corsie		75,000	7,500	0	82,500	94,500	10,200	4,250
David McArthur		45,000	4,500	0	49,500	0	2,250	0
Graham Robertson		60,000	0	0	60,000	60,000	1,250	1,596
Non-executive:								
David Mathewson		0	0	12,500	12,500	0	0	0
Vikram Lall		0	0	3,705	3,705	0	0	0

Directors' interest in shares and share options

The directors' interest in shares of the company are disclosed in the directors' report. The interests of the directors at 31 December 2006 in options over the ordinary shares of the company are disclosed in note 27.

By Order of the Board
David Mathewson
Chairman
25 April 2007

Report of the directors

The Directors submit their report and Group financial statements of Corsie Group plc for the year ended 31 December 2006.

Principal activities and business review

The principal activities of the group during the year were the sales and distribution of bowls-related products, the supply and maintenance of sports surfaces and the supply of essences to the leisure and well-being market. During the year Corsie Group plc acquired the business and assets of Kaloss International Limited, a company specialising in health and beauty products.

The following financial KPIs (on continuing trade) have been monitored and reported by the group:

	Actual	Prior Year
Turnover	£3,625,987	£3,160,196
Margin	38.2%	35.2%
Sales per employee	£145,039	£117,044
Operating profit (before share option adjustment & exceptionals)	£186,705	£69,009

The Company's shares were admitted to the AIM market on 5 June 2006

Group reorganisation

On 28 February 2006 the company was incorporated under the name Company 91 plc. On 1 June 2006 the company changed its name to Corsie Group plc.

On 1 June 2006 the company acquired the entire issued share capital of Company 91 Limited, formerly Corsie Group Limited, by way of a share for share exchange. Merger accounting has been used to account for the group reconstruction which requires the consolidated profit and loss account and consolidated balance sheet to be prepared as though the group had always existed.

Results and dividends

The trading results for the year and the group's financial position at the end of the year are shown in the attached Group financial statements.

The Directors have not recommended a dividend.

Financial risk management objectives and policies

The group seeks to manage financial risk by funding its operations principally from equity and bank funding. No speculative treasury transactions and no derivatives are entered into. The group manages the movement of funds through individual bank accounts relating to that currency, thereby reducing its exposure to exchange rate fluctuations. Further details are included in note 34.

Report of the directors

The directors and their interests

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 Dec 06 000	At date of appointment
Mr R Corsie	Ordinary shares	112,099	nil
Mr G Robertson	Ordinary shares	2,442	nil
Mr D McArthur	Ordinary shares	250	nil
Mr D Mathewson	Ordinary shares	912	nil
Mr V Lall	Ordinary shares	1,000	nil

During the year to 31 December 2006, the Directors purchased 2,100,000 ordinary shares. 2,000,000 of these were purchased at 3.75p per share and 100,000 were purchased at 3.125p per share.

All directors served throughout the period from incorporation, except V Lall who was appointed on 1 October 2006.

Details of directors' options and warrants over shares are disclosed in note 28.

Supplier payment policy and practice

The company's terms of payment are explained in the Corporate Governance Report.

Substantial interests

At 31 December 2006, the Company had been notified in accordance with Section 198 to 208 of the Companies Act 1985, of the following interests of 3% or more in the Company's ordinary share capital:

	Shares	%
Richard Corsie	112,099,313	53.11
Jeremy Hitchens	6,700,000	3.48

In addition, Jeremy Hitchens holds 2,233,333 warrants to subscribe for ordinary shares in the Company.

The Company has not been notified of any other person who is interested in 3% or more of the Company's share capital.

Report of the directors

Director's responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those 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 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the group's system of internal financial control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware; and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The maintenance and integrity of the Corsie Group plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Auditors

The Board recommend the appointment of Ernst & Young LLP as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

Mr R Corsie
Director
25 April 2007

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Board of directors

David Mathewson, Non-Executive Chairman

David is Chairman of Amazings Holdings plc, Asian Growth Properties Ltd, CGTV Games (Ireland) Limited and immediate past Chairman of Sportech plc. He is also a Non-Executive Director of Edinburgh UK Tracker Trust plc and Robertson Group Limited and a trustee of the Royal Botanic Garden Edinburgh. David is a qualified chartered accountant and has been involved in advising leisure companies for many years.

Richard Corsie, MBE, Chief Executive

Richard is a founder of the Corsie Group and became Chief Executive of Corsie Group Ltd (now Company 91 Ltd) in 1997. Richard is responsible for the business development strategy of the Group. Richard was Sales Director at Greengauge Sports from 1993 to 1995 and Managing Director from 1995 to 1996 before going on to acquire the business.

Graham Robertson, Sales Director

Graham joined the Group in 1996 as a director in the Sports Division and was appointed as Managing Director of Greengauge Sports in 2001 and in 2003 also took responsibility for Greengauge Surfaces. He became Sales Director of Corsie Group Ltd in August 2005. Graham is experienced in the sports and leisure sector.

David McArthur, Finance Director

David joined the Group as Group Financial Controller in 2004 and became the Group's Finance Director in August 2005 following completion of a 2 year restructuring programme when he was appointed to the Board. David qualified with Thomson Cooper in 1995 before working as financial controller at City Lighting Services. David has over 12 years experience in senior finance and business advisory roles across a wide range of sectors and has overall responsibility for the Group's finance functions.

Vikram Lall, CBE, Non-Executive Director

Vikram was previously in charge of Corporate Finance at Brewin Dolphin Holdings plc, a large stock broking and corporate advisory firm with offices throughout the country. In 2005, he was awarded a CBE for services to business in Scotland and still maintains a Non-Executive Director status at Brewin Dolphin. Vikram's knowledge and expertise should prove highly beneficial to the Group in driving forward and delivering shareholder growth.

Report of the independent auditor to the members of Corsie Group plc

We have audited the Group and parent company financial statements (“the financial statements”) of Corsie Group plc for the year ended 31 December 2006 which comprise the principal accounting policies, group profit and loss account, group and company balance sheets, group cash flow statement, statement of total recognised gains and losses and notes 1 to 37. These Group financial statements have been prepared under the accounting policies set out therein.

This Report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditor

The director's responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the 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 and are properly prepared in accordance with the Companies Act 1985 and the information given in the Report of the Directors is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the Chairman's Statement, the Chief Executive's Report, the Report of the Remuneration Committee and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

Report of the independent auditor to the members of Corsie Group plc

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Group financial statements for the year ended 31 December 2006.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

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25 April 2007

Principal accounting policies

Basis of preparation

The Group financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies are set out below and remain unchanged from the previous year, apart from the adoption of the following Financial Reporting Standards:

FRS 20	Share based payments
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The adoption of FRS 20 has resulted in a charge in the current year for share options issued to directors of the Company.

The accounts have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

Basis of consolidation

The group accounts have been prepared using merger accounting. The profit and loss accounts is presented on a proforma basis as if the new holding company had been in existence throughout both the current and prior periods. The Group statutory profit and loss account is disclosed on page 25.

Merger accounting

When merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the company to acquire them is taken to reserves.

Turnover

The turnover shown in the profit and loss account is exclusive of Value Added Tax. Turnover is recognised once goods have been despatched. Contract sales are recognised in full once the contract has been fully completed and all obligations to the customer are satisfied. Deferred income relates to amounts invoiced for contracts not complete at year end.

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 7 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.

Principal accounting policies

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Investments

Investments are carried at cost less amounts written off.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited direct to equity.

Principal accounting policies

Financial assets

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the profit and loss account.

Provision against trade debtors is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the profit and loss account. All other financial liabilities are recorded initially at fair value, net of direct issue costs

Share based payments

FRS 20 requires the recognition of equity-settled share-based payments at fair value at the date of the grant and the recognition of liabilities for cash settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of FRS 20 the group did not recognise the financial effect of share based payments until such payments were settled. All equity settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to 'other reserves.'

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate, share premium.

Group profit and loss account

	Note	2006 £	2006 £	2005 £	2005 £
Turnover	1				
- from continuing operations			3,500,890		3,160,196
- from acquisitions			125,097		-
- from discontinued operations			-		472,920
Group turnover			3,625,987		3,633,116
Cost of sales			<u>(2,238,880)</u>		<u>(2,404,238)</u>
Gross Profit					
- from continuing operations		1,334,670		1,113,002	
- from acquisitions		52,437		-	
- from discontinued operations		-		115,876	
Group gross profit			1,387,107		1,228,878
Operating charges					
- operating costs from continuing operations		1,292,553		1,043,993	
- exceptional costs from continuing operations	4	315,464		-	
- operating costs from acquisitions	4	108,903		-	
Total costs from continuing operations		1,716,920		1,043,993	
Operating costs from discontinued operations		-		383,672	
Group operating charges	4		<u>(1,716,920)</u>		<u>(1,427,665)</u>
Operating Profit/(loss)					
- on continuing operations before exceptional items		42,117		69,009	
- exceptional loss on continuing operating		(315,464)		-	
- on acquisitions		(56,466)		-	
Total operating profit on continuing operations		(329,813)		69,009	
Operating loss on discontinued operations		-		(267,796)	
Group operating profit/(loss)	6		<u>(329,813)</u>		<u>(198,787)</u>
Exceptional items:	9				
Cost of discontinued operations			(15,064)		-
(Loss)/profit on disposal of fixed assets			-		873,642
			<u>(344,877)</u>		<u>674,855</u>
Interest and finance costs:	10				
Exceptional release of FRS 25 liability			1,101,000		-
Exceptional release of finance charge			213,375		-
Interest receivable			121		268
Interest payable and similar charges			(176,585)		(335,376)
			<u>1,137,911</u>		<u>(335,108)</u>
Profit on ordinary activities before taxation			793,034		339,747

The accompanying accounting policies and notes form part of these Group financial statements.

Group profit and loss account

Tax on ordinary activities	11	(366,000)	159,036
Profit for the financial year	29	<u>1,159,034</u>	<u>180,711</u>
Earnings per ordinary share			
Basic earnings per share	14	0.01	0.00

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

During the year the Group carried out a corporate restructuring including the introduction of a new holding company. The profit and loss account has been prepared using merger accounting and is presented on a proforma basis as if the Group had been in existence throughout the prior period.

A consolidated profit and loss account from the date of incorporation of the holding company is given in note 2.

The Group has no other recognised gains or losses other than the results for the year as set out above.

All of the activities of the Group are classed as continuing.

Group balance sheet

	Note	2006 £	2005 £
Fixed assets			
Intangible assets	15	466,991	357,785
Tangible assets	16	<u>222,904</u>	<u>118,652</u>
		689,895	476,437
Current assets			
Stocks	18	1,483,382	560,917
Debtors	19	572,553	243,491
Cash at bank and in hand		<u>303,973</u>	<u>1,152,630</u>
		2,359,908	1,957,038
Creditors: amounts falling due within one year	20	<u>2,961,127</u>	2,640,776
Net current liabilities		(601,219)	(683,738)
Total assets less current liabilities		88,676	(207,301)
Creditors: amounts falling due after more than one year	21	<u>1,227,834</u>	<u>2,780,049</u>
		(1,139,158)	(2,987,350)
Provisions for liabilities			
Deferred taxation	23	-	366,000
		<u>(1,139,158)</u>	<u>(3,353,350)</u>
Capital and reserves			
Called-up equity share capital	27	167,417	116,667
Share premium account	29	956,408	-
Other reserves	29	482,678	434,678
Profit and loss account	29	<u>(2,745,661)</u>	<u>(3,904,695)</u>
Deficit	30	<u>(1,139,158)</u>	<u>(3,353,350)</u>

These financial statements were approved and signed by the Board of Directors on 25 April 2007.

Mr R Corsie
Director

Mr D McArthur
Director

Company balance sheet

	Note	2006 £
Fixed assets		
Tangible assets	16	26,668
Investments	17	<u>3,500,000</u>
		<u>3,526,668</u>
Current assets		
Debtors	19	1,632,991
Cash at bank and in hand		4,596
		<u>1,637,587</u>
Creditors: amounts falling due within one year	20	<u>659,279</u>
Net current assets		<u>978,308</u>
Total assets less current liabilities		<u>4,504,976</u>
Capital and reserves		
Called-up equity share capital	27	167,417
Share premium account	29	956,408
Other reserves	29	3,431,333
Profit and loss account	29	<u>(50,182)</u>
Shareholders' funds		<u>4,504,976</u>

These financial statements were approved and signed by the Board of Directors on 25 April 2007.

Mr D McArthur
Director

Cash flow statements

	Note	2006 £	2005 £
Net cash (outflow) from operating activities	31	(220,905)	(62,871)
Returns on investments and servicing of finance			
Interest received		121	268
Interest paid		(176,585)	(168,936)
Dividends on shares classed as liabilities		-	(90,000)
		<hr/>	<hr/>
Net cash (outflow) from returns on investments and servicing of finance		(176,464)	(258,668)
Taxation		(99,036)	(60,000)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(84,140)	-
Payments to acquire tangible fixed assets		(114,499)	(9,281)
Receipts from sale of fixed assets		1,500	874,670
		<hr/>	<hr/>
Net cash (outflow)/inflow for capital expenditure and financial investment		(197,139)	865,389
Cash (outflow) inflow before financing		(693,544)	483,850
Acquisitions Kaloss		(389,020)	-
Financing			
Cash received from issue of shares (net of expenses)		1,021,619	-
Repayment of bank loan		(175,405)	-
		<hr/>	<hr/>
Net cash inflow from financing		846,214	-
(Decrease)/increase in cash	32	(236,350)	483,850
(Decrease)/Increase in cash	31	(236,350)1,10	
Net cash inflow/(outflow) from financing		5,338	483,850

Statement of total recognised gains and losses

	Note	2006 £	2005 £
Profit for the financial year attributable to the shareholders of the parent company		<u>1,159,034</u>	<u>180,711</u>
Total recognised gains and losses relating to the year		<u>1,159,034</u>	180,711
Prior year adjustment		-	(151,379)
Total gains and losses recognised since the last Group financial statements		<u><u>1,159,034</u></u>	<u><u>29,332</u></u>

Notes to the group financial statements

1 Turnover

The turnover and loss before tax are attributable to the principal activities of the group.

An analysis of turnover is given below:

	Cont. Operations £	Discont. Operations £	Total £
Year ended 31 December 2006			
United Kingdom	2,957,455	-	2,957,455
Overseas	668,532	-	668,532
	<u>3,625,987</u>	<u>-</u>	<u>3,625,987</u>
Year ended 31 December 2005			
United Kingdom	2,645,661	472,920	3,118,581
Overseas	514,535	-	514,535
	<u>3,160,196</u>	<u>472,920</u>	<u>3,633,116</u>

The above analyses turnover by geographical segment. All of net liabilities in the group relate to United Kingdom £(1,139,158) (2005 - £(3,353,350)).

Turnover by activity comprises of the following:

	2006 £	2005 £
Sports distribution	1,610,405	1,528,584
Sports surfaces	1,534,766	1,367,877
Leisure and well being market	480,816	263,735
Discontinued operations	-	472,920
	<u>3,625,987</u>	<u>3,633,116</u>

Notes to the group financial statements

2 First period of trading – Corsie Group plc consolidated profit and loss

The Company, which was incorporated on 28 February 2006, did not trade until 5 June 2006, following the acquisition of Company 91 Limited (formerly Corsie Group Limited). From this date until 31 December 2006, the following financial information is available:

	Period 5 June to 31 Dec 2006 £
Turnover	1,960,987
Cost of sales	1 234 590
Gross profit	726,397
Operating charges	844,826
Operating (loss)	(118,429)
Interest and finance costs	(728,034)
Profit on ordinary activities	609,605
Tax on profit on ordinary activities	(366,000)
Retained profit for the period	975,605

The profit and loss account above is required by the Companies Act 1985 and covers the period from date of trading to 31 December 2006.

Disclosure notes for this period are not presented as the Directors do not believe they would provide meaningful information to users of the accounts.

Directors' remuneration for this period is included within the amounts disclosed in note 8 which covers remuneration to 31 December 2006. Amounts for the period 5 June 2006 to 31 December 2006 in respect of salaries and other time related costs can be derived by apportioning the annual amounts.

3 Analysis of cost of sales and net operating expenses

	Cont. Operations £	Discont. Operations £	Total £
Year ended 31 December 2006			
Cost of sales	<u>2,238,880</u>	<u>-</u>	<u>2,238,880</u>
Year ended 31 December 2005			
Cost of sales	<u>2,047,194</u>	<u>357,044</u>	<u>2,404,238</u>

Notes to the group financial statements

4 Other operating charges

	2006 £	2005 £
Distribution costs	95,072	100,867
Administrative expenses	<u>1,650,555</u>	<u>1,392,092</u>
	<u>1,745,627</u>	<u>1,492,959</u>

The above operating charges include exceptional continuing costs amounting to £315,464 which relates to one-off costs. The bulk of this can be classified as one-off costs incurred by the flotation of Corsie Group plc on the AIM stock market, plus an onerous lease provision. The operating charges also includes costs incurred after the acquisition of Kaloss International Limited on 18 September 2006, amounting to £108,903.

One-off costs totalling £96,588 included within continuing costs, relate to one-off costs that arose due to the flotation and it is anticipated that these type of costs will not arise again in future.

Other operating charges in the profit and loss account is net of other operating income as shown in note 5.

5 Other operating income

	2006 £	2005 £
Rent receivable	28,707	-
Commission receivable	-	65,294
	<u>28,707</u>	<u>65,294</u>

6 Operating (loss)

Operating (loss) is stated after charging:

	2006 £	2005 £
Amortisation	30,484	31,466
Depreciation of owned fixed assets	31,213	33,903
Auditor's remuneration:		
Audit fees – company	16,600	-
Audit fees – group	19,900	36,475
Operating lease costs:		
Land and buildings	118,751	55,000
Vehicles	-	7,670
Net profit on foreign currency translation	<u>(24,584)</u>	<u>(8,108)</u>

In addition to the above remuneration paid to the auditors in respect of the flotation, totalling £85,000 has been included within the share premium account.

Notes to the group financial statements

7 Particulars of directors and employees

The average number of persons employed by the group during the financial year, including the directors, amounted to 25 (2005 – 27).

As at 31 December 2006, the Group had 25 employees, all of whom are located in the UK.

<u>Activity</u>	<u>Number of employees</u>	
	2006	2005
Executive directors	3	3
Non executive directors	2	0
Sales and marketing	11	13
Finance and administration	4	5
Other	5	6

The aggregate payroll costs of the Group were:

	2006	2005
	£	£
Wages and salaries	606,132	669,624
Social security costs	62,800	75,028
Other pension costs	19,864	14,872
	<u>688,796</u>	<u>759,524</u>

Notes to the group financial statements

8 Directors

The aggregate payroll costs of the Company were :

	2006	2005
	£	£
Wages and salaries	208,205	88,445
Social security costs	24,978	10,357
Other pension costs	13,700	9,957
	<u>246,883</u>	<u>108,759</u>

FRS 25 had an impact on the value shown for wages and salaries in 2005 due to £90,000 of wages and salaries being reclassified as debt.

Remuneration in respect of directors was as follows:

	2006	2005
	£	£
Emoluments receivable	231,190	51,117
Value of company pension contributions to money purchase schemes	13,700	9,957
Compensation for loss of directorship	-	52,455
	<u>244,890</u>	<u>113,529</u>

The detailed numerical analysis of directors remuneration and share options is included in the report of the remuneration committee and in note 28.

The number of directors who accrued benefits under company pension schemes was 3 (2005 – 2).

9 Exceptional items

	2006	2005
	£	£
Costs of discontinued operations	(15,064)	873,642
	<u>(15,064)</u>	<u>873,642</u>

The above cost of discontinued operations relates to closure costs incurred with Company 90 Limited (which ceased trading in 2005).

Notes to the group financial statements

10 Interest and finance costs

	2006 £	2005 £
Exceptional release of finance liability	1,101,000	-
Exceptional release of finance charge	213,375	-
Interest payable on bank borrowings	(176,585)	(335,376)
Interest receivable	121	268
	<u>1,137,911</u>	<u>(335,108)</u>

Other than interest payable on bank borrowings and interest receivable, the finance charges above have been calculated in accordance with FRS 25.

Finance charges payable in 2005 represent the accrued dividends on A ordinary shares and a reclassification of directors remuneration in accordance with FRS 25. Following the share for share exchange of the A ordinary shares during 2006 the accrued dividend has been reversed resulting in a credit to the profit and loss account of £213,375.

The exceptional release of the finance liability relates to the reversal of the debt recognised in 2006 under FRS 25. Following the share for share exchange of the A ordinary shares during 2006 this debt has been reversed (see note 21).

11 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006 £	2005 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	-	-
Over/under provision in prior year	-	(55,585)
Total current tax	-	(55,585)
Deferred tax:		
Origination and reversal of timing differences	<u>(366,000)</u>	<u>214,621</u>
Tax on profit on ordinary activities	<u>(366,000)</u>	<u>159,036</u>

Notes to the group financial statements

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 30%).

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>793,034</u>	<u>339,747</u>
Profit on ordinary activities by rate of tax	237,910	101,925
Expenses not deductible for tax purposes/(non-taxable income)	(435,012)	32,765
Decelerated/(accelerated) capital allowances	(10,510)	132,208
Other timing differences	5,558	-
Group relief (surrendered/(received) for nil payment)	-	-
Amounts written off not deductible for tax purposes	-	(6,146)
Unrelieved tax losses (brought forward tax losses utilised)	202,054	-
Additional consideration	-	(260,670)
Adjustments in respect of previous periods	-	(55,585)
Rate differences	-	(82)
Total current tax (note 11(a))	<u>-</u>	<u>(55,585)</u>

Factors that may affect future tax charges

Deferred tax assets of £207,808 consisting mainly of trade losses carried forward have not been recognised as there is insufficient evidence as to their recoverability in the foreseeable future. The losses are recoverable against future trading profits.

12 Loss attributable to members of the parent company

The parent company has taken advantage of s230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The loss dealt with in the accounts of the parent company was £35,721.

Formerly the parent company was Company 91 Limited (formerly Corsie Group Limited) however following the share for share exchange the holding company of the group is Corsie Group plc.

13 Dividends

Dividends that had previously been accrued on the A ordinary shares in a subsidiary company, Company 91 Limited, have now been released following the cancellation of the shares. The release is classified as finance charges and included in note 10. The shares were cancelled subsequent to the share for share exchange as explained in the directors' report.

Notes to the group financial statements

14 Earnings per share

Basic and diluted earnings per ordinary share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

For the first reporting period to 31 December 2006, the shares on issue at flotation were treated as if they had been in issue for the whole financial year.

	Profit for the period £	Weighted Average number of Shares	Earnings per share £
Year to 31 December 2005	180,711	116,666,667	0.00
Year to 31 December 2006	1,159,034	145,599,544	0.01

There is no dilutive effect on the earnings per share as the average market price of the ordinary shares during the period was less than the exercise price of the options and warrants.

15 Intangible fixed assets

	<u>Goodwill</u> £
Cost	
At 1 January 2006	578,902
Addition during year	<u>139,690</u>
At 31 December 2006	<u><u>718,592</u></u>
Amortisation	
At 1 January 2006	221,117
Charge for the year	<u>30,484</u>
At 31 December 2006	<u><u>251,691</u></u>
Net book value	
At 31 December 2006	<u><u>466,991</u></u>
At 31 December 2005	<u><u>357,785</u></u>

Notes to the group financial statements (cont)

16 Tangible fixed assets

Group

	Plant and Machinery £	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
Cost					
At 1 January 2006	133,072	14,291	20,872	72,188	240,423
Additions	5,250	48,811	-	84,320	138,381
Disposals	-	-	(14,000)	-	(14,000)
Transfers	-	21,284	-	(21,284)	-
At 31 December 2006	<u>138,322</u>	<u>84,386</u>	<u>6,872</u>	<u>135,224</u>	<u>364,804</u>
Depreciation					
At 1 January 2006	86,901	3,069	17,080	14,721	121,771
Charge for the year	7,624	3,575	875	19,138	31,212
On disposals	-	-	(11,083)	-	(11,083)
Transfers	-	4,992	-	(4,992)	-
At 31 December 2006	<u>94,525</u>	<u>11,636</u>	<u>6,872</u>	<u>28,867</u>	<u>141,900</u>
Net book value					
At 31 December 2006	<u>43,797</u>	<u>72,750</u>	<u>-</u>	<u>106,357</u>	<u>222,904</u>
At 31 December 2005	<u>46,171</u>	<u>11,222</u>	<u>3,792</u>	<u>57,467</u>	<u>118,652</u>

Company

	Fixtures & fittings £
Cost	
At 1 January 2006	-
Additions	<u>26,668</u>
At 31 December 2006	<u>26,668</u>
Net book value	
At 31 December 2006	<u>26,668</u>
At 31 December 2005	=

Notes to the group financial statements (cont)

17 Investments

	Group Companies
	£
Cost	
At 1 January 2006	-
Additions	<u>3,500,000</u>
At 31 December 2006	<u>3,500,000</u>

Corsie Group plc holds 100% shares of Company 91 Limited, who, in turn, holds shares in the following:

Subsidiary undertakings all held by Company 91 Limited:

	Country of Incorporation	Proportion of voting rights and held	Nature of business
Greengauge Sports Limited	Scotland	Ordinary shares 100%	Bowls distribution
Edinburgh Indoor Bowling Rink Limited	Scotland	Ordinary shares 100%	Non trading
Greengauge Surfaces Limited	Scotland	Ordinary shares 100%	Artificial sports surfaces
Kaloss International Limited	Scotland	Ordinary shares 100%	Health & beauty product
Company 90 Limited	England	Ordinary shares 100%	Non trading
Spa Solutions Limited	England	Ordinary shares 100%	Sauna products and services
RCS Group Limited	Scotland	Ordinary shares 100%	Non trading
Company 91 Limited	Scotland	Ordinary shares 100%	Non trading

In addition, the company holds the following through a subsidiary:

Company 89 Limited	Scotland	Ordinary shares 100%	Dormant
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On 9 October 2006 Greengauge Services Limited was renamed Kaloss International Limited after acquiring the business and assets of a company with the same name in September 2006.

All of the above companies are consolidated in these group financial statements.

Notes to the group financial statements (cont)

18 Stocks

	The group		The Company	
	2006	2005	2006	2005
	£	£	£	£
Raw materials	175,970	132,593	-	-
Work in progress	46,225	38,420	-	-
Finished goods	1,261,187	389,904	-	-
	<u>1,483,382</u>	<u>560,917</u>	<u>-</u>	<u>-</u>

19 Debtors

	The group		The Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	447,759	162,281	-	-
Amounts owed by group undertakings	-	-	1,569,797	-
VAT recoverable	-	-	9,235	-
Other debtors	124,794	81,210	53,959	-
	<u>572,553</u>	<u>243,491</u>	<u>1,632,991</u>	<u>-</u>

20 Creditors: amounts falling due within one year

	The group		The Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	1,271,101	1,607,598	-	-
Trade creditors	1,098,501	293,442	77,461	-
Amounts owed to group undertakings	-	-	567,222	-
Proposed dividends	-	213,375	-	-
Corporation tax	-	99,036	-	-
Other taxation and social security	20,121	34,932	-	-
Other creditors	571,404	392,393	14,596	-
	<u>2,961,127</u>	<u>2,640,776</u>	<u>659,279</u>	<u>-</u>

The bank loans and overdrafts are secured by a bond and floating charge over the assets of the group, keyman insurance on the life of Richard Corsie of £1,000,000 and a letter of guarantee by Richard Corsie for £100,000. Included in other creditors is amounts owed to Graeme Robertson totalling £15,600. This amount was repaid on 12 March 2007.

Notes to the group financial statements (cont)

21 Creditors: amounts falling due after more than one year

	The group		The Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	1,227,834	1,679,049	-	-
Preference shares > 1 year:				
Share capital	-	46,000	-	-
Share premium	-	1,055,000	-	-
	<u>-</u>	<u>1,101,000</u>	<u>-</u>	<u>-</u>
	<u>1,227,834</u>	<u>2,780,049</u>	<u>-</u>	<u>-</u>

Interest is charged on bank loans and overdrafts at commercial rates.

The implementation of FRS 25 last year resulted in £1,101,000 of equity being reclassified as debt. This was subsequently reversed when the company floated on the AIM stock market as the rights to income attached to the shares were waived prior to a share for share exchange into ordinary shares.

22 Creditors – capital instruments

	The group		The Company	
	2006	2005	2006	2005
	£	£	£	£
Amounts repayable				
In one year or less or on demand	1,271,101	1,607,598	-	-
In more than one year but not more than two years	350,810	150,000	-	-
In more than two years but not more than five years	877,024	600,000	-	-
In more than five years	-	2,030,049	-	-
	<u>2,498,935</u>	<u>4,387,647</u>	<u>-</u>	<u>-</u>

Notes to the group financial statements (cont)

23 Deferred taxation

The movement in the deferred taxation provision during the year was:

	The group		The Company	
	2006	2005	2006	2005
	£	£	£	£
Provision brought forward	366,000	151,379	-	-
(Decrease)/increase in provision	(366,000)	214,621	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Provision carried forward	-	366,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

24 Commitments under operating leases

At 31 December 2006 the group had annual commitments under non-cancellable operating leases as set out below:

The group

	2006		2005	
	Land and	Other items	Land and	Other items
	Buildings		buildings	
	£	£	£	£
Operating leases which expire:				
Within 2 to 5 years	118,751	-	60,000	316
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

25 Contingent liabilities

There were no contingent liabilities at 31 December 2006 or 31 December 2005. The company has given unlimited cross guarantees in respect of banking facilities for other group companies. The amounts covered by cross guarantees at 31 December 2006 was £2,194,962 (2005 - £3,235,017).

26 Related party transactions

The company was under the control of Mr R Corsie throughout the current and previous year. Mr R Corsie is the Chief Executive and majority shareholder of Corsie Group plc.

During the year the directors provided loans totalling £89,500 prior to flotation in June 2006. The amount of interest paid back to the directors on the loans amounted to £8,950.

Notes to the group financial statements (cont)

27 Share capital

Authorised share capital:

	2006 £	2005 £
Ordinary shares - 300,000,000 Ordinary shares of 0.1p each	<u>300,000</u>	<u>300,000</u>

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of 0.1p each	<u>167,416,664</u>	<u>167,417</u>	<u>116,666,667</u>	<u>116,667</u>

Although the company was incorporated on 28 February 2006, comparative balances that relate only to the group have been presented on a proforma basis. This is to comply with the provisions of merger accounting, as noted in the accounting policies, whereby the group is treated as if it had always been in existence.

On 1 June 2006, the company made an allotment of 116,666,667 ordinary 0.1p shares at 3p per share in consideration for the transfer to the company of the entire issued share capital of the subsidiary, Company 91 Limited.

Also on 1 June 2006 a total of 750,000 ordinary 0.1p shares were issued at 3p per share.

On 6 June 2006, a total of 50,000,000 ordinary 0.1p shares were placed at 3p per share on the admission of the Company to AIM.

Notes to the group financial statements (cont)

28 Share based payments

As part of the placing shares the company issued one warrant for every placing shares thus resulting in the issue of 17,777,777 warrants. The warrants are exercisable at 3p per ordinary share at any time from 5 years from 6 June 2006.

Options over 12,666,666 ordinary shares in aggregate (representing 7.03 per cent. of the enlarged share capital assuming their issue), have been granted under the New EMI Scheme to members of the senior management and certain employees of the Group. In addition the Company has granted 2,000,000 unapproved options to subscribe for new ordinary shares to David Mathewson. The allocation in respect of the Directors and persons connected with them (within the meaning of section 346 of the Act) is as follows:

Name	Number of Ordinary Shares placed under option
David Mathewson	2,000,000
Richard Corsie	3,333,333
David McArthur	2,000,000
Graham Robertson	3,333,333

All options granted are subject to the satisfaction of certain performance conditions, which relate to the figure achieved by way of earnings before interest, taxation, depreciation and amortisation of either the Group as a whole or of individual subsidiary companies as measured over the three years ending 31 December 2009. Accordingly the options will be exercisable once those accounts are available. All options lapse on the tenth anniversary of the date of the grant. All options will have an exercise price per ordinary share equal to 3p.

As disclosed in note 29, a share based payment charge of £48,000 has been recognised in the profit and loss account during the year in relation to the above scheme. The fair value of the employee services received are valued using the Black-Scholes option pricing model, which worked on the following assumptions.

Grant date	
Vesting date	19-May-09
Variables used	
Share price at grant date	0.0425
Exercise price	0.03
Expected option life	3
Volatility	38%
Risk free rate	4.5%
Dividend yield	0.00%
Number of employees holding options/units	4
Expectations of meeting performance criteria	100%
Fair value	0.0188

- i) Expected volatility was determined at the date of grant based on a comparative company
- ii) Risk free rate was calculated based on Bank of England zero yield coupon rate.

Notes to the group financial statements (cont)

29 Reserves

Group

	Share Premium account £	Other Reserves £	Profit and Loss Account £
At 1 January 2006	-	434,678	(3,904,695)
Share option adjustment	-	48,000	-
Issue of shares	956,408	-	-
	<u>956,408</u>	<u>482,678</u>	<u>(3,904,695)</u>
Profit for the year	-	-	1,159,034
At 31 December 2006	<u><u>956,408</u></u>	<u><u>482,678</u></u>	<u><u>(2,745,661)</u></u>

Company

	Share Premium account £	Other Reserves £	Profit and Loss Account £
At 1 January 2006	-	-	-
Share option adjustment	-	48,000	-
Other reserve on share for share exchange		3,383,333	
Issue of shares	956,408	-	-
	<u>956,408</u>	<u>-</u>	<u>-</u>
Loss for the year	-	-	(50,182)
At 31 December 2006	<u><u>956,408</u></u>	<u><u>3,431,333</u></u>	<u><u>(50,182)</u></u>

During the year the company issued 167,416,664 ordinary shares of 0.1p each at 3p per share. The share premium is stated net of transaction costs totalling £515,342.

Other reserves arise on consolidation of the group using merger accounting and the adjustment required for FRS 20 share options.

Notes to the group financial statements (cont)

30 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	1,159,034	180,711
Purchase of ordinary shares	50,750	-
Share option adjustment	48,000	-
Transfer to share premium account	956,408	-
	<u>2,214,192</u>	<u>-</u>
Opening shareholders' deficit	<u>(3,353,350)</u>	<u>(3,534,061)</u>
Closing shareholders' deficit	<u>(1,139,158)</u>	<u>(3,353,350)</u>

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

	2006 £	2005 £
Operating (loss)	(329,813)	(198,787)
Exceptional items discontinued operations	(15,064)	-
Depreciation	31,213	33,903
Amortisation	30,484	31,466
Share option charge	48,000	-
(Increase)/decrease in stocks	(659,686)	254,523
(Increase)/decrease in debtors	(241,104)	260,912
Increase/(decrease) in creditors	915,065	(444,888)
Net cash (outflow) from operating activities	<u>(220,905)</u>	<u>(62,871)</u>

32 Reconciliation of movements in net debt

	2006 £	2005 £
(Decrease)/increase in cash in the period	(236,350)	483,850
Net cash outflow from bank loans	175,405	-
Change in net debt resulting from cash flows	<u>(60,945)</u>	<u>483,850</u>
Non cash movement	1,101,000	-
	<u>1,040,055</u>	<u>483,850</u>
Net debt at 1 January 2006	<u>(3,235,017)</u>	<u>(3,718,868)</u>
Net debt at 31 December 2006	<u>(2,194,962)</u>	<u>(3,235,017)</u>

Notes to the group financial statements (cont)

33 Analysis of changes in net debt

	At 1 Jan 2006 £	Cash flows £	Non- cash Movement £	At 31 Dec 2006 £
Net cash:				
Cash in hand and at bank	1,152,630	(848,657)	-	303,973
Overdrafts	(1,532,598)	612,307	-	(920,291)
	<u>(379,968)</u>	<u>(236,350)</u>	<u>-</u>	<u>(616,318)</u>
Debt:				
Debt due within 1 year	(75,000)	(275,810)	-	(350,810)
Debt due after 1 year	(2,780,049)	451,215	1,101,000	(1,227,834)
	<u>(2,855,049)</u>	<u>175,405</u>	<u>1,101,000</u>	<u>(1,578,644)</u>
Net debt	<u><u>(3,235,017)</u></u>	<u><u>(60,945)</u></u>	<u><u>1,101,000</u></u>	<u><u>(2,194,962)</u></u>

34 Financial instruments

The company finances its operations by raising finance through equity and borrowings. No speculative treasury transactions and no derivatives are entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash and borrowings. Short term assets and liabilities have been excluded from all but currency risk disclosure.

Interest rate risk

The company finances its operations principally from equity funding and bank funding. The interest rate is determined by reference to the bank rate.

Cash held on deposit accrues interest at rates that vary with bank base rates.

Liquidity risk

The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs to invest cash assets safely and profitably.

The company's policy throughout the periods has been to ensure continuity of funding by a combination of equity funding and loans.

Notes to the group financial statements (cont)

Maturity of financial liabilities

Creditors include finance capital which is due for repayment as follows:

	2006	The group 2005	2006	The Company 2005
	£	£	£	£
Amounts repayable				
In one year or less or on demand	1,271,101	1,607,598	-	-
In more than one year but not more than two years	350,810	150,000	-	-
In more than two years but not more than five years	877,024	600,000	-	-
In more than five years	-	2,030,049	-	-
	<u>2,498,935</u>	<u>4,387,647</u>	<u>-</u>	<u>-</u>

Borrowing facility

The Group had an overdraft facility of £551,000 at 31 December 2006.

Fair values

Fair values of financial instruments equate to the book value as disclosed in the financial information.

There are no material differences between the fair value of financial instruments and the amount at which they are stated in the accounts. This is due to the fact that they are of short maturity and if payable on demand the fair value is not materially different from the carrying value.

Currency risk

The company manages the movement of funds via individual bank accounts relating to that currency, thereby reducing its exposure to exchange rate fluctuations. No forward foreign exchange contracts were entered into during the year. The company has no non-monetary assets or liabilities denominated in foreign currencies.

As at 31 December 2006 the balance on the foreign currency bank accounts was nil.

Notes to the group financial statements (cont)

35 Acquisitions

On 18 September 2006 the company acquired the trade and assets of Kaloss International Limited for a consideration of £389,020 and professional fees in connection with the acquisition of £66,097 satisfied by cash.

The loss after tax of Kaloss the period from 18 September 2006 to 31 December 2006, date of acquisition, was £(56,466).

The summarised profit and loss account for Kaloss for the period 18 September 2006 to 31 December 2006 was as follows:

	2006
	£
Turnover	125,097
Gross Profit	52,437
Administrative expenses	108,903
Operating profit	<u>(56,466)</u>
Interest received	-
Interest payable	-
Loss for the period	<u><u>(56,466)</u></u>

The purchase of Kaloss has been accounted for under the acquisition method of accounting.

	Book value	Fair value
		£
Tangible fixed assets	23,882	23,882
Debtors	87,958	87,958
Stock	262,779	262,779
Creditors	(41,149)	(41,149)
Intangible fixed assets	55,550	55,550
	<u>389,020</u>	<u>389,020</u>
Satisfied by:		
Cash		<u>389,020</u>

36 Post balance sheet events

On 6 March 2007, the company entered into a placing agreement when it was agreed to place 25,000,000 new ordinary shares at a price of 2 pence per share, being £500,000 before expenses.

37 Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Corsie Group plc will be held at 5 Gateside Commerce Park, Haddington, East Lothian, EH41 3ST on Wednesday 30 May 2007 at 12 noon.