

Distribution Network Company Limited

Report and financial statements

31 December 1999



Martin Greene Ravden

*Chartered Accountants
and Registered Auditors*

**55 Loudoun Road
St John's Wood
London NW8 0DL**

**Company Registration No. 2760501
(England and Wales)**

Distribution Network Company Limited
Report and financial statements
For the year ended 31 December 1999

Company information

Directors	D A Crux A E Crux P J King
Secretary	A E Crux
Company number	2760501
Registered office	55 Loudoun Road St John's Wood London NW8 0DL
Auditors	Martin Greene Ravden Chartered Accountants and Registered Auditors 55 Loudoun Road St John's Wood London NW8 0DL
Business address	Park House 12 Deer Park Road London SW19 3FB
Bankers	HSBC Republic Bank UK Limited 31 Hill Street London W1X 7FD

Distribution Network Company Limited
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Distribution Network Company Limited

Directors' report

For the year ended 31 December 1999

The directors present their report and financial statements for the year ended 31 December 1999.

Principal activities and review of the business

The principal activity of the company continued to be that of merchandisers of licensed products.

The company experienced difficult trading conditions in its core market. As a result, the company incurred a loss for the year and will incur a further loss in the following year. The directors have restructured and reorganised the business and are confident that it will return to profitability during the year to 31 December 2001.

Results and dividends

The results for the year are set out on page 4.

The directors' recommend that no dividend be paid for the year (1998 - £nil).

Post balance sheet events

On 1 January 2001, the authorised share capital was increased from £100,000 to £1,000,000 by the creation of an additional 800,000 new ordinary shares of £1 each and 100,000 new ordinary B shares of £1 each. The new shares rank pari passu in all respects with the existing shares of the company. On the same date, Bravado Group Limited purchased 75,000 ordinary shares from the existing shareholders and subscribed for 100,000 ordinary B shares for cash at par, thus making the company an 87.5% subsidiary. Mr A E Crux has a material shareholding in Bravado Group Limited.

Directors

The following directors have held office since 1 January 1999:

D A Crux

A E Crux

P J King

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 December 1999	1 January 1999
D A Crux	50,000	50,000
A E Crux	50,000	50,000
P J King	-	-

Charitable contributions

During the year the company made charitable donations of £942 (1998 - £861).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Martin Greene Ravden be reappointed as auditors of the company will be put to the Annual General Meeting.

Distribution Network Company Limited

Directors' report

For the year ended 31 December 1999

Directors' responsibilities

Company law 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 of the profit or loss of the company 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;
- prepare the financial statements on the 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



D A Crux

Director

20 March 2001

Distribution Network Company Limited

Auditors' report

to the shareholders of Distribution Network Company Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 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 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 of the state of the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Martin Greene Ravden

Chartered Accountants

and Registered Auditors

55 Loudoun Road

St John's Wood

London NW8 0DL

20 March 2001

Distribution Network Company Limited

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover	2	5,328,769	5,313,652
Cost of sales		(4,399,600)	(4,023,197)
Gross profit		929,169	1,290,455
Administrative expenses		(1,246,047)	(1,170,863)
Other operating income		30,397	73,557
Operating (loss)/profit	3	(286,481)	193,149
Other interest receivable and similar income	4	6,783	26,363
Interest payable and similar charges	5	(1,439)	-
(Loss)/profit on ordinary activities before taxation		(281,137)	219,512
Tax on (loss)/profit on ordinary activities	6	70,520	(69,968)
(Loss)/profit on ordinary activities after taxation	15	(210,617)	149,544

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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

Distribution Network Company Limited

Balance sheet at 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	7	121,532	125,492
Current assets			
Stocks	8	394,420	272,245
Debtors	9	1,314,673	1,532,076
Short term deposits	10	101,027	371,593
Cash at bank and in hand		5,312	6,279
		1,815,432	2,182,193
Creditors: amounts falling due within one year	11	(1,503,380)	(1,657,669)
Net current assets		312,052	524,524
Total assets less current liabilities		433,584	650,016
Creditors: amounts falling due after more than one year	12	(5,815)	(11,630)
		427,769	638,386
Capital and reserves			
Called up share capital	14	100,000	100,000
Profit and loss account	15	327,769	538,386
Shareholders' funds - equity interests	16	427,769	638,386

The financial statements were approved by the Board on 20 March 2001


D A Crux
Director

Distribution Network Company Limited

Cash flow statement

For the year ended 31 December 1999

	1999 £	1998 £
Net cash outflow from operating activities	(84,559)	(199,273)
Returns on investments and servicing of finance		
Interest received	6,783	26,363
Interest paid	(1,439)	-
Net cash inflow for returns on investments and servicing of finance	5,344	26,363
Taxation	(71,400)	(11,939)
Capital expenditure		
Payments to acquire tangible assets	(74,563)	(136,400)
Receipts from sales of tangible assets	16,500	49,800
Net cash outflow for capital expenditure	(58,063)	(86,600)
Net cash outflow before management of liquid resources and financing	(208,678)	(271,449)
Management of liquid resources		
Net reduction in short term deposits	270,566	133,000
Financing		
Capital element of hire purchase contracts	(5,815)	17,445
Net cash (outflow)/inflow from financing	(5,815)	17,445
Increase/(decrease) in cash in the year	56,073	(121,004)

Distribution Network Company Limited

Notes to the cash flow statement

For the year ended 31 December 1999

1	Reconciliation of operating (loss)/profit to net cash outflow from operating activities	1999	1998
		£	£
	Operating (loss)/profit	(286,481)	193,149
	Depreciation of tangible assets	54,855	56,201
	Loss/(profit) on disposal of tangible assets	7,168	(909)
	Increase in stocks	(122,175)	(54,573)
	Decrease/(increase) in debtors	289,323	(981,859)
	(Decrease)/Increase in creditors within one year	(27,249)	588,718
	Net cash outflow from operating activities	(84,559)	(199,273)
2	Analysis of net funds	1 January 1999	Cash flow 31 December 1999
		£	£
	Net cash:		
	Cash at bank and in hand	6,279	(967)
	Bank overdrafts	(73,068)	57,040
		(66,789)	(10,716)
	Liquid resources:		
	Short-term investments	371,593	(270,566)
	Debt:		
	Finance leases	(17,445)	5,815
	Net funds	287,359	(208,678)
3	Reconciliation of net cash flow to movement in net funds	1999	1998
		£	£
	Increase/(decrease) in cash in the year	56,073	(121,004)
	Cash inflow from decrease in liquid resources	(270,566)	(133,000)
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	5,815	(17,445)
	Movement in net funds in the year	(208,678)	(271,449)
	Opening net funds	287,359	558,808
	Closing net funds	78,681	287,359

Distribution Network Company Limited

Notes to the financial statements

For the year ended 31 December 1999

1 ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents the invoiced value of goods supplied by the company stated net of value added tax.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & office equipment	15% and 20% straight line
Motor vehicles	25% straight line

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The company operates a money purchase pension scheme and contributions are charged to the profit and loss account in the year in which they are payable.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.10 Royalties payable

Royalties payable are charged to the profit and loss account on an accruals basis. Advances to artists and licensors are assessed and the value of the unrecovered proportion to be included in debtors is determined by the prospects of future recoupment, based on past performance, current popularity and projected sales. Provisions are made for unrecovered royalty advances in the accounting period in which they are regarded as irrecoverable.

2 TURNOVER

The whole of the turnover is attributable to the company's principal activities as stated in the Directors' Report. An analysis of turnover has not been disclosed, as in the opinion of the directors, such disclosure would be prejudicial to the company's business.

Distribution Network Company Limited

Notes to the financial statements

For the year ended 31 December 1999

3	OPERATING (LOSS)/PROFIT	1999	1998
		£	£
	Operating (loss)/profit is stated after charging:		
	Depreciation of tangible assets	54,855	56,201
	Auditors' remuneration	10,000	10,000
	Operating lease rentals	33,568	34,371
		<u> </u>	<u> </u>
4	OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	1999	1998
		£	£
	Bank interest	6,783	26,336
	Other interest	-	27
		<u> </u>	<u> </u>
		6,783	26,363
		<u> </u>	<u> </u>
5	INTEREST PAYABLE	1999	1998
		£	£
	On bank loans and overdrafts	652	-
	Hire purchase interest	787	-
		<u> </u>	<u> </u>
		1,439	-
		<u> </u>	<u> </u>
6	TAXATION	1999	1998
		£	£
	UK corporation tax at 30% (1998- 31%)	(70,000)	70,000
	Prior years		
	UK corporation tax	(520)	(32)
		<u> </u>	<u> </u>

Distribution Network Company Limited

Notes to the financial statements

For the year ended 31 December 1999

7 TANGIBLE FIXED ASSETS

	Fixtures, fittings & office equipment	Motor vehicles	Total
	£	£	£
Cost			
At 1 January 1999	198,785	97,594	296,379
Additions	9,468	65,095	74,563
Disposals	-	(29,128)	(29,128)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	208,253	133,561	341,814
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 1999	159,013	11,874	170,887
On disposals	-	(5,460)	(5,460)
Charge for the year	36,382	18,473	54,855
	<hr/>	<hr/>	<hr/>
At 31 December 1999	195,395	24,887	220,282
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1999	12,858	108,674	121,532
	<hr/>	<hr/>	<hr/>
At 31 December 1998	39,772	85,720	125,492
	<hr/>	<hr/>	<hr/>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 31 December 1999	15,747
	<hr/>
At 31 December 1998	21,146
	<hr/>
Depreciation charge for the year	
31 December 1999	5,399
	<hr/>
31 December 1998	450
	<hr/>

Distribution Network Company Limited

Notes to the financial statements

For the year ended 31 December 1999

8	STOCKS	1999 £	1998 £
	Finished goods and goods for resale	394,420	272,245
	There is no material difference between replacement cost and historical cost of stocks.		
9	DEBTORS	1999 £	1998 £
	Trade debtors	1,185,473	1,465,159
	Corporation tax	71,920	-
	Other debtors	35,342	19,210
	Prepayments and accrued income	21,938	47,707
		1,314,673	1,532,076
10	SHORT TERM DEPOSITS	1999 £	1998 £
	Short term bank deposits	101,027	371,593
11	CREDITORS: Amounts falling due within one year	1999 £	1998 £
	Bank loans and overdrafts	16,028	73,068
	Net obligations under finance lease and hire purchase contracts	5,815	5,815
	Trade creditors	1,296,813	1,005,181
	Corporation tax	-	70,000
	Other taxes and social security costs	21,802	115,509
	Other creditors	-	192,333
	Accruals and deferred income	162,922	195,763
		1,503,380	1,657,669

Distribution Network Company Limited

Notes to the financial statements

For the year ended 31 December 1999

12 CREDITORS: Amounts falling due after more than one year	1999 £	1998 £
Net obligations under finance leases and hire purchase agreements	5,815	11,630
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	6,602	6,602
Repayable between one and five years	6,603	13,205
	13,205	19,807
Finance charges and interest allocated to future accounting periods	(1,575)	(2,362)
	11,630	17,445
Included in liabilities falling due within one year	(5,815)	(5,815)
	5,815	11,630

The bank overdraft is secured by a mortgage debenture over the assets of the company. The finance leases are secured on the assets concerned.

13 PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £7,174 (1998- £6,394).

14 SHARE CAPITAL	1999 £	1998 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000

On 1 January 2001, the authorised share capital was increased from £100,000 to £1,000,000 by the creation of an additional 800,000 new ordinary shares of £1 each and 100,000 new ordinary B shares of £1 each. The new shares rank pari passu in all respects with the existing shares of the company. On the same date, Bravado Group Limited subscribed for 100,000 ordinary B shares for cash at par to provide additional working capital.

Distribution Network Company Limited

Notes to the financial statements

For the year ended 31 December 1999

15 STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	Profit and loss account £
Balance at 1 January 1999	538,386
Retained loss for the year	(210,617)
	<hr/>
Balance at 31 December 1999	327,769
	<hr/>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
(Loss)/Profit for the financial year	(210,617)	149,544
Opening shareholders' funds	638,386	488,842
	<hr/>	<hr/>
Closing shareholders' funds	427,769	638,386
	<hr/>	<hr/>

17 FINANCIAL COMMITMENTS

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1999 £	1998 £
Expiry date:		
In over five years	33,000	33,000
	<hr/>	<hr/>

18 DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Emoluments for qualifying services	183,889	342,819
Company pension contributions to money purchase schemes	7,174	6,394
	<hr/>	<hr/>
	191,063	349,213
	<hr/>	<hr/>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (1998- 2).

Distribution Network Company Limited

Notes to the financial statements

For the year ended 31 December 1999

19 EMPLOYEES

Number of employees

The average monthly number of employees (including directors) during the year was:

	1999 Number	1998 Number
Sales and distribution	20	19
Administrative	7	7
	<u>27</u>	<u>26</u>

Employment costs

	£	£
Wages and salaries	637,645	636,761
Social security costs	74,898	64,305
Other pension costs	7,174	6,394
	<u>719,717</u>	<u>707,460</u>

20 ULTIMATE CONTROL

Until 31 December 2000, the company was controlled by Mr D A Crux and Mr A E Crux by virtue of their ownership of 100% of the issued share capital. On 1 January 2001, Bravado Group Limited, a company registered in England and Wales, purchased 75,000 ordinary shares from the existing shareholders and subscribed for 100,000 ordinary B shares for cash at par, thus making the company an 87.5% subsidiary. Mr A E Crux has a material shareholding in Bravado Group Limited.