Bravado Retail & Licensing Limited

Report and Financial Statements

30 September 2005

Company No. 2760501

Company Information

Directors	MT Cass CE Stone
Secretary	S E A Standing
Company Number	2760501
Registered Office	Sanctuary House 45-53 Sinclair Road London W14 0NS
Auditors	Baker Tilly Chartered Accountants 2 Bloomsbury Street London WC1B 3ST
Business Address	Park House 12 Deer Park Road London SW19 3FB

Bravado Retail & Licensing Limited
Report and Financial Statements
For the year ended 30 September 2005

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Bravado Retail & Licensing Limited
Directors' Report
For the year ended 30 September 2005

The directors present their report and financial statements for the year ended 30 September 2005.

Principal activities
The principal activity of the company continued to be that of wholesalers and mail order retailers of licensed leisurewear and novelty products.

Review of the business and future developments
The company made a profit before tax of £589,003 (2004: £153,988). The directors are confident about the company's future trading prospects.

Results and dividends
The results for the period are set out on page 4.

The directors are precluded from the payment of a dividend (2004: £Nil).

Directors

The following directors have held office during the year:

MT Cass
CE Stone

The shareholdings of directors in The Sanctuary Group plc were as follows:

Ordinary shares of 12.5p each	**30 September 2005**	**30 September 2004**
MT Cass	2,000	42,000
CE Stone	-	113,382
Options over Ordinary shares of 12.5p each		
MT Cass	140,000	140,000
CE Stone	25,000	25,000

The Sanctuary Group plc held an Extraordinary General meeting on 17 March 2006 where all the resolutions put to shareholders in order to effect a Placing and Open Offer of 219,931,148 new Ordinary Shares of 50 pence per share, sub-division and consolidation of existing Ordinary Shares and an amendment to the borrowing powers of The Sanctuary Group plc as announced on 3 February 2006 were duly passed.

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.

Auditors

A resolution to appoint KPMG Audit Plc as auditors will be put to the members at the annual general meeting.

On behalf of the Board

Colin Stone

CE Stone
Director

1 September 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRAVADO RETAIL & LICENSING LIMITED

We have audited the financial statements on pages 4 to 12.

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 auditors' 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 opinion we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. 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 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 affairs of the company at 30 September 2005 and of the company's profit for the year then ended and have been properly prepared in accordance with The Companies Act 1985.

Baker Tilly
BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST 1 September 2006

Bravado Retail & Licensing Limited
Profit and Loss Account
For the year ended 30 September 2005

	Notes	2005 £	2004 £
Turnover	2	7,290,223	5,104,831
Cost of sales		(5,194,461)	(3,766,117)
Gross profit		2,095,762	1,338,714
Administrative expenses		(1,507,627)	(1,184,778)
Operating profit	3	588,135	153,936
Other interest receivable and similar income		868	52
Profit on ordinary activities before taxation		589,003	153,988
Tax on profit on ordinary activities	4	-	(43,167)
Profit on ordinary activities after taxation	12	589,003	110,821

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.

Bravado Retail & Licensing Limited
Balance Sheet
For the year ended 30 September 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	5	8,102	9,191
Current assets			
Stocks	6	184,218	62,525
Debtors	7	2,954,077	1,753,827
		3,138,295	1,816,352
Creditors: amounts falling due within one year	8	(3,083,821)	(2,351,970)
Net current liabilities		54,474	(535,618)
Net assets/ (liabilities)		62,576	(526,427)
Capital and reserves			
Called up share capital	11	200,000	200,000
Profit and loss account	12	(137,424)	(726,427)
Equity shareholders' funds/(deficit)	13	62,576	(526,427)

The financial statements were approved by the Board on 1 September 2006

Colin Stone

CE Stone
Director

1. ACCOUNTING POLICIES

1.1 Accounting convention
The financial statements are prepared under the historical cost convention.

1.2 Going concern
The company relies on the continued support of the ultimate parent company, The Sanctuary Group plc. On 20 March 2006, The Sanctuary Group plc successfully concluded a placing and open offer of new ordinary shares which resulted in raising £110,000,000 in cash (before expenses) and additionally a debt release of £35,000,000. The directors therefore consider that the support of The Sanctuary Group plc allows them to continue to adopt the going concern concept in preparing the financial statements.

1.3 Compliance with accounting standards
The financial statements are prepared in accordance with applicable accounting standards.

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

1.5 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	25% and 33.33% straight line
Motor vehicles	25% straight line

1.6 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 obligations outstanding in each period.

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

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

1.8 Pensions
The company is a member of The Sanctuary Group plc group personal pension plan which is a money purchase scheme. Contributions are charged to the profit and loss account as incurred.

1.9 Deferred taxation

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

1.10 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.

1.11 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 unrecouped 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 unrecouped 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.

3. OPERATING PROFIT

	2005 £	2004 £
Operating profit is stated after charging:		
Depreciation of tangible assets	5,489	3,298
Operating lease rentals - other	45,000	42,000
Auditors' remuneration	23,300	14,400

4. TAXATION

	2005	2004
	£	£
a) Analysis of charge in year		
Current tax:		
UK Corporation tax at 30% (2004 30%)	-	-
Deferred tax:		
Reversal of timing difference	-	43,167
	-	43,167

	2005	2004
b) Factors affecting the charge for the year Tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The difference is explained below:	£	£
Profit on ordinary activities before tax:	589,003	153,988
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30% (2004:30%)	176,701	46,196
Expenses not allowable for taxation purposes	7,465	1,620
Capital allowances in excess of depreciation	(612)	(2,312)
Utilisation of tax losses	-	(45,504)
Losses claimed from other group companies	(183,554)	-
Current tax charge (Note 4a)	-	-

5. TANGIBLE FIXED ASSETS

	Fixtures, fittings & office equipment £
Cost	
At 1 October 2004	227,057
Additions	4,400
At 30 September 2005	231,457
Depreciation	
At 1 October 2004	217,866
Charge for the period	5,489
At 30 September 2005	223,355
Net book value	
At 30 September 2005	8,102
At 30 September 2004	9,191

6. STOCKS

	2005 £	2004 £
Finished goods and goods for resale	184,218	62,525

There is no material difference between replacement cost and historical cost of stocks.

7. DEBTORS

	2005 £	2004 £
Trade debtors	2,370,810	1,297,853
Amounts due from Group Undertakings	60,541	9,375
Other debtors	79,303	476
Prepayments and accrued income	7,000	9,700
Deferred Tax (see note 10)	436,423	436,423
	2,954,077	1,753,827

8. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Bank overdraft	532,685	334,061
Trade creditors	629,129	672,134
Amounts due to Group Undertakings	7,759	258,417
Taxes and social security costs	47,399	10,785
Other creditors	753	29,418
Accruals and deferred income	1,866,096	1,047,155
	3,083,821	2,351,970

The bank overdraft is secured by a mortgage debenture over the assets of the company.

9. PENSION COSTS

The company operates a defined contribution pensions 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 £ Nil (2004: £ Nil).

10. DEFERRED TAX

	2005	2004
	£	£
Provision for deferred tax is:		
Accelerated capital allowances	2,299	2,299
Tax losses carried forward	434,124	434,124
	436,423	436,423
1 October 2003	436,423	479,590
Charge to Profit and Loss Account	-	(43,167)
30 September 2004- Debtors	436,423	436,423

11. SHARE CAPITAL

	2005 £	2004 £
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
200,000 Ordinary shares of £1 each	200,000	200,000

12. STATEMENT OF MOVEMENT ON PROFIT AND LOSS ACCOUNT

	£
1 October 2004	(726,427)
Profit for the year	589,003
At 30 September 2005	(137,424)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Opening shareholders funds	(526,427)	(637,248)
Profit for the financial year	589,003	110,821
Closing shareholders' funds	62,576	(526,427)

14. CONTINGENT LIABILITIES

The company has provided cross guarantees in respect of bank loans and overdrafts of certain group and associated companies. At 30 September 2005, the total amount covered by these guarantees was £114,272,000 (2004: £68,222,000).

15. RELATED PARTY TRANSACTIONS

In preparing these financial statements the directors have taken advantage of the exemption available under paragraph 3 (c) of Financial Reporting Standard No. 8 – Related Party Disclosures.

16. FINANCIAL COMMITMENTS

At 30 September 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2005	**2004**
	£	**£**
Expiry date:		
In over five years	45,000	42,000
	45,000	42,000

17. EMPLOYEES

Number of employees
The average monthly number of employees (including directors) during the period:

	2005	2004
	No	**No**
Sales and distribution	15	10
Administrative	7	7
	22	17

Employment costs

	2005	2004
	£	**£**
Wages and salaries	672,385	490,493
Social security costs	57,432	43,264
Other pension costs	-	-
	729,817	533,757

The directors did not receive any remuneration for their services.

18. CONTROL

In the opinion of the directors, at 30 September 2005, the ultimate parent company was The Sanctuary Group plc, a company registered in England and Wales.

Copies of the group financial statements are available from Companies House, Crown Way, Cardiff, CF4 3UZ.

19. CASH FLOW STATEMENTS

In accordance with Financial Reporting Standard No. 1, cash flow statements have not been prepared as the cash flow of the company is included in those of the ultimate parent company, The Sanctuary Group plc.