

**Distribution Network Company Limited**

**Report and financial statements**

**31 December 2000**



**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 2000**

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### **Company information**

<b>Directors</b>	D A Crux A E Crux P J King
<b>Secretary</b>	A E Crux
<b>Company number</b>	2760501
<b>Registered office</b>	55 Loudoun Road St John's Wood London NW8 0DL
<b>Auditors</b>	Martin Greene Ravden Chartered Accountants and Registered Auditors 55 Loudoun Road St John's Wood London NW8 0DL
<b>Business address</b>	Park House 12 Deer Park Road London SW19 3FB
<b>Bankers</b>	HSBC Republic Bank (UK) Limited 31 Hill Street London W1J 5LS

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**Distribution Network Company Limited**  
**Report and financial statements**  
**For the year ended 31 December 2000**

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# Distribution Network Company Limited

## Directors' report

For the year ended 31 December 2000

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The directors present their report and financial statements for the year ended 31 December 2000.

### Principal activities and review of the business

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

The company continued to experience difficult trading conditions in its core market. As a result, the company incurred further losses during the year. The directors have continued to restructure and reorganise the business and are confident that it will return to profitability in 2002.

### 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 (1999 - £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 save that the ordinary B shares are redeemable. On the same date, Bravado Group Limited acquired 75,000 ordinary shares from the existing shareholders and subscribed for 100,000 ordinary B shares for cash at par. On 18 December 2001, Bravado Group Limited acquired the remaining 25,000 ordinary shares from the other shareholder, thus making the company a wholly own subsidiary of Bravado Group Limited.

On the same date, the redeemable B shares were converted into ordinary shares of £1 each. Mr A E Crux has a material shareholding in Bravado Group Limited.

### Directors

The following directors have held office since 1 January 2000:

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 2000	1 January 2000
D A Crux	50,000	50,000
A E Crux	50,000	50,000
P J King	-	-

### 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 2000

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### 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



A E Crux

Director

21 December 2001

**Distribution Network Company Limited**  
**Auditors' report**  
**to the shareholders of Distribution Network Company Limited**

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We have audited the financial statements on pages 4 to 15 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.

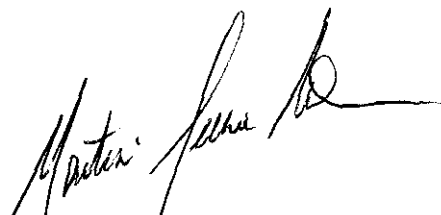
**Basis of opinion**

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 2000 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

21 December 2001

# Distribution Network Company Limited

## Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover	2	3,599,613	5,328,769
Cost of sales		(2,996,668)	(4,399,600)
Gross profit		602,945	929,169
Administrative expenses		(1,217,953)	(1,246,047)
Other operating income		-	30,397
Operating loss	3	(615,008)	(286,481)
Other interest receivable and similar income	4	4,250	6,783
Interest payable and similar charges	5	(2,289)	(1,439)
Loss on ordinary activities before taxation		(613,047)	(281,137)
Tax on loss on ordinary activities	6	(720)	70,520
Loss on ordinary activities after taxation	15	(613,767)	(210,617)

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 2000

	Notes	2000 £	1999 £
<b>Fixed assets</b>			
Tangible assets	7	119,395	121,532
<b>Current assets</b>			
Stocks	8	325,068	394,420
Debtors	9	1,180,976	1,314,673
Short term deposits	10	-	101,027
Cash at bank and in hand		5,640	5,312
		1,511,684	1,815,432
<b>Creditors: amounts falling due within one year</b>	11	(1,800,383)	(1,503,380)
<b>Net current (liabilities)/assets</b>		(288,699)	312,052
<b>Total assets less current liabilities</b>		(169,304)	433,584
<b>Creditors: amounts falling due after more than one year</b>	12	(16,694)	(5,815)
		(185,998)	427,769
<b>Capital and reserves</b>			
Called up share capital	14	100,000	100,000
Profit and loss account	15	(285,998)	327,769
<b>Shareholders' funds - equity interests</b>	16	(185,998)	427,769

The financial statements were approved by the Board on 21 December 2001

*[Signature]* (Attorney for Damian Box)

D A Crux  
Director



# Distribution Network Company Limited

## Cash flow statement

For the year ended 31 December 2000

	2000 £	1999 £
<b>Net cash outflow from operating activities</b>	(669,677)	(84,559)
<b>Returns on investments and servicing of finance</b>		
Interest received	4,250	6,783
Interest paid	(2,289)	(1,439)
<b>Net cash inflow for returns on investments and servicing of finance</b>	1,961	5,344
<b>Taxation</b>	(2,201)	(71,400)
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(72,050)	(74,563)
Receipts from sales of tangible assets	27,000	16,500
<b>Net cash outflow for capital expenditure</b>	(45,050)	(58,063)
<b>Net cash outflow before management of liquid resources and financing</b>	(714,967)	(208,678)
<b>Management of liquid resources</b>		
Net reduction in short term deposits	101,027	270,566
<b>Financing</b>		
Capital element of hire purchase contracts	23,194	(5,815)
<b>Net cash inflow/(outflow) from financing</b>	23,194	(5,815)
<b>(Decrease)/increase in cash in the year</b>	(590,746)	56,073

# Distribution Network Company Limited

## Notes to the cash flow statement

For the year ended 31 December 2000

1	Reconciliation of operating loss to net cash outflow from operating activities	2000	1999
		£	£
	Operating loss	(615,008)	(286,481)
	Depreciation of tangible assets	48,113	54,855
	(Profit)/loss on disposal of tangible assets	(926)	7,168
	Decrease/(increase) in stocks	69,352	(122,175)
	Decrease in debtors	135,178	289,323
	Decrease in creditors within one year	(306,386)	(27,249)
	<b>Net cash outflow from operating activities</b>	<b>(669,677)</b>	<b>(84,559)</b>
2	Analysis of net (debt)/funds	1 January 2000	Cash flow 31 December 2000
		£	£
	Net cash:		
	Cash at bank and in hand	5,312	5,640
	Bank overdrafts	(16,028)	(607,102)
		(10,716)	(601,462)
	Liquid resources:		
	Short-term investments	101,027	-
	Debt:		
	Finance leases	(11,630)	(34,824)
	<b>Net funds/(debt)</b>	<b>78,681</b>	<b>(636,286)</b>
3	Reconciliation of net cash flow to movement in net (debt)/funds	2000	1999
		£	£
	(Decrease)/increase in cash in the year	(590,746)	56,073
	Cash inflow from decrease in liquid resources	(101,027)	(270,566)
	Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(23,194)	5,815
	<b>Movement in net (debt)/funds in the year</b>	<b>(714,967)</b>	<b>(208,678)</b>
	Opening net funds	78,681	287,359
	<b>Closing net (debt)/funds</b>	<b>(636,286)</b>	<b>78,681</b>

# Distribution Network Company Limited

## Notes to the financial statements

For the year ended 31 December 2000

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### 1 ACCOUNTING POLICIES

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company incurred a loss of £613,767 during the year ended 31 December 2000, and at that date its current liabilities exceeded its current assets by £288,699.

The company meets its day to day working capital requirements through a group overdraft facility which is repayable on demand and from an interest free loan from Bravado International Group Limited, a fellow group company. At 31 December 2000, the total indebtedness to this company is £261,511 (1999 - £ 113,155). Bravado International Group Limited has confirmed that the amounts owed will continue to be made available until such time as the company is able to repay them.

On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that would result from a withdrawal of the group overdraft facility by the company's bankers, or the financial support from its fellow group undertaking.

#### 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.

# Distribution Network Company Limited

## Notes to the financial statements

For the year ended 31 December 2000

### 1 Accounting policies

#### 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.

3	OPERATING LOSS	2000 £	1999 £
	Operating loss is stated after charging:		
	Depreciation of tangible assets	48,113	54,855
	Operating lease rentals	-	33,568
	Auditors' remuneration	10,000	10,000
	Remuneration of auditors for non-audit work	15,834	12,844
		<u>          </u>	<u>          </u>
4	OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	2000 £	1999 £
	Bank interest	56	6,783
	Other interest	4,194	-
		<u>          </u>	<u>          </u>
		4,250	6,783
		<u>          </u>	<u>          </u>
5	INTEREST PAYABLE	2000 £	1999 £
	On bank loans and overdrafts	209	652
	Hire purchase interest	2,080	787
		<u>          </u>	<u>          </u>
		2,289	1,439
		<u>          </u>	<u>          </u>

# Distribution Network Company Limited

## Notes to the financial statements

For the year ended 31 December 2000

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6	TAXATION	2000 £	1999 £
	UK current year taxation		
	UK corporation tax at 30% (1999- 30%)	-	(70,000)
	Prior years		
	UK corporation tax	720	(520)
		<hr/>	<hr/>
		720	(70,520)
		<hr/>	<hr/>

# Distribution Network Company Limited

## Notes to the financial statements

For the year ended 31 December 2000

### 7 TANGIBLE FIXED ASSETS

	Fixtures, fittings & office equipment	Motor vehicles	Total
	£	£	£
<b>Cost</b>			
At 1 January 2000	208,253	133,561	341,814
Additions	4,892	67,158	72,050
Disposals	-	(40,370)	(40,370)
At 31 December 2000	213,145	160,349	373,494
<b>Depreciation</b>			
At 1 January 2000	195,395	24,887	220,282
On disposals	-	(14,296)	(14,296)
Charge for the year	8,025	40,088	48,113
At 31 December 2000	203,420	50,679	254,099
<b>Net book value</b>			
At 31 December 2000	9,725	109,670	119,395
At 31 December 1999	12,858	108,674	121,532

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

	Motor vehicles £
<b>Net book values</b>	
At 31 December 2000	41,469
At 31 December 1999	15,747
<b>Depreciation charge for the year</b>	
31 December 2000	15,773
31 December 1999	5,399

# Distribution Network Company Limited

## Notes to the financial statements

For the year ended 31 December 2000

<b>8</b>	<b>STOCKS</b>	<b>2000</b>	<b>1999</b>
		£	£
	Finished goods and goods for resale	325,068	394,420
		<u>          </u>	<u>          </u>
	There is no material difference between replacement cost and historical cost of stocks.		
<b>9</b>	<b>DEBTORS</b>	<b>2000</b>	<b>1999</b>
		£	£
	Trade debtors	948,708	1,185,473
	Corporation tax	73,401	71,920
	Other debtors	28,697	35,342
	Prepayments and accrued income	130,170	21,938
		<u>          </u>	<u>          </u>
		1,180,976	1,314,673
		<u>          </u>	<u>          </u>
<b>10</b>	<b>SHORT TERM DEPOSITS</b>	<b>2000</b>	<b>1999</b>
		£	£
	Short term bank deposits	-	101,027
		<u>          </u>	<u>          </u>
<b>11</b>	<b>CREDITORS: Amounts falling due within one year</b>	<b>2000</b>	<b>1999</b>
		£	£
	Bank loans and overdrafts	607,102	16,028
	Net obligations under finance lease and hire purchase contracts	18,130	5,815
	Trade creditors	1,016,156	1,296,813
	Taxes and social security costs	19,890	21,802
	Accruals and deferred income	139,105	162,922
		<u>          </u>	<u>          </u>
		1,800,383	1,503,380
		<u>          </u>	<u>          </u>

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

# Distribution Network Company Limited

## Notes to the financial statements

For the year ended 31 December 2000

12 CREDITORS: Amounts falling due after more than one year	2000 £	1999 £
Net obligations under finance leases and hire purchase agreements	16,694	5,815
<b>Net obligations under finance leases and hire purchase contracts</b>		
Repayable within one year	20,830	6,602
Repayable between one and five years	19,235	6,603
	40,065	13,205
Finance charges and interest allocated to future accounting periods	(5,241)	(1,575)
	34,824	11,630
Included in liabilities falling due within one year	(18,130)	(5,815)
	16,694	5,815

### 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 £7,594 (1999- £7,174).

14 SHARE CAPITAL	2000 £	1999 £
<b>Authorised</b>		
100,000 Ordinary shares of £1 each	100,000	100,000
<b>Allotted, called up and fully paid</b>		
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 save that the ordinary B shares are redeemable. On the same date, Bravado Group Limited subscribed for 100,000 ordinary B shares for cash at par to provide additional working capital. On 18 December 2001, the redeemable B shares were converted into ordinary shares of £1 each.



# Distribution Network Company Limited

## Notes to the financial statements

For the year ended 31 December 2000

### 15 STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	Profit and loss account £
Balance at 1 January 2000	327,769
Retained loss for the year	(613,767)
	<hr/>
Balance at 31 December 2000	(285,998)
	<hr/>

### 16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss for the financial year	(613,767)	(210,617)
Opening shareholders' funds	427,769	638,386
	<hr/>	<hr/>
Closing shareholders' funds	(185,998)	427,769
	<hr/>	<hr/>

### 17 CONTINGENT LIABILITIES

The company has provided cross guarantees in respect of bank loans and overdrafts of certain group and associated undertakings. The amount outstanding at 31st December 2000 was £2,286,267 (1999 - £76,073).

### 18 FINANCIAL COMMITMENTS

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2000 £	1999 £
Expiry date:		
In over five years	33,000	33,000
	<hr/>	<hr/>

### 19 DIRECTORS' EMOLUMENTS

	2000 £	1999 £
Emoluments for qualifying services	135,158	183,889
Company pension contributions to money purchase schemes	7,594	7,174
	<hr/>	<hr/>
	142,752	191,063
	<hr/>	<hr/>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (1999- 2).

# Distribution Network Company Limited

## Notes to the financial statements

For the year ended 31 December 2000

### 20 EMPLOYEES

#### Number of employees

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

	2000 Number	1999 Number
Sales and distribution	21	20
Administrative	5	7
	<u>26</u>	<u>27</u>

#### Employment costs

	£	£
Wages and salaries	599,038	637,645
Social security costs	68,998	74,898
Other pension costs	7,594	7,174
	<u>675,630</u>	<u>719,717</u>

### 21 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, acquired 75,000 ordinary shares and subscribed for 100,000 redeemable B shares of £1 each for cash at par. On 18 December 2001, Bravado Group Limited acquired the remaining 25,000 ordinary shares from the existing shareholder, thus making the company a wholly own subsidiary of Bravado Group Limited. On the same date, the redeemable B shares were converted into ordinary shares. Mr A E Crux has a material shareholding in Bravado Group Limited.

### 22 RELATED PARTY TRANSACTIONS

The company pays rent and services of £nil (1999 - £52,000) to Bravado International Group Limited. The company also received management services to the value of £nil (1999 - £30,397) and pays management services of £29,329 (1999 - £nil) to Bravado International Group Limited.

At 31 December 2000, the company owed £261,511 (1999 - £113,155) to Bravado International Group Limited, a company in which Mr A E Crux has a material shareholding.