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Brand Acquisitions Limited

Report and Financial Statements

Period Ended

31 January 2008

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BDO Stoy Hayward
Chartered Accountants

Brand Acquisitions Limited

Report and financial statements for the period ended 31 January 2008

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Directors

G Tufnell
D Eades
M Kennedy

Secretary and registered office

B Brett, Unit 2 Delta Park Industrial Estate, Millmarsh Lane, Enfield, Middlesex, EN3 7QJ

Company number

06406870

Auditors

BDO Stoy Hayward LLP, 125 Colmore Row, Birmingham, B3 3SD

Brand Acquisitions Limited

Report of the directors for the period ended 31 January 2008

The directors present their report together with the audited financial statements for the period ended 31 January 2008

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the period. The directors do not recommend the payment of a dividend.

Incorporation and change of name

The company was incorporated on 23 October 2007 under the name Hexagon 350 Limited. On 12 December 2007, the company changed its name to Kingsway Acquisitions Limited. Subsequent to the year end on 20 March 2008, the company changed its name to Brand Acquisitions Limited.

Principal activities, review of business and future developments

The group is engaged in the design and supply of branded menswear to retailers in the UK, Ireland and mainland Europe. Brand Acquisitions Limited acquired the entire share capital of Springrealm Limited on 21 December 2007.

The profit and loss account is set out on page 5 and shows consolidated turnover of £1,111,316 and an operating loss of £209,287.

Turnover for the period is in line with the directors' expectations, and the directors believe that turnover will increase in 2008/9. The directors are pleased with the level of overseas sales.

Future plans include growing the core Peter Werth brand, broadening distribution both within the UK and internationally, increasing the number of stand alone retail stores, and expanding the category mix to become a true lifestyle brand.

There have been no events since the balance sheet date which materially affect the position of the company.

Brand Acquisitions Limited

Report of the directors for the period ended 31 January 2008 (*Continued*)

Principal risks and uncertainties

The market for the design and supply of branded menswear remains highly competitive. The company seeks to manage the risk of losing customers to key competitors (both within the UK and mainland Europe) by the provision of added value services to customers, improving response times in the supply of products and the handling of customer queries and by maintaining strong relationships and local representation with key customers.

Sales to Ireland and mainland Europe are made in Euros. The group also purchases goods from Europe in Euros and outside Europe in US\$. The group is therefore exposed to movements in the Euro to Sterling and US\$ to Sterling exchange rates. The Finance Director of Springrealm Limited monitors the net exposure and takes out forward contracts to fix the exchange rates to cover forward orders in Euros and US\$.

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreement in conjunction with the factoring facility.

The group has loans and overdrafts net of issue costs of £7,630,636, with cash at bank of £3,250,857.

The group monitors cash flow as part of its day-to-day control procedures. The board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary.

Charitable and political contributions

During the period the group made charitable contributions of £2,500. There were no political contributions.

Directors

The directors of the company during the period were

G Tufnell	(Appointed 11 December 2007)
D Eades	(Appointed 11 December 2007)
M Kennedy	(Appointed 11 December 2007)
Hexagon Directors Limited	(Appointed 23 October 2007, resigned 11 December 2007)

Brand Acquisitions Limited

Report of the directors for the period ended 31 January 2008 (Continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company 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

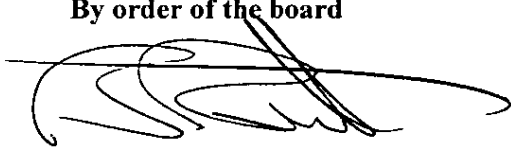
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP were appointed as auditors during the period and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



B Brett

Secretary

Date

21 May 2008

Brand Acquisitions Limited

Independent auditor's report

To the shareholders of Brand Acquisitions Limited

We have audited the group and parent company financial statements (the "financial statements") of Brand Acquisitions Limited for the period ended 31 January 2008 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those 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 directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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.

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.

Brand Acquisitions Limited

Independent auditor's report (Continued)

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 January 2008 and of its loss for the period then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 January 2008,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

Birmingham

Date *2 June 2008*

Brand Acquisitions Limited**Consolidated profit and loss account for the 3 months ended 31 January 2008**

		Continuing operations	Acquisitions	Total
		3 months ended	3 months ended	3 months ended
	Note	31 January 2008	31 January 2008	31 January 2008
		£	£	£
Turnover	2	-	1,111,316	1,111,316
Cost of sales		-	682,646	682,646
		<hr/>	<hr/>	<hr/>
Gross profit		-	428,670	428,670
Distribution costs		-	137,658	137,658
Administrative expenses		43,163	457,136	500,299
		<hr/>	<hr/>	<hr/>
Group operating loss	3	(43,163)	(166,124)	(209,287)
Other interest receivable and similar income				21,291
Interest payable and similar charges	6			(86,168)
				<hr/>
Loss on ordinary activities before taxation				(274,164)
Taxation on loss on ordinary activities	7			46,823
				<hr/>
Loss on ordinary activities after taxation				(227,341)
				<hr/>

All amounts relate to continuing activities

All recognised gains and losses in the current period are included in the profit and loss account

The notes on pages 10 to 26 form part of these financial statements

Brand Acquisitions Limited**Consolidated balance sheet at 31 January 2008**

	Note	31 January 2008 £	31 January 2008 £
Fixed assets			
Intangible assets	9		2,597,554
Tangible assets	10		572,381
			<hr/>
			3,169,935
Current assets			
Stocks	12	1,072,238	
Debtors	13	2,541,013	
Cash at bank and in hand		3,250,857	
		<hr/>	
		6,864,108	
Creditors: amounts falling due within one year	14	5,080,415	
		<hr/>	
Net current assets			1,783,693
			<hr/>
Total assets less current liabilities			4,953,628
Creditors: amounts falling due after more than one year	15		4,430,969
			<hr/>
			522,659
			<hr/>
Capital and reserves			
Called up share capital	16		210,000
Share premium account	17		540,000
Profit and loss account	17		(227,341)
			<hr/>
Shareholders' funds			522,659
			<hr/>

The financial statements were approved by the board of directors and authorised for issue on

21 May 2008



G Tufnell
Director

The notes on pages 10 to 26 form part of these financial statements

Brand Acquisitions Limited**Company balance sheet at 31 January 2008**

	Note	31 January 2008 £	31 January 2008 £
Fixed assets			
Fixed asset investments	11		6,134,086
Current assets			
Debtors	13	78,586	
Cash at bank and in hand		3,250,857	
		<u>3,329,443</u>	
Creditors: amounts falling due within one year	14	4,386,522	
Net current liabilities			<u>(1,057,079)</u>
Total assets less current liabilities			5,077,007
Creditors: amounts falling due after more than one year	15		4,430,969
			<u>646,038</u>
Capital and reserves			
Called up share capital	16		210,000
Share premium account	17		540,000
Profit and loss account	17		(103,962)
			<u>646,038</u>
Shareholders' funds			<u>646,038</u>

The financial statements were approved by the board of directors and authorised for issue on 21 MAY 2008


G Tufnell
Director

The notes on pages 10 to 26 form part of these financial statements

Brand Acquisitions Limited**Consolidated cash flow statement for the period ended 31 January 2008**

	Note	3 months ended 31 January 2008 £	3 months ended 31 January 2008 £
Net cash inflow from operating activities	21		171,056
Returns on investments and servicing of finance			
Interest received		21,291	
Interest paid		(86,168)	
Loan issue costs		(374,343)	
Net cash outflow from returns on investments and servicing of finance			(439,220)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets			(2,259)
Acquisitions and disposals			
Purchase of business operations			(5,229,057)
Cash outflow before financing			(5,499,480)
Financing			
Share capital issued		750,000	
New loans		7,822,000	
Net cash inflow from financing			8,572,000
Increase in cash	22		3,072,520

The notes on pages 10 to 26 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the results of Brand Acquisitions Limited and all of its subsidiary undertakings as at 31 January 2008 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates

Leasehold improvements	- Straight line over the life of the lease
Plant & machinery	- over 3 years
Motor vehicles	- over 4 years
Fixtures and fittings	- over 5 years
Customer branding	- over 3 years

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

1 Accounting policies (*continued*)

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

2 Turnover

	3 months ended 31 January 2008 £
Analysis by geographical market	
United Kingdom	1,065,083
Europe	46,233
	<hr/>
	1,111,316
	<hr/>

Turnover is wholly attributable to the principal activity of the group

3 Operating loss

	3 months ended 31 January 2008 £
This is arrived at after charging	
Depreciation of tangible fixed assets	24,192
Amortisation of positive goodwill	15,073
Hire of other assets - operating leases	35,581
Auditors' remuneration	
Group - audit services	3,165
Group - non-audit services	7,746
	<hr/>

Included in the group audit fee is an amount of £500 in respect of the company

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

4 Employees

Staff costs (including directors) consist of

	Group 3 months ended 31 January 2008 £
Wages and salaries	133,714
Social security costs	15,479
Other pension costs	9,064
	<hr/>
	158,257
	<hr/>

The average number of employees (including directors) during the period since the acquisition of the subsidiary undertaking was 52

No staff costs were paid by the company

5 Directors' remuneration

	3 months ended 31 January 2008 £
Directors' emoluments	22,222
Company contributions to money purchase pension schemes	-
Amounts paid to third parties in respect of directors' services	21,702
	<hr/>

DKE Management & Financial Limited, a company controlled by D Eades, which has a consultancy agreement with the company pursuant to which DKE Management & Financial Limited, through D Eades, provides consultancy services to the company for a fee. Fees and expenses paid in the period ended 31 January 2008 were £18,250

Electra Quoted Management Limited, which has a consultancy agreement with the company pursuant to which Electra Quoted Management Limited, through M Kennedy, provides consultancy services to the company for a fee. Fees and expenses paid in the period ended 31 January 2008 were £3,452

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

6 Interest payable and similar charges

**3 months
ended
31 January
2008
£**

Bank loans and overdrafts
Loan notes

42,552
43,616

86,168

7 Taxation on loss on ordinary activities

**3 months
ended
31 January
2008
£**

UK Corporation tax
Current tax on profits of the period

(29,969)

Deferred tax
Origination and reversal of timing differences

(16,854)

Taxation on loss on ordinary activities

(46,823)

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

7 Taxation on loss on ordinary activities (continued)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	3 months ended 31 January 2008 £
Loss on ordinary activities before tax	(274,164)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(82,249)
Effect of	
Expenses not deductible for tax purposes	9,709
Capital allowances for period in excess of depreciation	(2,606)
Losses carried forward	31,189
Marginal relief	(487)
Short term timing differences	14,475
Current tax charge for period	(29,969)

8 Profit for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the period includes a loss after tax of £103,962 which is dealt with in the financial statements of the parent company.

9 Intangible assets

Group	Goodwill on consolidation £
<i>Cost or valuation</i>	
Additions and at 31 January 2008	2,612,627
<i>Amortisation</i>	
Provided for the period and at 31 January 2008	15,073
<i>Net book value</i>	
At 31 January 2008	2,597,554

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

10 Tangible fixed assets

Group	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Customer branding £	Total £
<i>Cost</i>						
Additions	-	1,520	-	-	739	2,259
Acquisition of subsidiary	465,735	407,554	123,763	814,028	46,162	1,857,242
At 31 January 2008	465,735	409,074	123,763	814,028	46,901	1,859,501
<i>Depreciation</i>						
Provided for the period	5,230	2,674	2,497	11,774	2,017	24,192
Acquisition of subsidiary	232,954	398,198	92,252	523,511	16,013	1,262,928
At 31 January 2008	238,184	400,872	94,749	535,285	18,030	1,287,120
<i>Net book value</i>						
At 31 January 2008	227,551	8,202	29,014	278,743	28,871	572,381

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

11 Fixed asset investments

Company	Group undertakings £
<i>Cost</i>	
Additions and at 31 January 2008	6,134,086

The principal undertakings in which the company's interest at the period end is 20% or more are as follows

	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>		
Springrealm Limited	100%	Design and distribution of clothing
Peter Werth (Retail) Limited*	100%	Dormant

*Indirectly held by Brand Acquisitions Limited

12 Stocks

	Group 31 January 2008 £	Company 31 January 2008 £
Finished goods and goods for resale	1,072,238	-

There is no material difference between the replacement cost of stocks and the amounts stated above

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

13 Debtors

	Group 31 January 2008 £	Company 31 January 2008 £
Trade debtors	2,316,430	-
Other debtors	78,736	78,586
Prepayments and accrued income	111,679	-
Deferred taxation	34,168	-
	<u>2,541,013</u>	<u>78,586</u>

All amounts shown under debtors fall due for payment within one year with the exception of deferred taxation

	Group Deferred taxation £
On acquisition of subsidiary	17,314
Credited to profit and loss account	16,854
	<u>34,168</u>
At 31 January 2008	

Deferred taxation

	Group 31 January 2008 £	Company 31 January 2008 £
Depreciation in excess of capital allowances	13,728	-
Other timing differences	20,440	-
	<u>34,168</u>	<u>-</u>

Brand Acquisitions Limited**Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)****14 Creditors: amounts falling due within one year**

	Group 31 January 2008 £	Company 31 January 2008 £
Bank loans (secured) and overdrafts	1,888,667	1,710,330
Other loans	1,311,000	1,311,000
Trade creditors	437,909	15,275
Amounts owed to group undertakings	-	616,737
Corporation tax	218,767	-
Other taxation and social security	298,934	-
Other creditors	648,726	648,726
Accruals and deferred income	276,412	84,454
	<u>5,080,415</u>	<u>4,386,522</u>

The bank loans are secured by a charge over the assets of the company

Bank loans due within one year are shown net of issue costs amounting to £20,670

15 Creditors: amounts falling due after more than one year

	Group 31 January 2008 £	Company 31 January 2008 £
Bank loans	2,054,834	2,054,834
Loan notes	2,376,135	2,376,135
	<u>4,430,969</u>	<u>4,430,969</u>

Brand Acquisitions Limited**Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)**

15 Creditors: amounts falling due after more than one year (Continued)

Maturity of debt

Group

	Loans and overdrafts 31 January 2008 £	Loan notes 31 January 2008 £
In one year or less, or on demand	3,199,667	-
In more than one year but not more than two years	443,015	-
In more than two years but not more than five years	1,611,819	2,376,135
	2,054,834	2,376,135

Bank loans due after more than one year are shown net of issue costs amounting to £125,167. Loan notes due after more than one year are shown net of issue costs amounting to £223,864.

16 Share capital

	Authorised 31 January 2008 £	Allotted, called up and fully paid 31 January 2008 £
150,000 ordinary shares of £1 each	150,000	150,000
149,402 "A" shares of £0 10 each	14,940	14,940
450,598 "B" shares of £0 10 each	45,060	45,060
	<hr/>	<hr/>
	210,000	210,000
	<hr/>	<hr/>

On 21 December 2007 the following share transactions took place

- authorised share capital was increased from £100 to £210,000 by the creation of an additional 209,900 ordinary shares of £1 each
- 60,000 ordinary shares were sub-divided into ten shares of 10 pence each and these shares were then re-designated as 149,402 "A" shares and 450,598 "B" shares
- 149,999 ordinary shares of £1 each were issued at par
- 149,402 "A" shares of 10 pence each were issued at a premium of 90 pence per share
- 450,598 "B" shares of 10 pence each were issued at a premium of 90 pence per share

Dividend rights

No class of share carries the right to receive a dividend unless declared by the Board. All shares rank *pari passu* in all respects as to dividends as if they were one class.

Voting rights

Subject to any rights or restrictions attached to any shares, on a show of hands every ordinary shareholder and every A shareholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy, unless the proxy (in either case) or the representative is himself a member entitled to vote, shall have one vote and on a poll every Ordinary shareholder and every A shareholder shall have one vote for every share of which he is the holder.

The B shares shall not entitle the holders in that capacity to receive notice of or attend and vote at any general meeting of the Company.

Rights on a return of capital

On a return of capital of the company on a liquidation or otherwise, all shares rank *pari passu*.

Brand Acquisitions Limited**Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)**

17 Reserves**Group**

	Share premium account £	Profit and loss account £
Premium on shares issued during the period	540,000	-
Loss for the period	-	(227,341)
	<hr/>	<hr/>
At 31 January 2008	540,000	(227,341)
	<hr/>	<hr/>

Company

	Share premium account £	Profit and loss account £
Premium on shares issued during the period	540,000	-
Loss for the period	-	(103,962)
	<hr/>	<hr/>
At 31 January 2008	540,000	(103,962)
	<hr/>	<hr/>

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

18 Acquisitions

Acquisition of Springrealm Limited

On 21 December 2007, the company acquired the entire share capital of Springrealm Limited

In calculating the goodwill arising on acquisition, the fair value of the net assets of Springrealm Limited and its subsidiary undertaking have been assessed with no adjustments from book value being necessary. The book values and provisional fair values are summarised in the following table

	Book and fair value £
Fixed assets	
Tangible	594,314
Current assets	
Stocks	1,051,545
Debtors	3,069,696
Cash at bank and in hand	256,303
	<hr/>
Total assets	4,971,858
Creditors	
Due within one year	1,346,431
	<hr/>
Net assets	3,625,427
	<hr/>
	£
Cash consideration (including acquisition costs of £133,866)	5,485,360
Deferred consideration	648,726
Net assets acquired	3,625,427
Liability assumed on acquisition	(103,968)
	<hr/>
Goodwill arising on acquisition	2,612,627
	<hr/>

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (Continued)

18 Acquisitions (continued)

The results of Springrealm Limited prior to its acquisition were as follows

Profit and loss account

	46 week period up to acquisition £	Year ended 31 January 2007 £
Turnover	12,465,450	15,023,770
Operating profit	975,214	1,284,937
Net interest	(31,518)	(39,546)
Profit on ordinary activities before taxation	943,696	1,245,391
Taxation on profit from ordinary activities	293,294	390,704
Profit for the period	650,402	854,687

Cash flows

The net outflow of cash arising from the acquisition of Springrealm Limited was as follows

	£
Cash consideration	5,485,360
Cash acquired	256,303
Net outflow of cash	5,229,057

19 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £157,590. There were no outstanding or prepaid contributions at the end of the financial period.

20 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	31 January 2008 Land and buildings £
Operating leases which expire	
In two to five years	110,000
After five years	212,000
	<hr/>
	322,000
	<hr/>

The company had no annual commitments under non-cancellable operating leases

21 Reconciliation of operating loss to net cash inflow from operating activities

	3 months ended 31 January 2008 £
Operating loss	(209,287)
Amortisation of intangible fixed assets	15,073
Depreciation of tangible fixed assets	24,192
Increase in stocks	(20,693)
Decrease in debtors	562,851
Decrease in creditors	(201,080)
	<hr/>
Net cash inflow from operating activities	171,056
	<hr/>

Brand Acquisitions Limited

Notes forming part of the financial statements for the period ended 31 January 2008 (*Continued*)

22 Reconciliation of net cash flow to movement in net funds

	3 months ended 31 January 2008 £
Increase in cash	3,072,520
Cash inflow from changes in debt	(7,822,000)
Movement in net funds resulting from cash flows	(4,749,480)
Issue costs of bank loan and loan notes (net of charge for the period)	369,701
Movement in net funds	(4,379,779)
Closing net debt	(4,379,779)

23 Analysis of net funds

	Cash flow £	Other non- cash items £	At 31 January 2008 £
Cash at bank and in hand	3,250,857	-	3,250,857
Bank overdrafts	(178,337)	-	(178,337)
	3,072,520		
Debt due within one year	(3,021,330)	-	(3,021,330)
Debt due after one year	(4,800,670)	369,701	(4,430,969)
	(7,822,000)		
Total	(4,749,480)	369,701	(4,379,779)

Issue costs of £374,343 were incurred on the issue of debt during the period, of which £369,701 had not been charged to the profit and loss account at the year end