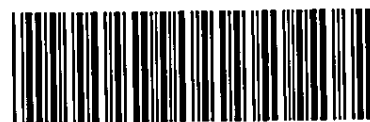


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
FOR
BRITISH HARLEQUIN PLC**

Greenaway Chartered Accountants
and Registered Auditors
150 High Street
Sevenoaks
Kent
TN13 1XE

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BRITISH HARLEQUIN PLC

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FOR THE YEAR ENDED 31 DECEMBER 2007**

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BRITISH HARLEQUIN PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2007**

DIRECTORS:

R K Dagger
A J Barwell
G Dagger

SECRETARY:

R K Dagger

REGISTERED OFFICE:

Festival House
Chapman Way
Tunbridge Wells
Kent
TN2 3EF

REGISTERED NUMBER:

1420396

AUDITORS:

Greenaway Chartered Accountants
and Registered Auditors
150 High Street
Sevenoaks
Kent
TN13 1XE

BANKERS:

Barclays Bank plc
80 High Street
Sevenoaks
Kent
TN13 1LR

BRITISH HARLEQUIN PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report with the financial statements of the company for the year ended 31 December 2007

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of dealing in goods and services connected with education, the theatre and entertainment industry

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

The directors expect that the present level of activity will be sustained for the foreseeable future

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2007 will be £119,000

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2007 to the date of this report

R K Dagger
A J Barwell
G Dagger

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The company's current policy concerning the payment of trade creditors is to settle the terms of payment with suppliers when agreeing the terms of each transaction and to abide by the company's contractual and legal obligations

The average creditors payback period for the financial year was 92 days (2006 62 days)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

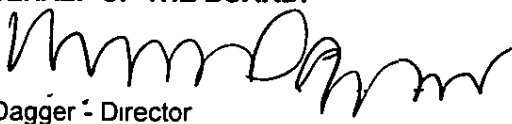
BRITISH HARLEQUIN PLC

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2007**

AUDITORS

The auditors, Greenaway Chartered Accountants, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD:


R K Dagger - Director

Date 28 7.08

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF BRITISH HARLEQUIN PLC

We have audited the financial statements of British Harlequin PLC for the year ended 31 December 2007 on pages six to twenty two. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 opinions we have formed.

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 on page two.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available to Small Entities, in the circumstances set out in note twenty three to the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
BRITISH HARLEQUIN PLC**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements



Greenaway Chartered Accountants
and Registered Auditors
150 High Street
Sevenoaks
Kent
TN13 1XE

Date 28 July 2008

BRITISH HARLEQUIN PLC**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £	2006 £
TURNOVER	2	4,103,187	3,817,065
Cost of sales		2,435,275	2,395,500
GROSS PROFIT		1,667,912	1,421,565
Administrative expenses		1,732,867	1,485,488
		(64,955)	(63,923)
Other operating income		385,107	384,611
OPERATING PROFIT	4	320,152	320,688
Interest receivable and similar income		386	330
		320,538	321,018
Interest payable and similar charges	5	48,755	46,972
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		271,783	274,046
Tax on profit on ordinary activities	6	79,808	87,671
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		191,975	186,375
Extraordinary items after taxation	7	(93,710)	-
PROFIT FOR THE FINANCIAL YEAR		98,265	186,375

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

BRITISH HARLEQUIN PLC
**BALANCE SHEET
31 DECEMBER 2007**

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	9	1,194,735	1,176,566
Investments	10	21,276	265,853
		<u>1,216,011</u>	<u>1,442,419</u>
CURRENT ASSETS			
Stocks	11	1,008,605	815,939
Debtors	12	824,133	955,496
Cash at bank and in hand		12,196	643
		<u>1,844,934</u>	<u>1,772,078</u>
CREDITORS			
Amounts falling due within one year	13	1,035,630	1,002,821
			<u>1,002,821</u>
NET CURRENT ASSETS		<u>809,304</u>	<u>769,257</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,025,315</u>	<u>2,211,676</u>
CREDITORS			
Amounts falling due after more than one year	14	(588,000)	(756,551)
PROVISIONS FOR LIABILITIES	17	(12,540)	(9,615)
NET ASSETS		<u>1,424,775</u>	<u>1,445,510</u>
CAPITAL AND RESERVES			
Called up share capital	18	50,000	50,000
Profit and loss account	19	1,374,775	1,395,510
SHAREHOLDERS' FUNDS	24	<u>1,424,775</u>	<u>1,445,510</u>

The financial statements were approved by the Board of Directors on its behalf by

28-7-08

and were signed on

R K Dagger - Director



The notes form part of these financial statements

BRITISH HARLEQUIN PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £	2006 £
Net cash inflow from operating activities	1	412,152	46,804
Returns on investments and servicing of finance	2	(48,369)	(46,642)
Taxation		(87,857)	(98,929)
Capital expenditure and financial investment	2	89,564	(18,651)
Equity dividends paid		(101,255)	(23,441)
		264,235	(140,859)
Financing	2	(171,194)	(39,037)
Increase/(Decrease) in cash in the period		93,041	(179,896)
Reconciliation of net cash flow to movement in net debt	3		
Increase/(Decrease) in cash in the period		93,041	(179,896)
Cash outflow from decrease in debt		171,194	39,037
Change in net debt resulting from cash flows		264,235	(140,859)
Movement in net debt in the period		264,235	(140,859)
Net debt at 1 January		(977,411)	(836,552)
Net debt at 31 December		(713,176)	(977,411)

The notes form part of these financial statements

BRITISH HARLEQUIN PLC

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating profit	320,152	320,688
Depreciation charges	41,858	35,756
Loss on disposal of fixed assets	1,275	2,110
Increase in stocks	(192,666)	(184,756)
Decrease/(Increase) in debtors	131,363	(187,360)
Increase in creditors	110,170	60,366
Net cash inflow from operating activities	<u>412,152</u>	<u>46,804</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007	2006
	£	£
Returns on Investments and servicing of finance		
Interest received	386	330
Interest paid	(48,755)	(46,972)
Net cash outflow for returns on Investments and servicing of finance	<u>(48,369)</u>	<u>(46,642)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(66,028)	(18,901)
Purchase of fixed asset investments	(5,423)	-
Sale of tangible fixed assets	4,725	250
Sale of fixed asset investments	156,290	-
Net cash inflow/(outflow) for capital expenditure and financial investment	<u>89,564</u>	<u>(18,651)</u>
Financing		
Loan repayments in year	(171,194)	(39,037)
Net cash outflow from financing	<u>(171,194)</u>	<u>(39,037)</u>

The notes form part of these financial statements

BRITISH HARLEQUIN PLC**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007****3 ANALYSIS OF CHANGES IN NET DEBT**

	At 1/1/07 £	Cash flow £	At 31/12/07 £
Net cash			
Cash at bank and in hand	643	11,553	12,196
Bank overdraft	(179,474)	81,488	(97,986)
	<u>(178,831)</u>	<u>93,041</u>	<u>(85,790)</u>
Debt			
Debts falling due within one year	(42,029)	2,643	(39,386)
Debts falling due after one year	(756,551)	168,551	(588,000)
	<u>(798,580)</u>	<u>171,194</u>	<u>(627,386)</u>
Total	<u>(977,411)</u>	<u>264,235</u>	<u>(713,176)</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared in accordance with UK Accounting Standards

Accounting convention

The financial statements have been prepared under the historical cost convention

Turnover

Turnover represents net invoiced sales of goods and services excluding value added tax and trade discounts

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Freehold property	- 2.5% on cost
Improvements to property	- 2.5% on cost
Fixtures and fittings	- 50% on cost for website costs
	- 15% on reducing balance for other fixtures
Plant	- 15% on reducing balance
Motor Vehicles	- 20% on reducing balance

No depreciation is provided on Freehold Land

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value after making appropriate specific provision for slow moving and obsolescent items

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Foreign currencies

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

2 TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below

	2007 £	2006 £
United Kingdom	3,319,556	3,014,237
Europe	368,838	392,245
Rest of the World	434,829	410,583
	4,123,223	3,817,065

All turnover originates from the UK

BRITISH HARLEQUIN PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007**

3 STAFF COSTS

	2007	2006
	£	£
Wages and salaries	922,697	854,853
Social security costs	100,429	86,976
Other pension costs	32,157	37,527
	<u>1,055,283</u>	<u>979,356</u>

The average monthly number of employees (including directors) during the year was as follows -

	2007	2006
Installation	9	11
Administration	7	6
Selling	8	9
Warehouse	3	3
	<u>27</u>	<u>29</u>

4 OPERATING PROFIT

The operating profit is stated after charging

	2007	2006
	£	£
Depreciation - owned assets	41,858	35,756
Loss on disposal of fixed assets	1,275	2,110
Auditor' remuneration	7,000	4,000
Remuneration of auditors for non-audit work	5,125	7,155
	<u>55,258</u>	<u>49,021</u>
Directors' emoluments	<u>165,730</u>	<u>121,966</u>

BRITISH HARLEQUIN PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007**

4 OPERATING PROFIT - continued

DIRECTORS

	2007	2006
	£	£
Remuneration	145,667	107,000
Medical insurance	20,063	14,966
Pension contributions	7,062	14,083
Employers national insurance	19,056	13,972
Management fees & commissions payable to third parties for services of the directors	55,041	55,000
	246,889	205,021

Emoluments disclosed above (excluding pension contribution) include amounts paid to

The chairman and the highest paid director	80,902	50,000
--	---------------	--------

Other directors' emoluments (excluding pension contributions) were in the following ranges

£15,000 - £20,000	1	1
£40,000 - £45,000	-	1
£60,000 - £65,000	1	-

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank interest	1,633	2,926
Bank loan interest	47,122	44,046
	48,755	46,972

6 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2007	2006
	£	£
Current tax		
UK corporation tax	77,025	88,000
Under/over provision in prior years	(143)	(1,071)
Total current tax	76,882	86,929
Deferred tax	2,926	742
Tax on profit on ordinary activities	79,808	87,671

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007

6 TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2007	2006
	£	£
Profit on ordinary activities before tax	<u>271,783</u>	<u>274,046</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%)	81,535	82,214
Effects of		
Non deductible expenses	(4,406)	2,378
Depreciation	12,557	10,727
Capital allowances	(11,641)	(7,282)
Other tax adjustments	(1,020)	(37)
Prior year overprovision	<u>(143)</u>	<u>(1,071)</u>
Current tax charge	<u>76,882</u>	<u>86,929</u>

7 EXTRAORDINARY ITEMS

	2007	2006
	£	£
Extraordinary items	<u>(93,710)</u>	<u>-</u>

As at the 31st December 2007 one of the associated companies, Harlequin International SARL, ceased trading and is in the process of being dissolved. The directors made a capital distribution of its reserves on the 25th March 2008. The loss on the investment has therefore been recognised as an extraordinary item in the Profit and Loss Account.

8 DIVIDENDS

	2007	2006
	£	£
Final	<u>119,000</u>	<u>-</u>

BRITISH HARLEQUIN PLC
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007
9 TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Plant and machinery £
COST			
At 1 January 2007	1,107,512	35,358	14,688
Additions	-	3,009	751
At 31 December 2007	1,107,512	38,367	15,439
DEPRECIATION			
At 1 January 2007	53,117	3,032	5,663
Charge for year	13,125	959	1,466
At 31 December 2007	66,242	3,991	7,129
NET BOOK VALUE			
At 31 December 2007	1,041,270	34,376	8,310
At 31 December 2006	1,054,395	32,326	9,025
	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1 January 2007	169,597	59,941	1,387,096
Additions	35,867	26,401	66,028
Disposals	-	(6,000)	(6,000)
At 31 December 2007	205,464	80,342	1,447,124
DEPRECIATION			
At 1 January 2007	119,837	28,882	210,531
Charge for year	16,016	10,292	41,858
At 31 December 2007	135,853	39,174	252,389
NET BOOK VALUE			
At 31 December 2007	69,611	41,168	1,194,735
At 31 December 2006	49,760	31,059	1,176,565

10 FIXED ASSET INVESTMENTS

	2007 £	2006 £
Shares in group undertakings	2	2
Participating interests	19,349	263,926
Other investments not loans	1,925	1,925
	21,276	265,853

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007

10 FIXED ASSET INVESTMENTS - continued

Additional information is as follows

	Shares in group undertakings £	Interest in associate undertakings £	Totals £
COST			
At 1 January 2007	2	263,926	263,928
Additions	-	5,423	5,423
Disposals	-	(250,000)	(250,000)
At 31 December 2007	2	19,349	19,351
NET BOOK VALUE			
At 31 December 2007	2	19,349	19,351
At 31 December 2006	2	263,926	263,928

Investments (neither listed nor unlisted) were as follows

	2007 £	2006 £
Trade mark cost b/fwd	1,925	1,925

The company's investments at the balance sheet date in the share capital of companies include the following

Theatre Flooring Company

Country of incorporation England

Nature of business Dormant Company

	% holding	2007 £	2006 £
Class of shares	100 00		
Ordinary			
Aggregate capital and reserves		2	2

American Harlequin Corporation

Country of incorporation USA

Nature of business Theatre and Entertainment Industry

	% holding	2007 £	2006 £
Class of shares	33 00		
Ordinary			
Aggregate capital and reserves		1,537,470	1,228,899
Profit for the year		277,286	86,772

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007

10 FIXED ASSET INVESTMENTS - continued

Harlequin International SARL

Country of incorporation Luxembourg

Nature of business Theatre and Entertainment Industry

Class of shares	%
Ordinary	holding 30 00

	2007	2006
	£	£
Aggregate capital and reserves	521,208	464,901
Profit for the year	12,458	13,653

Harlequin International SARL ceased trading on 31 December 2007

Harlequin Europe S.A.

Country of incorporation Luxembourg

Nature of business Theatre and Entertainment Industry

Class of shares	%
Ordinary	holding 30 00

	2007	2006
	£	£
Aggregate capital and reserves	929,452	497,763
Profit for the year	384,741	329,073

Harlequin Europe S A was incorporated on 24th June 2004 with a share capital of 31,000 euros divided into 620 shares with a nominal value of 50 euros each British Harlequin PLC subscribed for 186 shares amounting to a 30% investment in the total share capital All of the shares have been fully paid up, therefore 9300 euros (£6,978) been paid up by British Harlequin PLC

The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements

These accounts present information about the company as an individual undertaking and not about its group

11 STOCKS

	2007	2006
	£	£
Stocks	1,008,605	815,939

12 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade debtors	554,085	701,814
Amounts due from associate undertakings	257,644	213,626
Other debtors	-	31,449
Net wages	753	727
Prepayments and accrued income	11,651	7,880
	824,133	955,496

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Bank loans and overdrafts (see note 15)	137,372	221,503
Trade creditors	547,256	390,801
Amounts due from associated undertakings	60,892	16,829
Tax	77,025	88,000
Social security and other taxes	28,131	54,046
VAT	43,693	-
Proposed dividends	64,304	46,559
Accruals and deferred income	76,957	185,083
	<u>1,035,630</u>	<u>1,002,821</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £	2006 £
Bank loans (see note 15)	588,000	621,551
Other loans (see note 15)	-	135,000
	<u>588,000</u>	<u>756,551</u>

15 LOANS

An analysis of the maturity of loans is given below

	2007 £	2006 £
Amounts falling due within one year or on demand		
Bank overdrafts	97,986	179,474
Bank loans	39,386	42,029
	<u>137,372</u>	<u>221,503</u>
Amounts falling due between one and two years		
Bank loans - 1-2 years	<u>39,386</u>	<u>42,029</u>
Amounts falling due between two and five years		
Bank loans - 2-5 years	<u>118,159</u>	<u>126,086</u>
Amounts falling due in more than five years		
Repayable otherwise than by instalments		
Other loans more 5yrs non-inst	-	135,000
	<u>-</u>	<u>135,000</u>
Repayable by instalments		
Bank loans more 5 years	<u>430,455</u>	<u>453,436</u>

The mortgage loan is secured by a first legal charge over the freehold land and buildings

BRITISH HARLEQUIN PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007**

16 SECURED DEBTS

The following secured debts are included within creditors

	2007	2006
	£	£
Bank overdrafts	97,986	179,474
Bank loans	627,386	663,580
	<u>725,372</u>	<u>843,054</u>

Bank overdrafts are secured by a debenture dated 19 May 1993 and by cross guarantee and debenture dated 13 May 1993. The mortgage loan is secured by a land charge.

17 PROVISIONS FOR LIABILITIES

	2007	2006
	£	£
Deferred tax	<u>12,540</u>	<u>9,615</u>
		Deferred tax
		£
Balance at 1 January 2007		9,615
Increase provision		2,925
Balance at 31 December 2007		<u>12,540</u>

18 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value	2007	2006
			£	£
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid Number	Class	Nominal value	2007	2006
			£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

19 RESERVES

	Profit and loss account
	£
At 1 January 2007	1,395,510
Profit for the year	98,265
Dividends	(119,000)
At 31 December 2007	<u>1,374,775</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007**

20 PENSION COMMITMENTS

The charge in the accounts for the directors pension costs represent contributions made by the company to the personal pension schemes of the three directors

The company also contributes to a defined contribution pension scheme, which was set up for the benefit of the staff. The amount paid during the year was £25,095 (2006 £23,638). No contributions were outstanding at the end of the financial year.

21 CONTINGENT LIABILITIES

The company has a contingent liability to its bankers in respect of a Duty Deferment Guarantee for £14,000 to HM Customs Excise dated 26 May 1988.

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2007

22 RELATED PARTY DISCLOSURES

CONTROL

R K Dagger has beneficial ownership of 63.9% of the issued share capital and therefore has control of the company

TRANSACTIONS

- a) R K Dagger also has control of other limited companies to which management charges are paid by British Harlequin plc for his services. During the year amounts paid were as followed

To Kent Mercantile Limited for commission and management fees for services of R K Dagger £55,041, (2006 £55,000) and rental of warehousing space £20,000 (2006 £20,000). At the balance sheet date the amount outstanding to Kent Mercantile Limited amounted to £5,495 (2006 £13,278) representing expenses incurred on behalf of Kent Mercantile Ltd during the year

- b) British Harlequin plc makes charges to its associated company American Harlequin Corporation (AHC) as follows

For sales, marketing and management services £141,177 (2006 £166,126). These amounts are included in the profit and loss account and cover all expenses incurred on behalf of AHC during the year

Normal pricing and credit terms applied to all sales and purchase transactions

- c) British Harlequin plc holds a direct interest of 30% in 2 Luxembourg companies, Harlequin International Sarl and Harlequin Europe SA as well as 2 of the directors' holding a 70% interest in both companies. Neither R K Dagger or A J Barwell hold a position of full time director in Luxembourg, however R J Dagger does perform work on their behalf

During the normal course of business the Company charges for these services to the Luxembourg companies. The total of such charges during the year amounted to £145,542 (2006 £147,837)

The loan of 200,000 euros (£135,000) was made by Harlequin International Sarl to British Harlequin plc during 2005 was treated as being repaid during the year

As at the 31st December 2007 Harlequin International SARL ceased trading and is in the process of being dissolved. The directors made a capital distribution of its reserves on the 25th March 2008. The loss on the investment has been recognised as an extraordinary item in the Profit and Loss Account

Normal pricing and credit terms applied to all sales and purchase transactions

23 APB ETHICAL STANDARD - PROVISIONS AVAILABLE FOR SMALL ENTITIES

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements

BRITISH HARLEQUIN PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2007**

24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	98,265	186,375
Dividends	(119,000)	-
Net (reduction)/addition to shareholders' funds	(20,735)	186,375
Opening shareholders' funds	1,445,510	1,259,135
Closing shareholders' funds	1,424,775	1,445,510