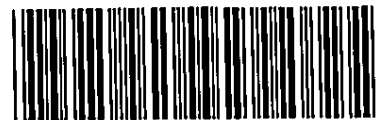


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**Report of the Directors and
Financial Statements for the Year Ended 31 December 2007
for
LRC Collections Limited**

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LRC Collections Limited

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for the Year Ended 31 December 2007**

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LRC Collections Limited
Company Information
for the Year Ended 31 December 2007

DIRECTORS	A McRobb J Domb
SECRETARY:	A McRobb
REGISTERED OFFICE	2nd Floor West Unipart House Garsington Road OXFORD Oxfordshire OX4 2PG
REGISTERED NUMBER	03193820 (England and Wales)
AUDITORS	AdamsLeeClark Registered Auditors Adam House 71 Bell Street Henley on Thames Oxfordshire RG9 2BD

LRC Collections Limited

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 acquiring and exploiting licensing rights from well known international brands in men's and women's clothing and merchandise

REVIEW OF BUSINESS

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

Following the outsourcing of the warehousing and distribution process to Unipart in 2006, we have a full year of cost reductions

This improvement to the financial structure of the business has ensured that we traded profitably in 2007. We have been able to develop new direct sourcing which has improved the gross margin further and the new emphasis on product development has considerably enhanced the product ranges in 2008

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2007

DIRECTORS

A McRobb has held office during the whole of the period from 1 January 2007 to the date of this report

Other changes in directors holding office are as follows

J Domb - appointed 13 November 2007

K Jones - resigned 12 November 2007

V Jacombs - resigned 14 March 2007

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The company agrees terms and conditions under which business transactions with suppliers are conducted. It is the company's policy that payments to suppliers should be made in accordance with these terms, provided that the supplier is also complying with the relevant terms and conditions. Trade creditor days have reduced to 125 days approximately

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

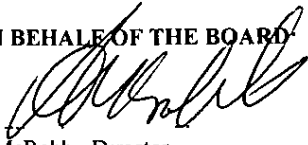
LRC Collections Limited

**Report of the Directors
for the Year Ended 31 December 2007**

AUDITORS

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

ON BEHALF OF THE BOARD


A McRobb - Director

Date

22/7/08

**Report of the Independent Auditors to the Shareholders of
LRC Collections Limited**

We have audited the financial statements of LRC Collections Limited for the year ended 31 December 2007 on pages six to fourteen. 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, except that the scope of our work was limited as explained below.

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 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 have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the company's refinancing arrangements and support from creditors. In view of the significance of this matter, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

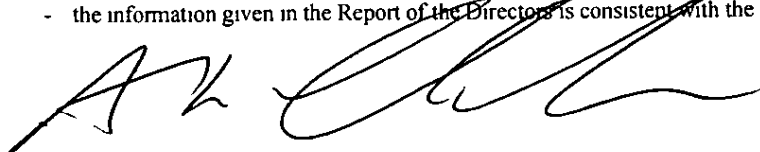
In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the Independent Auditors to the Shareholders of
LRC Collections Limited**

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



AdamsLeeClark
Registered Auditors
Adam House
71 Bell Street
Henley on Thames
Oxfordshire
RG9 2BD

Date

22/07/08

LRC Collections Limited

**Profit and Loss Account
for the Year Ended 31 December 2007**

	Notes	Year Ended 31 12 07		Period 1 2 06 to 31 12 06	
		£	£	£	£
TURNOVER	2		3,514,242		2,557,965
Cost of sales			1,697,168		1,387,662
GROSS PROFIT			1,817,074		1,170,303
Distribution costs		188,705		164,109	
Administrative expenses		1,342,858		1,175,014	
			1,531,563		1,339,123
OPERATING PROFIT/(LOSS)	4		285,511		(168,820)
Interest receivable and similar income			728		2,303
			286,239		(166,517)
Interest payable and similar charges	5		186,154		143,180
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			100,085		(309,697)
Tax on profit/(loss) on ordinary activities	6		150		-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			99,935		(309,697)

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous period

The notes form part of these financial statements

LRC Collections Limited

**Balance Sheet
31 December 2007**

	Notes	31 12 07 £	£	31 12 06 £	£
FIXED ASSETS					
Tangible assets	7		186,107		202,372
CURRENT ASSETS					
Stocks	8	647,607		624,487	
Debtors	9	852,822		758,947	
Cash at bank and in hand		50,070		12,550	
		<u>1,550,499</u>		<u>1,395,984</u>	
CREDITORS					
Amounts falling due within one year	10	<u>3,699,256</u>		<u>2,533,833</u>	
NET CURRENT LIABILITIES			<u>(2,148,757)</u>		<u>(1,137,849)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(1,962,650)</u>		<u>(935,477)</u>
CREDITORS					
Amounts falling due after more than one year	11		<u>21,934</u>		<u>1,149,042</u>
NET LIABILITIES			<u><u>(1,984,584)</u></u>		<u><u>(2,084,519)</u></u>
CAPITAL AND RESERVES					
Called up share capital	15		200		200
Share premium	16		649,900		649,900
Profit and loss account	16		<u>(2,634,684)</u>		<u>(2,734,619)</u>
SHAREHOLDERS' FUNDS	18		<u><u>(1,984,584)</u></u>		<u><u>(2,084,519)</u></u>

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



A McRobb - Director

22/07/08

and were signed on

The notes form part of these financial statements

LRC Collections Limited

Notes to the Financial Statements for the Year Ended 31 December 2007

1 ACCOUNTING POLICIES

Going Concern

The company has continued to develop its business throughout 2007 with one of its main trading partners, who also provide its principal source of finance and financial support. This has enabled the company to become profitable through a substantial increase in sales together with a reduction in its operating overheads. This has continued into the first half of 2008.

However, the improvement in the company's profitability and cashflow has not been sufficient to enable it to meet its obligations under the loan agreement. The directors have put forward proposals relating to this debt which should allow the company to meet its day to day trading commitments.

This trading partner has continued to provide financial support throughout 2007 and the directors are confident that this will continue throughout 2008 to enable the company to meet its commitments over the next 12 months.

The directors have reviewed the working capital requirements of the company for the period ended 12 months from the date of their approval of these financial statements. On the basis of this information, the continued support of its main trading partner and the implementation of their business plan, the directors believe that they are able to operate within their existing facilities. However, the margin of facilities over requirements is not large and inherently there can be no certainty in relation to these matters.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result if the support of the creditors of the company was withdrawn.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the value of goods sold, excluding value added tax.

Tangible fixed assets

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

Improvements to property	- over the term of the lease
Fixtures & equipment	- 33% on cost, 25% on cost and over the term of the lease
Motor vehicles	- 33% on cost
Computer equipment	- 33% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving 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.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

LRC Collections Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2007**

1 ACCOUNTING POLICIES - continued

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement, as it is a wholly owned subsidiary of The Collections Group Plc, a company incorporated in the United Kingdom and registered in England and Wales

2 TURNOVER

The turnover and profit (2006 - loss) before taxation are attributable to the one principal activity of the company

An analysis of turnover by geographical market is given below

	Year Ended 31 12 07 £	Period 1 2 06 to 31 12 06 £
United Kingdom	1,902,242	1,513,965
Rest of Europe	1,419,000	907,000
Rest of the World	193,000	137,000
	<u>3,514,242</u>	<u>2,557,965</u>

3 STAFF COSTS

	Year Ended 31 12 07 £	Period 1 2 06 to 31 12 06 £
Wages and salaries	448,670	423,228
Social security costs	48,514	42,735
	<u>497,184</u>	<u>465,963</u>

The average monthly number of employees during the year was as follows

	Year Ended 31 12 07	Period 1 2 06 to 31 12 06
Administration & sales	14	14
Retail shops	4	4
	<u>18</u>	<u>18</u>

LRC Collections Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2007**

4 OPERATING PROFIT/(LOSS)

The operating profit (2006 - operating loss) is stated after charging/(crediting)

	Year Ended 31 12 07	Period 1 2 06 to 31 12 06
	£	£
Other operating leases	7,783	7,865
Depreciation - owned assets	39,784	47,424
Profit on disposal of fixed assets	(1,896)	(2,018)
Auditors' remuneration	10,395	11,400
	<u>98,940</u>	<u>142,670</u>
Directors' emoluments	<u>98,940</u>	<u>142,670</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 12 07	Period 1 2 06 to 31 12 06
	£	£
Bank interest	17,390	15,163
Loan interest	163,648	127,668
Interest on late payments	5,116	349
	<u>186,154</u>	<u>143,180</u>
	<u>186,154</u>	<u>143,180</u>

6 TAXATION

Analysis of the tax charge

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

	Year Ended 31 12 07	Period 1 2 06 to 31 12 06
	£	£
Current tax		
UK corporation tax	150	-
	<u>150</u>	<u>-</u>
Tax on profit/(loss) on ordinary activities	<u>150</u>	<u>-</u>

LRC Collections Limited

**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

	Year Ended 31 12 07 £	Period 1 2 06 to 31 12 06 £
Profit/(loss) on ordinary activities before tax	100,085	(309,697)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.753% (2006 - 0%)	19,770	-
Effects of		
Permanent differences	4,254	-
Temporary differences	(601)	-
Trading losses brought forward	(23,279)	-
Rounding	6	-
Current tax charge	150	-

Factors that may affect future tax charges

The company has unrelieved trading losses of £2,483,185 (2006 - £2,600,869) to carry forward as at 31 December 2007, which are available to utilise against future profits

7 TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures & equipment £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 January 2007	148,241	76,492	49,985	8,278	282,996
Additions	-	9,931	17,923	5,519	33,373
Disposals	-	-	(16,500)	-	(16,500)
At 31 December 2007	148,241	86,423	51,408	13,797	299,869
DEPRECIATION					
At 1 January 2007	29,602	24,109	24,183	2,730	80,624
Charge for year	9,823	9,700	16,805	3,456	39,784
Eliminated on disposal	-	-	(6,646)	-	(6,646)
At 31 December 2007	39,425	33,809	34,342	6,186	113,762
NET BOOK VALUE					
At 31 December 2007	108,816	52,614	17,066	7,611	186,107
At 31 December 2006	118,639	52,383	25,802	5,548	202,372

LRC Collections Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2007**

8	STOCKS	31 12 07	31 12 06
		£	£
	Stocks	<u>647,607</u>	<u>624,487</u>
9	DEBTORS	31 12 07	31 12 06
		£	£
	Amounts falling due within one year		
	Trade debtors	690,403	648,208
	Other debtors	42,985	23,495
	Prepayments and accrued income	<u>116,217</u>	<u>87,244</u>
		<u>849,605</u>	<u>758,947</u>
	Amounts falling due after more than one year		
	Amounts owed by participating interests	<u>3,217</u>	<u>-</u>
	Aggregate amounts	<u>852,822</u>	<u>758,947</u>
10	CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	31 12 07	31 12 06
		£	£
	Bank loans and overdrafts (see note 12)	381,483	312,587
	Other loans (see note 12)	2,168,313	1,164,695
	Trade creditors	1,038,702	905,547
	Corporation tax	150	-
	Social security and other taxes	73,162	71,821
	Accrued expenses	<u>37,446</u>	<u>79,183</u>
		<u>3,699,256</u>	<u>2,533,833</u>
11	CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	31 12 07	31 12 06
		£	£
	Other loans (see note 12)	-	1,000,000
	Amounts owed to group undertakings	21,934	18,760
	Amounts owed to participating interests	-	130,282
		<u>21,934</u>	<u>1,149,042</u>

LRC Collections Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2007**

12 LOANS

An analysis of the maturity of loans is given below

	31 12 07 £	31 12 06 £
Amounts falling due within one year or on demand		
Bank overdrafts	381,483	312,587
Other loans	2,168,313	1,164,695
	<u>2,549,796</u>	<u>1,477,282</u>
Amounts falling due between one and two years		
Other loans - 1-2 years	<u>-</u>	<u>1,000,000</u>

13 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	31 12 07 £	31 12 06 £	31 12 07 £	31 12 06 £
Expiring				
Within one year	29,125	13,125	2,032	1,797
Between one and five years	-	16,000	4,044	-
In more than five years	89,040	89,040	-	-
	<u>118,165</u>	<u>118,165</u>	<u>6,076</u>	<u>1,797</u>

14 SECURED DEBTS

The following secured debts are included within creditors

	31 12 07 £	31 12 06 £
Bank overdrafts	381,483	312,587
Other loans	2,168,313	2,164,695
	<u>2,549,796</u>	<u>2,477,282</u>

Other loans relates to a loan facility with one of the company's main trading partners. This loan is secured by a debenture giving a fixed and floating charge over the company's assets. Interest is due on this loan at 2% above the Bank of England base rate, on a cumulative basis.

The bank indebtedness is secured by a guarantee of £265,000 given by director, A McRobb, which is supported by a legal charge over a freehold property owned by A McRobb.

An unlimited guarantee dated 3 April 1998 has been given by The Collections Group Plc.

LRC Collections Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2007**

15 CALLED UP SHARE CAPITAL

Authorised Number	allotted, issued and fully paid Class	Nominal value £1	31 12 07 £ 200	31 12 06 £ 200
200	Ordinary A		<u>200</u>	<u>200</u>

16 RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2007	(2,734,619)	649,900	(2,084,719)
Profit for the year	99,935		99,935
At 31 December 2007	<u>(2,634,684)</u>	<u>649,900</u>	<u>(1,984,784)</u>

17 RELATED PARTY DISCLOSURES

The immediate and ultimate parent undertaking is The Collections Group Plc, a company incorporated in the United Kingdom and registered in England and Wales, by virtue of owning 100% of the issued share capital. Copies of the group financial statements are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The company has taken advantage of the exemption from disclosure of related party transactions, available under FRS 8, with members of The Collections Group Plc or investees of The Collections Group Plc.

The Collections Group Plc have given an unlimited guarantee in respect of company bank borrowings.

During the year, the company purchased £17,204 (2006 - £15,763) from Paradigm Marketing, director A McRobb trading as, in respect of services in the normal course of business. An amount of £27 (2006 - £nil) was outstanding at the balance sheet date.

J Domb, a director, held an interest in TIM Program Limited which provided goods amounting to £498,295 (2006 - £515,205), of which £54,781 (2006 - £33,068) was outstanding at the balance sheet date. The company also rendered services to TIM Program Limited during the year amounting to £11,269 (2006 - £3,826) of which £nil was outstanding at the balance sheet date.

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 12 07 £	31 12 06 £
Profit/(Loss) for the financial year	99,935	(309,697)
Net addition/(reduction) to shareholders' funds	99,935	(309,697)
Opening shareholders' funds	<u>(2,084,519)</u>	<u>(1,774,822)</u>
Closing shareholders' funds	<u>(1,984,584)</u>	<u>(2,084,519)</u>