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BANNER LIMITED
FINANCIAL STATEMENTS
for the fifty-two weeks ended
30 October 2005



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BANNER LIMITED
FINANCIAL STATEMENTS
FOR THE FIFTY-TWO WEEKS ENDED 30 OCTOBER 2005

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The following pages do not form part of the statutory accounts:

Detailed trading and profit and loss account	Appendix 1
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BANNER LIMITED

Directors

F W Wood (Chairman)
 N R Carrick
 G Hocking
 P A Scates
 I T Parrott
 G R Parton
 H G Wilder
 N Plenderleith

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the fifty-two weeks ended 30 October 2005 ("the year").

Business review

The principal activity of the company continues to be the design, manufacture and distribution of clothing. The Michael de Leon retail concessions were closed in early 2005 resulting in exceptional costs and closure provisions.

The trading results for the year are shown in the profit and loss account on page 5.

The directors do not recommend the payment of a final dividend (2004: £nil).

The company's future development will be in its current and similar products in which there appear to be opportunities.

Directors

The membership of the Board is shown above. All served on the Board for the whole of the year, with the exception of N Plenderleith who was appointed on 22 November 2005.

Directors' shareholdings

None of the directors has any beneficial interest in the share capital of the company. The interests of Messrs F W Wood and N R Carrick in the share capital of Cosalt plc, the ultimate parent company, are disclosed by that company.

The interests of the other directors in the ordinary share capital of Cosalt plc are as follows:

	At 30 October 2005	At 31 October 2004
H G Wilder	Nil	Nil
G Hocking	Nil	Nil
P A Scates	Nil	Nil
I T Parrott	Nil	Nil
G R Parton	3,902	3,902

These holdings include shares issued under the Cosalt plc Employees' Profit Sharing Scheme.

The market price of Cosalt plc ordinary shares at 30 October 2005 was 237.5p and the range during the year was 202.5p to 367.5p.

BANNER LIMITED
DIRECTORS' REPORT (continued)

Fixed assets

The movement in tangible fixed assets are set out in note 9 to the financial statements. In note 17 to the financial statements additional information is provided on assets used by the company which are subject to lease agreements.

Payment policy

It is the policy of the company to establish terms of payment with suppliers when agreeing the terms of business.

The aim is to despatch cheques to settle undisputed accounts on the due date, or where other means of payment are used, to deliver funds as if payment had been made by cheque.

The number of days' purchases outstanding at the end of the year was 57 days (2004: 53 days).

Auditors

The auditors, KPMG Audit Plc, have expressed their willingness to continue in office.

By order of the Board



A J Robson
Secretary
Fish Dock Road
GRIMSBY

29 August 2006

BANNER LIMITED**STATEMENT OF 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 at the end of the year, and of the profit or loss of the company for that year. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC TO THE MEMBERS OF
BANNER LIMITED**

We have audited the financial statements on pages 5 to 15.

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 auditor's 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 are responsible for preparing the directors' report and as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 30 October 2005, and of its loss for the fifty-two weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

29 August 2006

BANNER LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE FIFTY-TWO WEEKS ENDED 30 OCTOBER 2005

	Note	52 weeks ended 30 October 2005 £	53 weeks ended 31 October 2004 £
Turnover			
Continuing operations	2	19,843,206	20,337,428
Discontinued operations		<u>873,642</u>	<u>1,463,132</u>
		20,716,848	21,800,560
Operating profit/(loss)	3		
Continuing operations			
(including exceptional costs of £429,023)		235,318	525,561
Discontinued operations		<u>(21,555)</u>	<u>(365,511)</u>
		213,763	160,050
Interest payable and similar charges (net)	4	<u>614,245</u>	<u>586,743</u>
Loss on ordinary activities before taxation		(400,482)	(426,693)
Taxation on loss on ordinary activities	6	<u>(133,240)</u>	<u>(88,556)</u>
Loss for the financial year		(267,242)	(338,137)
Dividends	7	<u>-</u>	<u>-</u>
Transferred from reserves	16	<u>(267,242)</u>	<u>(338,137)</u>

The company has no recognised gains or losses other than the losses for the years disclosed above; accordingly, a statement of recognised gains and losses has not been included in these financial statements.

The notes on pages 7 to 15 form part of these financial statements.

BANNER LIMITED
BALANCE SHEET – 30 OCTOBER 2005

	Note	30 October 2005 £	31 October 2004 £
Fixed assets			
Intangible assets – goodwill	8	61,095	75,470
Tangible fixed assets	9	941,465	640,769
Investments	10	<u>14</u>	<u>14</u>
		1,002,574	716,253
Current assets			
Stocks	11	4,174,892	4,381,352
Debtors	12	3,854,055	3,753,099
Bank and cash balances		<u>152,912</u>	<u>732,924</u>
		8,181,859	8,867,375
Creditors			
Amounts falling due within one year	13	<u>8,147,987</u>	<u>8,683,451</u>
Net current assets		<u>33,872</u>	<u>183,924</u>
Total assets less current liabilities		1,036,446	900,177
Creditors			
Provision for liabilities and charges	14	<u>(763,399)</u>	<u>(359,888)</u>
Net assets		<u>273,047</u>	<u>540,289</u>
Capital and reserves			
Called up share capital	15	500,000	500,000
Profit and loss account	16	<u>(226,953)</u>	<u>40,289</u>
Equity shareholders' funds	16	<u>273,047</u>	<u>540,289</u>

Approved by the Board on 29 August 2006


N R Carrick - Director

The notes on pages 7 to 15 form part of these financial statements.

BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS – 30 OCTOBER 2005

1 Accounting policies**Basis of accounting**

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention. The following accounting policies have been applied consistently in dealing with all items that are material in relation to the financial statements, except that FRS17 Retirement Benefits was adopted during the year.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No 1 on the grounds that it is a wholly owned subsidiary undertaking of a parent undertaking which publishes a consolidated cash flow statement.

Depreciation

Tangible fixed assets are depreciated on a straight-line basis at annual rates which vary depending on the type of asset but which are generally:

Freehold buildings	2%
Leasehold buildings	over term of lease
Plant and machinery	10 to 33.3%

Leased assets

Assets which are financed by leasing agreements transferring substantially all the risks and rewards of ownership (finance leases) are capitalised and depreciated over their useful lives. The liability to the leasing company is included in creditors. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account. All other payments under lease agreements are charged in full to the profit and loss account.

Stocks

Stocks are stated at the lower of cost, including an appropriate proportion of production overheads, and net realisable value.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Pension costs

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

For defined contribution schemes all contributions are charged directly to the profit and loss account in the years in which they are payable.

Foreign currency

Assets and liabilities in foreign currencies are translated into sterling at approximate 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 the transaction. All exchange differences arising are included in the profit and loss account for the year.

BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS – 30 OCTOBER 2005
(continued)

1 Accounting policies (continued)**Goodwill**

Goodwill has arisen following the acquisitions of the trade names of Johnscraft Ltd and also Michael De Leon Ltd.

The economic benefit of the goodwill arising has been estimated by the directors as being 10 years and as such the goodwill has been taken to the profit and loss account over that year.

The carrying value of goodwill is reviewed as necessary for impairment and written down if impairment is identified.

2 Turnover

Turnover represents the goods and services, excluding value added tax, invoiced to customers. The principal activity of the company is the design, manufacture and distribution of clothing, and the geographical analysis of turnover by destination is as follows:

	2005	2004
	£	£
United Kingdom	19,946,059	21,033,023
Overseas	<u>770,789</u>	<u>767,537</u>
	<u>20,716,848</u>	<u>21,800,560</u>

All turnover originated in the United Kingdom.

3 Operating profit

Operating profit has been arrived at after charging/(crediting):

	2005	2004
	£	£
Movement in stocks of finished goods and work in progress	122,677	(99,019)
Raw materials and consumables	11,182,373	12,381,217
Other external charges	3,299,095	3,193,063
Auditors' remuneration	21,933	10,199
Operating lease charges - property	414,704	475,580
- plant	63,206	44,006
Staff costs (note 5)	4,189,981	4,463,155
Depreciation on owned assets	152,968	203,411
Amortisation of goodwill	14,375	77,580
Other operating income	-	-
Other operating charges	<u>612,750</u>	<u>584,650</u>
Sub total	20,074,062	21,333,842
Exceptional costs	144,023	-
Redundancy costs (note 5)	285,000	114,157
Depreciation on impairment of assets	-	74,973
Michael De Leon Concessions closure costs	<u>-</u>	<u>117,538</u>
	<u>20,503,085</u>	<u>21,640,510</u>

Exceptional costs relate to reorganisation and restructuring.

BANNER LIMITED**NOTES ON FINANCIAL STATEMENTS – 30 OCTOBER 2005**

(continued)

4 Interest payable and similar charges (net)

	2005	2004
	£	£
Bank interest	1,495	1,723
Capital charge by parent company	612,750	584,650
On finance leases and hire purchase agreements	<u>-</u>	<u>384</u>
	614,245	586,757
Interest received	<u>-</u>	<u>(14)</u>
	<u>614,245</u>	<u>586,743</u>

5 Directors and employees

	2005	2004
	£	£
Staff costs:		
Wages and salaries	3,976,846	4,074,159
Social security costs	334,096	336,924
Other pension costs	<u>164,039</u>	<u>166,229</u>
	<u>4,474,981</u>	<u>4,577,312</u>

Emoluments of the directors of the company were:

Remuneration for management:	<u>395,147</u>	<u>435,965</u>
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Remuneration of the highest paid director for 2005 was £95,114 (2004: £116,680) including £9,539 (2004: £9,500) of pension contributions.

	Number	Number
The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying service was:	5	5
The number of directors granted share options in respect of Cosalt plc shares during the year was:	2	2
The average number of employees of the company during the year was:		
Management and administration	94	100
Production and sales staff	<u>135</u>	<u>189</u>
	<u>229</u>	<u>289</u>

BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS – 30 OCTOBER 2005
(continued)

6 Taxation on ordinary activities	2005	2004
	£	£
The taxation credit based on the loss on ordinary activities is:		
UK Corporation tax at 30% (2004: 30%)	(127,750)	(72,500)
Deferred taxation	<u>21,796</u>	<u>(21,036)</u>
	(105,954)	(93,536)
Adjustments in respect of prior years:		
Corporation tax	1,767	(2,220)
Deferred taxation	<u>(29,053)</u>	<u>7,200</u>
	<u>(133,240)</u>	<u>(88,556)</u>

Factors affecting the current tax credit

The tax assessed on the loss on ordinary activities for the year is lower (2004: higher) than the standard rate of corporation tax in the UK of 30% (2004: 30%)

The differences are reconciled below:

	2005	2004
	£	£
Loss on ordinary activities before tax	<u>(400,482)</u>	<u>(426,693)</u>
Tax at current UK Corporation tax rate of 30% (2004: 30%)	(120,145)	(128,008)
Effects of:		
Expenses not deductible for tax purposes		
Goodwill amortisation	4,313	23,274
Other	9,878	11,198
Timing differences between capital allowances and depreciation	(20,146)	24,895
Short term timing differences	(1,650)	(3,859)
Adjustments to tax charge in respect of previous periods	<u>1,767</u>	<u>(2,220)</u>
Current tax credit for year	<u>(125,983)</u>	<u>(74,720)</u>

7 Dividends	2005	2004
	£	£
Final dividend proposed of nil per share (2004: nil)	<u>—</u>	<u>—</u>

BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS – 30 OCTOBER 2005

(continued)

8 Intangible assets - goodwill

	Goodwill £
Cost	
At 31 October 2004	237,389
Disposal	(93,636)
At 30 October 2005	<u>143,753</u>
Amortisation	
At 31 October 2004	161,919
Amount charged to profit and loss account	14,375
Disposal	(93,636)
At 30 October 2005	<u>82,658</u>
Net book value	
At 30 October 2005	<u>61,095</u>
At 31 October 2004	<u>75,470</u>

Goodwill arising on the acquisition of trading assets and liabilities of the Johnscraft business is being amortised over 10 years. In the opinion of the directors this represents a prudent estimate of the year over which the group will derive economic benefit of the assets acquired.

The goodwill disposal relates to Michael De Leon which was discontinued in 2005.

Negative goodwill arising on the acquisition of trading assets and liabilities of the Banner and Beau Brummel divisions of Baird Textile Holdings plc has been fully amortised.

9 Tangible fixed assets

	Short term leasehold property £	Plant and machinery £	Total £
Cost			
At 31 October 2004	350,041	1,616,424	1,966,465
Additions	-	441,501	441,501
Group transfers	-	43,016	43,016
Disposals	<u>-</u>	<u>(45,716)</u>	<u>(45,716)</u>
At 30 October 2005	<u>350,041</u>	<u>2,055,225</u>	<u>2,405,266</u>
Depreciation			
At 31 October 2004	155,186	1,170,510	1,325,696
Charged to profit and loss account	21,307	131,661	152,968
Group transfers	-	22,457	22,457
Eliminated in respect of disposals	<u>-</u>	<u>(37,320)</u>	<u>(37,320)</u>
At 30 October 2005	<u>176,493</u>	<u>1,287,308</u>	<u>1,463,801</u>

BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 OCTOBER 2005
(continued)

9 Tangible fixed assets (continued)

	Short term leasehold property £	Plant and machinery £	Total £
Net book values			
At 30 October 2005	<u>173,548</u>	<u>767,917</u>	<u>941,465</u>
At 31 October 2004	<u>194,855</u>	<u>445,914</u>	<u>640,769</u>

Assets costing £415,145 (2004: £375,542) have been fully depreciated and are still in use.

The following tangible fixed assets held under finance lease are included in plant and machinery above:

	2005 £	2004 £
Cost	-	-
Depreciation	<u>-</u>	<u>-</u>
Net book value	<u>-</u>	<u>-</u>

10 Investments

	2005 £	2004 £
Shares in subsidiary undertakings		
Cost and net book value	<u>14</u>	<u>14</u>

The company has a 100% holding in Boy Brummel Limited and Johnscraft Limited both of which are registered in England and Wales. The company also has a 100% holding in Banner (Far East) Limited, a company registered in Hong Kong. None of the above companies traded during the year.

11 Stocks

	2005 £	2004 £
Raw materials	300,300	384,083
Work in progress	539,208	493,132
Finished goods	<u>3,335,384</u>	<u>3,504,137</u>
	<u>4,174,892</u>	<u>4,381,352</u>

12 Debtors

	2005 £	2004 £
Amounts falling due within one year:		
Trade debtors	2,609,403	2,392,159
Amount owed by ultimate holding company	251,681	251,681
Amounts due from fellow subsidiary undertakings	60,000	99,830
Group taxation relief recoverable	188,191	156,291
Deferred taxation	79,553	72,296
Other debtors	159,475	135,890
Prepayments and accrued income	<u>505,752</u>	<u>644,952</u>
	<u>3,854,055</u>	<u>3,753,099</u>

BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 OCTOBER 2005
(continued)

12 Debtors (continued)

	2005	2004
	£	£
The deferred taxation debtor comprises:		
Accelerated tax allowances	25,708	19,644
Other short term timing differences	<u>53,845</u>	<u>52,652</u>
	<u>79,553</u>	<u>72,296</u>

13 Creditors

	2005	2004
	£	£
Amounts falling due within one year:		
Bank overdraft	1,474,685	2,273,304
Trade creditors	1,474,086	1,391,619
Amounts owed to ultimate holding company	59,281	-
Amounts owed to fellow subsidiary undertakings	4,702,578	4,550,185
Other taxation	33,015	21,289
Social security	21,955	37,706
Other creditors	182,355	155,663
Accruals and deferred income	<u>200,032</u>	<u>253,685</u>
	<u>8,147,987</u>	<u>8,683,451</u>

14 Provisions for liabilities and charges

	Reorganisation provision £	MDL closure provision £	Dilapidations provision £	Warranty provision £	Total £
At 31 October 2004	-	117,538	112,350	130,000	359,888
Charged to profit and loss account	443,317	(20,978)	9,008	241,451	672,798
Provision utilised	<u>-</u>	<u>(96,560)</u>	<u>(9,008)</u>	<u>(163,719)</u>	<u>(269,287)</u>
At 30 October 2005	<u>443,317</u>	<u>-</u>	<u>112,350</u>	<u>207,732</u>	<u>763,399</u>

15 Called up share capital

	2005	2004
	£	£
Authorised, issued and fully paid: 500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

BANNER LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 OCTOBER 2005

(continued)

16 Reserves	2005 £	2004 £
Reconciliation of movements in equity shareholders' funds		
Loss for the financial year	(267,242)	(338,137)
Dividends	-	-
Net reduction in equity shareholders' funds	(267,242)	(338,137)
Opening equity shareholders' funds	<u>540,289</u>	<u>878,426</u>
Closing equity shareholders' funds	<u>273,047</u>	<u>540,289</u>
Profit and loss account	£	
Balance at 31 October 2004	40,289	
Retained loss for the year	(267,242)	
Balance at 30 October 2005	<u>(226,953)</u>	
17 Leasing obligations	2005 £	2004 £
Annual commitments due under non-cancellable operating leases are:		
Property leases which expire:		
Within one year	9,420	8,347
Between two and five years	15,000	30,456
Beyond five years	<u>285,000</u>	<u>285,000</u>
	<u>309,420</u>	<u>323,803</u>
Plant and vehicles leases which expire:		
Within one year	12,626	2,761
Between two and five years	44,385	67,227
Beyond five years	-	-
	<u>57,011</u>	<u>69,988</u>

BANNER LIMITED**NOTES ON FINANCIAL STATEMENTS - 30 OCTOBER 2005**
(continued)**18 Pension commitments**

The new pension accounting standard FRS17 Retirement Benefits has been adopted with effect from 1 November 2004.

The Company is a member of the Cosalt plc group pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17, the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. Disclosures for the scheme are shown in the Cosalt plc group financial statements. The deficit, net of deferred taxation, as at 30 October 2005 was £9,449,000.

The latest full actuarial valuation was carried out as at 31 December 2004 and was updated for FRS17 purposes as at 30 October 2005 by a qualified independent actuary. The contribution by the company for the year was £164,039 (2004: £166,229).

19 Related party transactions

The company has taken advantage of the exemption from disclosing related party transactions with other group companies, as permitted by Financial Reporting Standard No 8 as the consolidated financial statements in which the company is included are publicly available.

20 Ultimate parent company

The company is a subsidiary undertaking of Cosalt plc, which is the ultimate parent company, incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from Fish Dock Road, Grimsby DN31 3NW.