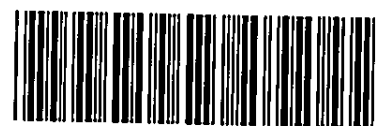


RE:CREATION GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2006

FRIDAY



A40 19/10/2007 185
COMPANIES HOUSE

RE:CREATION GROUP PLC

COMPANY INFORMATION

Directors

N Joslin
S Bishop
M Lehrter
R Munday

Secretary

R Munday

Company number

3674002

Registered office

Pentos House
Falcon Business Park
Ivanhoe Road
Finchampstead
Wokingham
Berkshire

Auditors

PKF (UK) LLP
Pannell House
Park Street
Guildford
Surrey
GU1 4HN

RE:CREATION GROUP PLC

CONTENTS

	Page
Directors' report	1 - 3
Statement of directors' responsibilities	4
Independent auditors' report	5 - 6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow statement	10
Notes to the financial statements	11 - 22

The following pages do not form part of the statutory accounts

RE.CREATION GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2006

The directors present their report and the financial statements for the year ended 30 November 2006

Principal activities

The principal activity of the group in the year under review was that of the distribution of games and lifestyle products

Business review

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

Development and performance of the company

The group's principal activities are the import and distribution of a wide range of toys and games. These toys and games are sold to most of the major retail operations in the UK, together with 'etailers' and many small independent businesses. Some sales are made outside the UK but these amounted to only about 4% of total sales in 2006 (although we expect this percentage to increase in 2007).

There have not been any significant changes in the group's principal activities in the year in question. The directors are not aware at the date of this report of any likely major changes in the group's activities in the next year, although the board is keen to explore opportunities such as flotation, joint venture or trade sale at an appropriate time.

The group is always looking to increase the range of products that it can offer to customers and a number of new lines were introduced in 2006. Some of these made a significant contribution to the growth of both revenues and profits in the year, and this will continue in future years as well. The nature of the sector in which we operate is such that it is vital that we continuously monitor our portfolio of products and seek out new opportunities wherever appropriate. The directors regard investment in product sourcing and development as a prerequisite for success in the medium to long term.

As shown in the consolidated profit and loss account on page 7, the company's sales have increased by 12.3% over the prior year and profit before tax has improved by 24.3%.

The consolidated balance sheet on page 8 of the financial statements shows that, at the end of the financial year (and after allowing for the increase in activity levels) stock and debtors were higher than at the end of the prior year, as were trade creditors and borrowings from the bank. One of the key initiatives that the directors are highlighting for 2007 is to take action to reduce the levels of stock held at any one time. This is likely to involve a link to performance-related remuneration for selected personnel.

There have been no significant events since the balance sheet date.

Principal risks and uncertainties

Competitive pressures in the UK are a continuing threat to the group, which could result in it losing sales to its key competitors. As mentioned above, the group attempts to reduce these threats by continually looking for new opportunities in order to reduce the risk associated with any one brand or product not selling in the way that the company expects. In addition, the group has devoted (and continues to devote) a lot of time to implementing improved procedures and reporting to allow the directors and senior management to evaluate potential new products and monitor the performance of existing lines.

Key Performance Indicators

The key performance indicators used to determine the progress and performance of the company are set out below.

Increase in Market Share

While the company's turnover increased by 12.3%, it is the objective of the company to continue to grow its market share steadily over the next five years. Significant investment in product development and marketing

RE CREATION GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2006

will continue

Gross Profit Margin

The company's gross profit margin increased from 17.8% to 18.1%, in a year in which it is understood that gross profits in the industry were under intense pressure. It is the intention of the group to strengthen its financial performance in the industry by monitoring, closely, its stock levels and direct costs.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 14.

The group keeps employees informed on matters relevant to them through regular company-wide or departmental meetings and e-mails.

Results and dividends

The profit for the year, after taxation, amounted to £689,314 (2005 - £559,877).

No interim dividend was paid during the year. The directors recommend no final dividend to be proposed in relation to the year ended 30 November 2006.

Directors

The directors who served during the year were

N Joslin
S Bishop
M Lehrter
R Munday

Company's policy for payment of creditors

It is the company's policy to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the company's normal practice that payment is made accordingly. During the period the company took on average 79 days to settle outstanding debts (2005 65 days).

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

On 1 January 2007, Pridie Brewster transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 1 January 2007. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

RE.CREATION GROUP PLC

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2006

This report was approved by the board on *5th October 2007* and signed on its behalf


N Joslin
Director

RE:CREATION GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 NOVEMBER 2006

The directors are responsible for preparing the annual report and 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and 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.

RE CREATION GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RE:CREATION GROUP PLC

We have audited the group and parent company financial statements ('the financial statements') of Re Creation Group Plc for the year ended 30 November 2006 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The 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 annual report and 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. We also report to you whether in our opinion the information given in the directors' report 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 directors' report 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 judgments 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.

RE CREATION GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RE:CREATION GROUP 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 group's and the parent company's affairs as at 30 November 2006 and of the group's 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 directors' report is consistent with the financial statements



PKF (UK) LLP

Registered auditors

Guildford, UK

Date *5th October 2007.*

RE:CREATION GROUP PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 NOVEMBER 2006**

	Note	2006 £	2005 £
TURNOVER	1,2	18,022,588	16,051,682
Cost of sales		<u>(14,756,449)</u>	<u>(13,198,733)</u>
GROSS PROFIT		3,266,139	2,852,949
Administrative expenses		<u>(2,254,781)</u>	<u>(2,042,894)</u>
OPERATING PROFIT	3	1,011,358	810,055
Interest receivable		3,104	603
Interest payable	7	<u>(8,337)</u>	<u>(1,068)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,006,125	809,590
Tax on profit on ordinary activities	8	<u>(316,811)</u>	<u>(249,713)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u>689,314</u>	<u>559,877</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account


The notes on pages 11 to 22 form part of these financial statements


RE CREATION GROUP PLC

CONSOLIDATED BALANCE SHEET
AS AT 30 NOVEMBER 2006

	Note	£	2006 £	As restated 2005 £
FIXED ASSETS				
Tangible fixed assets	10		63,003	44,506
CURRENT ASSETS				
Stocks	12	2,766,789		2,038,803
Debtors	13	10,945,283		8,444,384
Cash at bank and in hand		169,406		562,511
		<u>13,881,478</u>		<u>11,045,698</u>
CREDITORS amounts falling due within one year	14	(11,466,746)		(9,021,845)
NET CURRENT ASSETS			<u>2,414,732</u>	<u>2,023,853</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,477,735</u>	<u>2,068,359</u>
CAPITAL AND RESERVES				
Called up share capital	15		705,040	705,040
Profit and loss account	16		1,772,695	1,363,319
SHAREHOLDERS' FUNDS	18		<u>2,477,735</u>	<u>2,068,359</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

5th October 2007

N Joslin
Director


R Munday
Director

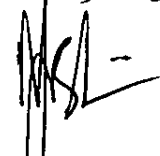
The notes on pages 11 to 22 form part of these financial statements


RE:CREATION GROUP PLC

COMPANY BALANCE SHEET
AS AT 30 NOVEMBER 2006

	Note	£	2006 £	As restated 2005 £
FIXED ASSETS				
Tangible fixed assets	10		63,003	44,506
Fixed asset investments	11		123,316	140,940
			<u>186,319</u>	<u>185,446</u>
CURRENT ASSETS				
Stocks	12	2,766,789		2,038,803
Debtors	13	10,967,949		8,458,431
Cash at bank and in hand		169,324		550,219
		<u>13,904,062</u>		<u>11,047,453</u>
CREDITORS , amounts falling due within one year	14	(11,466,664)		(8,978,243)
NET CURRENT ASSETS			<u>2,437,398</u>	<u>2,069,210</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,623,717</u>	<u>2,254,656</u>
CAPITAL AND RESERVES				
Called up share capital	15		705,040	705,040
Profit and loss account	16		1,918,677	1,549,616
SHAREHOLDERS' FUNDS	18		<u>2,623,717</u>	<u>2,254,656</u>

The financial statements were approved and authorised for issue by the board on and were signed on its behalf on 5th October 2007


N Joslin
Director


R Munday
Director

The notes on pages 11 to 22 form part of these financial statements

RE.CREATION GROUP PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 2006**

	Note	2006 £	2005 £
Net cash flow from operating activities	19	(1,241,204)	1,434,100
Returns on investments and servicing of finance	20	(5,232)	(465)
Taxation		(249,660)	(164,620)
Capital expenditure and financial investment	20	(63,448)	(44,345)
Equity dividends paid		(279,938)	(154,920)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,839,482)	1,069,750
Financing	20	147,923	-
(DECREASE)/INCREASE IN CASH IN THE YEAR		(1,691,559)	1,069,750

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 30 NOVEMBER 2006**

	2006 £	2005 £
(Decrease)/Increase in cash in the year	(1,691,559)	1,069,750
Cash inflow from increase in debt and lease financing	(147,923)	-
MOVEMENT IN NET DEBT IN THE YEAR	(1,839,482)	1,069,750
Net debt at 1 December 2005	(893,446)	(1,963,196)
NET DEBT AT 30 NOVEMBER 2006	(2,732,928)	(893,446)

The notes on pages 11 to 22 form part of these financial statements

RE.CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2006

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Basis of consolidation

The group financial statements consolidate the accounts of the company and its subsidiary undertakings made up to 30 November 2006. Group accounts are prepared using the acquisition method of accounting. No profit or loss account is presented for Re Creation Group Plc as permitted by Section 230(3) of the Companies Act 1985.

1.3 Turnover

Turnover comprises revenue earned by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	50%	straight line
Fixtures & fittings	-	50%	straight line
Fixtures & fittings	-	33%	straight line
Computer equipment	-	50%	straight line
Computer equipment	-	33%	straight line

1.6 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Stocks

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

RE:CREATION GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2006**

1 ACCOUNTING POLICIES (continued)

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

RE:CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2006

1 ACCOUNTING POLICIES (continued)

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss

1.10 Change of accounting policy

During the year, the company adopted FRS 21, Events after the balance sheet date and FRS 25, Financial instruments Disclosure and presentation

In previous years, equity dividends proposed by the Board of Directors were recorded in the financial statements and accrued as liabilities at the balance sheet date, and equity dividends paid and proposed were recorded in the profit and loss account

In accordance with FRS 21 this policy has been changed, and equity dividends proposed by the Board are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting. Equity dividends paid are dealt with as a movement on retained profits

The change in accounting policy has been dealt with as a prior year adjustment

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company

A geographical analysis of turnover is as follows

	2006 £	2005 £
UK sales	17,223,271	15,215,682
European sales	476,662	818,000
Rest of world	322,655	18,000
	<u>18,022,588</u>	<u>16,051,682</u>

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2006 £	2005 £
Depreciation of tangible fixed assets		
- owned by the company	44,951	30,194
Exchange (gains)/losses	(20,703)	(16,814)
Hire of other assets - operating leases	39,900	35,725
Auditor's remuneration	17,600	15,000
Auditor's remuneration for non audit work	6,338	2,488
	<u>87,886</u>	<u>66,593</u>

RE CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2006

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2006 £	2005 £
Wages and salaries	1,351,892	1,261,351
Social security costs	156,435	142,426
	<u>1,508,327</u>	<u>1,403,777</u>

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

	2006 No.	2005 No
Directors	4	4
Sales & Administration	28	21
	<u>32</u>	<u>25</u>

5. DIRECTORS' REMUNERATION

	2006 £	2005 £
Emoluments	<u>434,316</u>	<u>467,190</u>

The highest paid director received remuneration of £174,151 (2005 - £183,855)

6 AUDITORS' REMUNERATION

	2006 £	2005 £
Fees payable to the company's auditor for the audit of the company's annual accounts	14,600	12,350
Fees payable to the company's auditor and its associates in respect of		
The auditing of accounts of associates of the company pursuant to legislation	3,000	2,650
Other services relating to taxation	2,500	2,000
All other services	<u>3,838</u>	<u>488</u>

7 INTEREST PAYABLE

	2006 £	2005 £
On bank loans and overdrafts	8,108	1,068
Other interest payable	229	-
	<u>8,337</u>	<u>1,068</u>

RE.CREATION GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2006**

8 TAXATION

	2006 £	2005 £
Analysis of tax charge in the year		
UK corporation tax charge on profits for the year	316,864	249,713
Adjustments in respect of prior periods	(53)	-
Total current tax	<u>316,811</u>	<u>249,713</u>
Tax on profit on ordinary activities	<u>316,811</u>	<u>249,713</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before tax	<u>1,006,125</u>	<u>809,590</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	301,838	242,877
Effects of		
Non deductible expenses	10,821	8,533
Depreciation in excess of capital allowances	4,205	369
Profits not incurring taxation	-	(857)
Marginal rate relief	-	(1,209)
Adjustments to tax charge in respect of prior periods	(53)	-
Current tax charge for the year (see note above)	<u>316,811</u>	<u>249,713</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges

9 DIVIDENDS

	2006 £	2005 £
Dividends paid on equity capital	<u>279,938</u>	<u>154,920</u>

RE:CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2006

10 TANGIBLE FIXED ASSETS

Group	Motor vehicles £	Fixtures & fittings £	Total £
Cost			
At 1 December 2005	9,789	124,167	133,956
Additions	-	63,448	63,448
At 30 November 2006	9,789	187,615	197,404
Depreciation			
At 1 December 2005	7,342	82,108	89,450
Charge for the year	2,447	42,504	44,951
At 30 November 2006	9,789	124,612	134,401
Net book value			
At 30 November 2006	-	63,003	63,003
At 30 November 2005	2,447	42,059	44,506
Company			
Cost			
At 1 December 2005	9,789	124,167	133,956
Additions	-	63,448	63,448
At 30 November 2006	9,789	187,615	197,404
Depreciation			
At 1 December 2005	7,342	82,108	89,450
Charge for the year	2,447	42,504	44,951
At 30 November 2006	9,789	124,612	134,401
Net book value			
At 30 November 2006	-	63,003	63,003
At 30 November 2005	2,447	42,059	44,506

11. FIXED ASSET INVESTMENTS

RE:CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2006

Company	Shares in group undertakings £
Cost or valuation	
At 1 December 2005	140,940
Amounts written off	(17,624)
	<hr/>
At 30 November 2006	123,316
	<hr/>

The fixed asset investment relates to investments in subsidiary undertakings all of which are registered in England and Wales

Holding of 20% or more

The company holds 20% or more of the nominal value of the share capital of the following companies

Company	Country of Incorporation	Holding	Proportion Held
Billy-Bob Teeth Limited	United Kingdom	Ordinary	100%
Leapfrog Business Development & Marketing Limited	United Kingdom	Ordinary	100%
Re Creation USA Limited	United Kingdom	Ordinary	100%
Citybug UK Limited	United Kingdom	Ordinary	100%

The principal business activities of all the above companies are as follows

Billy-Bob Teeth Limited	Non-store retail and wholesale
Leapfrog Business Development & Marketing Limited	Not trading, dormant throughout period
Re Creation USA Limited	Non-store retail and wholesale
Citybug UK Limited	Not trading, dormant throughout period

12 STOCKS

	<u>Group</u>		<u>Company</u>	
	2006	2005	2006	2005
	£	£	£	£
Finished goods and goods for resale	<u>2,766,789</u>	<u>2,038,803</u>	<u>2,766,789</u>	<u>2,038,803</u>

RE-CREATION GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2006**

13 DEBTORS

	<u>Group</u>		<u>Company</u>	
	2006 £	2005 £	2006 £	2005 £
Due within one year				
Trade debtors	7,350,855	5,790,837	7,350,855	5,756,038
Amounts owed by group undertakings	-	-	23,040	49,625
Other debtors	53,738	7,274	53,364	6,495
Prepayments and accrued income	3,540,690	2,646,273	3,540,690	2,646,273
	<u>10,945,283</u>	<u>8,444,384</u>	<u>10,967,949</u>	<u>8,458,431</u>

**14. CREDITORS.
Amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	2006 £	2005 £	2006 £	2005 £
Bank loans and overdrafts	2,902,334	1,455,957	2,902,334	1,455,957
Trade creditors	3,183,451	2,290,195	3,183,449	2,290,195
Amounts owed to group undertakings	-	-	-	13,600
Corporation tax	316,864	249,713	316,864	248,919
Social security and other taxes	327,459	304,051	327,459	304,051
Other Creditors	20,565	-	20,529	-
Directors loan accounts	97,881	13,965	97,837	13,930
Accruals and deferred income	4,618,192	4,707,964	4,618,192	4,651,591
	<u>11,466,746</u>	<u>9,021,845</u>	<u>11,466,664</u>	<u>8,978,243</u>

The bank loans and overdrafts figures include the amount advanced by the factoring institution and is secured on the group's sales ledger

	2006 £	2005 £
Factoring company	<u>2,686,340</u>	<u>1,455,957</u>

15 SHARE CAPITAL

	2006 £	2005 £
Authorised		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
705,040 Ordinary shares of £1 each	<u>705,040</u>	<u>705,040</u>

RE.CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2006

16 RESERVES

	Profit and loss account £
Group	
At 1 December 2005 (as restated)	1,083,381
Prior year adjustment (note 17)	279,938
	<hr/>
At 1 December 2005 (P & L as restated)	1,363,319
Profit retained for the year	689,314
Dividends Equity capital	(279,938)
	<hr/>
At 30 November 2006	1,772,695
	<hr/>
Company	
At 1 December 2005 (as restated)	1,269,678
Prior year adjustment (note 17)	279,938
	<hr/>
At 1 December 2005 (P & L as restated)	1,549,616
Profit retained for the year	648,999
Dividends Equity capital	(279,938)
	<hr/>
At 30 November 2006	1,918,677
	<hr/>

17. PRIOR YEAR ADJUSTMENT

The prior year adjustment arises due to the company adopting FRS 21, Events after the balance sheet date and FRS 25, Financial Instruments Disclosure and presentation

In previous years, equity dividends proposed by the Board of Directors were recorded in the financial statements and accrued as liabilities at the balance sheet date, and equity dividends paid and proposed were recorded in the profit and loss account

In accordance with FRS 21 this policy has been changed, and equity dividends proposed by the Board are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting. This has resulted in an increase to the retained profit brought forward of £279,938

RE CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2006

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Group		
Opening shareholders' funds	2,068,359	1,663,402
Profit for the year	689,314	559,877
Dividends (Note 9)	(279,938)	(154,920)
Closing shareholders' funds	<u>2,477,735</u>	<u>2,068,359</u>

	2006 £	2005 £
Company		
Opening shareholders' funds	2,254,656	1,834,532
Profit for the year	648,999	575,044
Dividends (Note 9)	(279,938)	(154,920)
Closing shareholders' funds	<u>2,623,717</u>	<u>2,254,656</u>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account

The profit for the year dealt with in the accounts of the company was £965,862 (2005 - £575,044)

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	1,011,358	810,055
Depreciation of tangible fixed assets	44,951	30,194
(Increase)/decrease in stocks	(727,986)	543,939
Increase in debtors	(2,523,612)	(1,972,554)
Increase in creditors	954,085	2,022,466
Net cash (outflow)/inflow from operations	<u>(1,241,204)</u>	<u>1,434,100</u>

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	3,104	603
Interest paid	(8,336)	(1,068)
Net cash outflow from returns on investments and servicing of finance	<u>(5,232)</u>	<u>(465)</u>

RE CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2006

20 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2006 £	2005 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(63,448)	(44,345)
	<u>2006 £</u>	<u>2005 £</u>
Financing		
New secured loans	147,923	-
	<u>147,923</u>	<u>-</u>

21. ANALYSIS OF CHANGES IN NET DEBT

	1 December 2005 £	Cash flow £	Other non-cash changes £	30 November 2006 £
Cash at bank and in hand	562,511	(393,105)	-	169,406
Bank overdraft	(1,455,957)	(1,298,454)	-	(2,754,411)
	<u>(893,446)</u>	<u>(1,691,559)</u>	<u>-</u>	<u>(2,585,005)</u>
Debt.				
Debts due within one year	-	(147,923)	-	(147,923)
Net debt	<u>(893,446)</u>	<u>(1,839,482)</u>	<u>-</u>	<u>(2,732,928)</u>

22. OPERATING LEASE COMMITMENTS

At 30 November 2006 the Group and Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
Group and Company	2006 £	2005 £	2006 £	2005 £
Expiry date.				
Between 1 and 5 years	39,900	39,900	-	-
	<u>39,900</u>	<u>39,900</u>	<u>-</u>	<u>-</u>

RE CREATION GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2006

23. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption allowed by the Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Re Creation Group Plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements

Included within Other Debtors is an amount of £47,837 due from a Partnership owned by S Bishop and N Joslin, directors of Re Creation Group Plc. The amount arose on the purchase of a motor vehicle by Re Creation Group Plc on behalf of the Partnership and the transaction was undertaken on an arms length basis in the normal course of business