

Directors

L A Yates
M Kirkland
A Hutchinson
G Hirsch
M Henry

4347937

Secretary

Chariot House Limited

Auditors

Ernst & Young LLP
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London SE1 2AF

Bankers

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London Corporate Banking
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CHAIRMAN'S STATEMENT

For the year ended 31 December 2003 turnover fell by £341,000 from £1,616,000 to £1,275,000 as compared to the 12 months ended 31 December 2002 and profits before tax fell by £793,000 from £335,000 resulting in a loss before tax of £458,000.

These results reflect the impact of the administration of the company's main UK Admiral licensee with royalty income for the period from this area of activity falling from £589,000 to £14,000. The company also suffered a lower than expected income from the sales of England and West Indian replica cricket kit and branded apparel, an activity that was hurriedly taken over by the group as part of a complete reorganisation of the company's Admiral business in the UK.

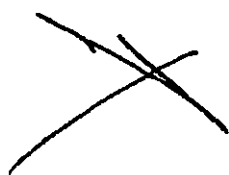
On a positive note, the operation of the Admiral England and West Indian cricket team sponsorships is now fully integrated into the structure of IBL, and, along with the appointment of ASDA as Admiral's UK retail licensee partner, I am confident our current trading activity will lead to future growth.

The first 6 months of 2004 are expected to show sales exceeding those achieved in the whole of 2003 and the potential growth in income generated by the company's brands has never been greater. The company continues to identify and appoint new licensee partners covering additional products, areas of distribution and territories, with the successful launch of our Admiral brand in George at ASDA in May this year going a long way to ensure this process can now continue at a pace.

Subsequent to its acquisition by Swiss Cutlery Limited, our Mountain Equipment technical licensee in Europe, OSC, is investing heavily in the brand and has embarked upon a strategy to significantly expand the distribution of its Mountain Equipment products across the UK and Europe. This initiative will in turn result in the growth of royalty income to IBL.

Despite an extremely difficult period, IBL has emerged a stronger company with stronger trading partners. Our confidence in the value and revenue generating potential of our brands is high, the initial proof of which will be demonstrated in the results of the company in this current year.

Finally, I would like to thank our staff for all their hard work and dedication and our shareholders for their continuing support over the last 12 months.



Lance Yates
Chairman
30 June 2004

OPERATING AND FINANCIAL REVIEW

Review of results

Turnover for the year decreased from £1.6 million to £1.3 million in 2003. Profit before tax on ordinary activities arising from this revenue stream decreased from £335,000 to a loss of £458,000. As discussed in the Chairman's statement this was primarily caused by the company's UK Admiral licensee going into administration.

Interest

Interest of £166,000 (2002 – £95,000) charged during the year included interest on the capital loan of £2.8 million agreed with Barclays Bank PLC at the time of demerger and drawn down in October 2002.

Taxation

Tax assessed on the loss for the year is £17,000 (2002 – £192,000), a full analysis of the charge is provided in note 9 on page 17.

Cash flow

The activities for the year resulted in a net inflow from operating activities of £265,000 (2002 – £132,000). Investment capitalised in the intangible fixed assets, the Mountain Equipment and Admiral trade marks, amounted to £nil (2002 – £99,000) together with payment of foreign withholding taxes of £118,000 (2002 – £128,000) resulted in a net cash outflow before financing of £38,000 (2002 – £100,000).

Repayment of bank borrowings resulted in a net financing outflow during the year of £125,000 and a net decrease in cash for the year of £163,000 (2002 – increase of £188,000).

Funding and liquidity risk

Net debt at the end of the year was £2.8 million (2002 – £2.7 million) shown in note 23 on page 21. This figure included the balance on the loan outstanding to Barclays Bank PLC of £2.8 million. A schedule of loan repayments is shown in note 25 on page 22.

Interest rate risks

The bank borrowings are denominated in sterling and bear interest at a floating rate based on LIBOR. The group does not have any currency exposure on monetary liabilities.

Currency exposure

Licensing income is received in a range of currencies, principally Swiss francs, which the group matches with the operational costs and expenditure of the Swiss subsidiary. The group operates a number of foreign currency bank accounts to assist currency management.

DIRECTORS' REPORT

The directors present their report and group financial statements for the year ended 31 December 2003.

Executive directors

LANCE YATES, Executive Chairman. Lance Yates has been involved in the brand development and licensing business for over 20 years. He founded Mobile Merchandising Company in 1976 and remained managing director until 1988. He joined Licensed Clothing International as managing director before leaving in 1991 to become Chief Executive of LMG plc. Lance was Chief Executive of Hay & Robertson plc from 1995 until the summer of 2003, and has been Executive Chairman of International Brand Licensing plc since its incorporation in 2002.

TONY HUTCHINSON, Chief Executive. Tony Hutchinson held a number of senior managerial positions for Coats Viyella plc between 1973 and 1988 when he left to join Umbro International Ltd. In 1990 he was appointed to the executive board and 1995 he was appointed Director of International Licensing, a position he held until he left the company. He has been Chief Executive of International Brand Licensing AG since January 2000.

MARK KIRKLAND, Finance Director. Mark Kirkland is a member of the Institute of Chartered Accountants of England & Wales, having qualified with Price Waterhouse London. He was appointed to the board on 29 January 2004, having acted as consultant to the company during 2003. He has significant small company corporate finance experience gained predominantly with UBS Limited.

Non-executive directors

GLYN HIRSCH. Glyn Hirsch is a member of the Institute of Chartered Accountants of England & Wales. He joined the corporate finance department of Phillips and Drew (latterly UBS Limited) in 1985 and became a director in 1990 and an executive director in 1995. In 1995 he left UBS Limited to become chief executive of CLS Holdings Plc where he remained until 2001. In March 2002 he was appointed executive chairman of I.O. Group Limited. He is also a director of Raven Mount plc and a non-executive director of Liontrust Asset Management PLC as well as a number of other public and private companies.

MICHAEL HENRY. Michael Henry is a solicitor who specialises in intellectual property and media law and who has written extensively in this field. He is named in the Chambers Guide to the Legal Profession as one of the UK's leading lawyers in the area of media, communications, intellectual property and e-commerce.

Results and dividends

Sales for the year were £1.3 million and the group made a retained loss of £0.5 million. The directors do not recommend payment of a final ordinary dividend for the year.

DIRECTORS' REPORT CONTINUED

Principal activities

The principal activity of the group is the development and exploitation of a portfolio of sports and lifestyles brands, trademarks, trade names and logos. The group seeks to exploit the value of its brands by granting licences to third parties authorising the manufacture, marketing and sale of specified licensed products for a fixed term by reference to a particular territory.

Review of the business and future developments

The chairman's statement and the operating and financial review, which appear on pages 2 to 3, give a review of the group's business over the year and an indication of future developments.

The group successfully entered into several new licensing agreements with new licensees during the year, which have begun to generate royalty income streams during 2003 and beyond. In addition, the directors believe that a number of opportunities exist to develop further the group's portfolio of brands.

The subsidiary undertakings principally affecting the results or net assets of the group are set out in note 15 on page 19 to the financial statements.

On 30 January 2004 the company announced that it had issued an additional 2,755,551 ordinary shares at £0.18 per share, raising £495,999 (before expenses) to be utilised for short term working capital purposes.

Directors and their interests

The current directors are disclosed above. G Shepherd resigned as a director on 23 October 2003.

The directors' interests, all of which are beneficially held in the shares of the company are set out below:

	<i>At 31 December 2003</i>	<i>At 31 December 2002</i>	<i>At 30 June 2004</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>	<i>Ordinary shares</i>
	<i>of 1p each</i>	<i>of 1p each</i>	<i>of 1p each</i>
L A Yates	2,520,000	2,520,000	2,881,111
A Hutchinson	3,750	—	48,194
G Hirsch	211,858	211,858	334,080

Post year end the company issued 2,755,551 new ordinary shares, which resulted in the changes to the directors' interests in the ordinary shares of the company as set out above.

Directors' interest in share options are disclosed in note 5 to the financial statements on page 16.

DIRECTORS' REPORT CONTINUED

Charitable and political donations

The group made no charitable or political donations in the year.

Creditor payment policy

It is the group's policy to negotiate competitive terms with its suppliers. As at year end the group's outstanding creditors days were 110 and the company's outstanding creditors days were 100.

Special business at the annual general meeting

Resolutions will be placed before forthcoming annual general meeting to:

- (i) extend the powers of the directors to allot shares under section 80 of the Companies Act 1985, such authority to remain in force for a period of up to 15 months from the passing of the resolution or the date of the next Annual General Meeting; and
- (ii) disapply section 89(1) of the Companies Act 1985 to a limited extent, such authority to remain in force for a period up to 15 months from the passing of the resolution or the date of the next Annual General meeting.

Auditors

An ordinary resolution to reappoint Ernst & Young LLP as auditors will be proposed to the members at the Annual General Meeting.

Going concern

The directors, having had regard to the group's forecast working capital requirement and the facilities available, together with other relevant factors, have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board



Director

30 June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the members of International Brand Licensing Plc

We have audited the group's financial statements for the year ended 31 December 2003 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 25. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, Chairman's Statement and Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of International Brand Licensing Plc

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 group'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.

Fundamental uncertainty – going concern

In arriving at our audit opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty over the ability of the group to achieve trading improvements, and thereby to meet the repayment schedule and the covenant conditions in relation to the term loan of £2.8 million advanced by the group's bankers. The group's ability to operate within the terms and conditions is fundamental to the ability of the group to continue as a going concern. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

London

30 June 2004

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
TURNOVER	2	1,275	1,616
Cost of sales		(176)	—
GROSS PROFIT		1,099	1,616
Administrative expenses		(1,322)	(730)
Exceptional administrative expenses	4	(69)	(457)
OPERATING (LOSS)/PROFIT		(292)	429
Interest receivable	7	—	1
Interest payable	8	(166)	(95)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		(458)	335
— before exceptional items		(389)	792
— exceptional items	4	(69)	(457)
	3	(458)	335
Tax on profit on ordinary activities	9	(17)	(192)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(475)	143
Ordinary dividend on equity shares	11	—	—
RETAINED (LOSS)/PROFIT FOR THE YEAR		(475)	143
(LOSS)/EARNINGS PER ORDINARY SHARE			
After exceptional items			
— Basic	12	(1.7p)	0.6p
— Diluted	12	(1.7p)	0.6p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 £000	2002 £000
(Loss)/Profit for the year	(475)	143
Exchange differences	31	179
Total recognised gains and losses relating to the year	(444)	322

GROUP BALANCE SHEET

AT 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Intangible assets	13	5,811	5,775
Tangible assets	14	22	20
		<u>5,833</u>	<u>5,795</u>
CURRENT ASSETS			
Stock	16	70	—
Debtors	17	383	434
Cash at bank and in hand		40	203
		<u>493</u>	<u>637</u>
Creditors: amounts falling due within one year	18	<u>(1,493)</u>	<u>(905)</u>
NET CURRENT LIABILITIES		<u>(1,000)</u>	<u>(268)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,833</u>	<u>5,527</u>
Creditors: amounts falling due after more than one year	19	<u>(2,375)</u>	<u>(2,625)</u>
NET ASSETS		<u><u>2,458</u></u>	<u><u>2,902</u></u>
CAPITAL AND RESERVES			
Share capital	20	276	276
Share premium	21	1,887	1,887
Merger reserve	21	244	244
Profit and loss account	21	51	495
SHAREHOLDERS' FUNDS		<u><u>2,458</u></u>	<u><u>2,902</u></u>

The financial statements were approved by the Board on 30 June 2004.



Director

COMPANY BALANCE SHEET

AT 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Investments	15	213	213
CURRENT ASSETS			
Debtors – amounts falling due:			
within one year	17	38	12
after more than one year	17	4,223	4,742
Cash at bank and in hand		20	94
		<u>4,281</u>	<u>4,848</u>
Creditors: amounts falling due within one year	18	(958)	(438)
NET CURRENT ASSETS		<u>3,323</u>	<u>4,410</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,536</u>	<u>4,623</u>
Creditors: amounts falling due after more than one year	19	(2,375)	(2,625)
NET ASSETS		<u><u>1,161</u></u>	<u><u>1,998</u></u>
CAPITAL AND RESERVES			
Share capital	20	276	276
Share premium	21	1,887	1,887
Profit and loss account	21	(1,002)	(165)
SHAREHOLDERS' FUNDS		<u><u>1,161</u></u>	<u><u>1,998</u></u>

The financial statements were approved by the Board on 30 June 2004.



Director

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £000	2002 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	265	132
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(174)	—
TAXATION			
Foreign taxes paid		(118)	(128)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of intangible fixed assets		—	(99)
Purchase of tangible fixed assets		(11)	(5)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(11)	(104)
NET CASH OUTFLOW BEFORE FINANCING		(38)	(100)
FINANCING			
Repayment of intercompany balances to Hay & Robertson plc on demerger		—	(4,600)
New bank borrowing		—	2,938
Repayment of bank borrowing		(125)	—
Issue of ordinary shares		—	2,500
Less expenses of issue		—	(550)
NET CASH INFLOW FROM FINANCING		—	288
INCREASE/(DECREASE) IN CASH IN THE YEAR	23	(163)	188

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2003

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements are prepared under the historic cost convention and in accordance with applicable accounting standards. Transactions and balances between companies in the group have been eliminated.

BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of International Brand Licensing plc and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for International Brand Licensing plc as permitted by section 230 of the Companies Act 1985.

GOING CONCERN

The financial statements have been prepared on the assumption that the group is a going concern. The group's ability to continue as a going concern is dependent on the group's ability to achieve substantial revenue growth and improvements in gross margin on a sustained basis, and thereby to meet the repayment schedule and covenant conditions in relation to the term loan of £2.8 million, which has been advanced by the group's bankers. The directors have prepared forecasts, on which basis they are confident that the group should be able to continue as a going concern.

Accordingly, the directors have prepared the financial statements on a going concern basis. If the group does not meet its forecasts and subsequently is unable to renegotiate revisions to the terms and conditions in relation to the term loan, then the going concern basis may not be appropriate. The financial statements do not include any adjustments which would result should the going concern basis not be appropriate.

TANGIBLE ASSETS

Tangible fixed assets are stated at cost. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, evenly over its expected useful life at the following rates:

Fixtures and fittings	—	25%
Computer equipment	—	33.3%

INTANGIBLE ASSETS

Intangible assets represent acquired trademarks and are recorded at historic cost. No amortisation is charged as they are regarded as having infinite lives. The annual results reflect the significant expenditure incurred in the support and development of these brands. In addition, the trademarks are supported by the existence of international licensee agreements, which establish obligations as to guaranteed minimum licence income and marketing arrangements with the view to maximising long-term growth. The directors believe that the licence agreements will be renewed at the end of their legal expiry dates and that the value of the trademarks will be maintained. The carrying values are reviewed annually in accordance with Financial Reporting Standard No. 11 "Impairment of fixed assets and goodwill" with a view to write down if impairment arises.

STOCK

Stocks are stated at the lower of cost and net realisable value.

FOREIGN CURRENCIES

Group

The financial statements of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves.

Company

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of long-term intercompany balances are taken directly to reserves. Other exchange differences are taken to the profit and loss account.

Pensions

The company contributes to money purchase schemes on behalf of certain directors. Costs are charged to the profit and loss account as incurred.

2. TURNOVER

The turnover and pre-tax profit is attributable to the principal activity of the group. An analysis of turnover by geographical destination is given below.

	2003	2002
	£000	£000
United Kingdom	853	1,203
Europe and Scandinavia	104	66
North America	202	156
Asia including Japan	34	135
Rest of the World	82	56
	<u>1,275</u>	<u>1,616</u>

The net assets of the group are predominantly in the Swiss subsidiary where the brands are held. The directors consider that disclosure of the net profit by geographical destination would be prejudicial to the interests of the group.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging:

	2003	2002
	£000	£000
Auditors' remuneration	66	49
Depreciation on tangible assets	9	7
Payments under operating leases – property	9	23
plant and machinery	9	–
	<u>93</u>	<u>79</u>

The amount of remuneration Ernst & Young LLP have received for non audit work carried out for the company and its subsidiaries in the year is nil.

4. EXCEPTIONAL ITEMS

Exceptional items comprise of a write off for bad debts of £69,000 in respect of amounts owed by Hay & Robertson plc and its subsidiaries. In 2002 exceptional items comprise costs of £184,000 incurred in connection with the demerger transaction and provision for bad debts of £273,000 in respect of amounts owed by Hay & Robertson plc and its subsidiaries.

5. DIRECTORS' REMUNERATION

	2003	2002
	£000	£000
Salaries	143	185
Fees	212	24
Bonus	–	42
Benefits	9	9
Pensions	15	–
	<u>379</u>	<u>260</u>

Details of remuneration and interests in share options for each director are set out below.

	Basic salary and fees £000	Pension £000	Benefits £000	Total 2003 £000	Total 2002 £000
Executive directors					
L A Yates	195	15	6	216	89
A Hutchinson	100	–	3	103	102
G Shepherd	18	–	–	18	45
	<u>313</u>	<u>15</u>	<u>9</u>	<u>337</u>	<u>236</u>

5. DIRECTORS' REMUNERATION continued

	Basic salary and fees £000	Pension £000	Benefits £000	Total 2003 £000	Total 2002 £000
Non-executive directors					
G Hirsh	20	—	—	20	12
M Henry	22	—	—	22	12
	<u>42</u>	<u>—</u>	<u>—</u>	<u>42</u>	<u>24</u>

Share options

At 31 December 2002 and 2003 options were held by directors as follows:

	No. of ordinary shares of 1p each	Exercise period	Option price per share
Lance Yates			
A Options	1,929,060	5 June 2005 – 5 June 2012	40p
B Options	1,929,060	5 June 2007 – 5 June 2012	40p
Tony Hutchinson			
A Options	551,160	5 June 2005 – 5 June 2012	40p
B Options	551,160	5 June 2007 – 5 June 2012	40p

Both A and B options are subject to performance conditions that depend on the market price of IBL ordinary shares. B options may only be exercised if A options are capable of being exercised in full.

No share options were granted during the year.

6. STAFF COSTS

	2003 £000	2002 £000
Wages and salaries	478	251
Social security	32	22
Pension contributions	16	11
	<u>526</u>	<u>284</u>

The number of employees, including directors, of the group on average for the year was:

	No.	No.
Administration	5	3
Sales	2	2
	<u>7</u>	<u>5</u>

7. INTEREST RECEIVABLE

	2003 £000	2002 £000
Bank interest	—	1

8. INTEREST PAYABLE

	2003 £000	2002 £000
Bank borrowings and overdrafts	166	95

9. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

	2003 £000	2002 £000
Current tax:		
UK corporation tax	–	178
Tax under/(over) provided in prior years	–	–
	–	178
Double tax relief	–	(62)
	–	116
Withholding tax	4	14
Foreign tax – current year	15	41
– prior year adjustment	(2)	21
	17	192
Deferred tax:		
Origination and reversal of timing differences	–	–
Tax under/(over) provided in prior years	–	–
	–	–
Total tax charge	17	192

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are reconciled below:

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	(458)	335
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2002 – 30%)	(137)	100
Expenses not deductible for tax purposes	60	(5)
Unutilised losses carried forward	77	–
UK Corporation tax on remittance of foreign profits	15	19
Withholding tax on remittance of foreign profits	4	14
Tax due on exchange differences in reserves	–	43
Lower taxes on foreign profits	–	–
Prior year adjustment – foreign tax	(2)	21
Total current tax charge	17	192

10. LOSS ATTRIBUTABLE TO INTERNATIONAL BRAND LICENSING PLC

The loss for the year in the financial statements of International Brand Licensing Plc was £864,000 (2002 – £287,000). As provided by section 230 of the Companies Act 1985, no profit and loss account is presented in respect of International Brand Licensing Plc.

11. DIVIDENDS – EQUITY DIVIDENDS ON ORDINARY SHARES

The company directors do not propose a dividend for 2003 (2002 – £nil).

12. EARNINGS PER ORDINARY SHARE

	2003 No.	2002 No.
Weighted average ordinary shares in issued during the year	27,557,802	24,903,890
Dilutive effect of share options	—	—
Diluted weighted average ordinary shares	27,557,802	24,903,890
	£000	£000
(Loss)/profit for the year before exceptional items	(406)	600
Exceptional items	(69)	(457)
Net (loss)/profit for the financial year	(475)	143
	Pence	Pence
Basic earnings per 1p ordinary share		
After exceptional items	(1.7)	0.6
Diluted earnings per 1p ordinary share		
After exceptional items	(1.7)	0.6

13. INTANGIBLE FIXED ASSETS

Group	2003 £000	2002 £000
Cost and net book value:		
At 1 January	5,775	5,223
Additions	—	99
Exchange differences	36	453
At 31 December	5,811	5,775

The group's trade marks are held by the Swiss subsidiary, whose functional currency is Swiss Francs. Exchange differences arise upon the retranslation of the assets into Pounds Sterling at the balance sheet date.

14. TANGIBLE FIXED ASSETS

Group	Fixtures and fittings £000	Plant and machinery £000	Total £000
Cost:			
At 1 January 2003	36	—	36
Additions	3	8	11
Exchange differences	—	—	—
At 31 December 2003	39	8	47
Depreciation:			
At 1 January 2003	16	—	16
Charge for the year	8	1	9
At 31 December 2003	24	1	25
Net book value at:			
At 31 December 2003	15	7	22
At 31 December 2002	20	—	20

15. INVESTMENTS

Company	2003 £000	2002 £000
Cost:		
Subsidiary undertakings	<u>213</u>	<u>213</u>

Name of company	Nature of business	Proportion of nominal value of shares held
International Brand Licensing AG**	Intellectual property management	100%
International Brand Holdings Limited	Intellectual property management	100%

**Incorporated and registered in Switzerland

International Brand Licensing AG is held indirectly via International Brands Holdings Limited.

International Brand Licensing AG holds a 49% stake in Admiral Asia (L) Limited, an associate company incorporated and registered in Malaysia. The effect of the results of Admiral Asia (L) Limited on the group's profit for the year is not material and has therefore not been consolidated into these financial statements.

16. STOCK

Stock is held by a subsidiary undertaking. It comprises mainly branded clothing which is sold predominantly in the United Kingdom through third party retail outlets.

	Group	Company
	2003 £000	2002 £000
Stock – Finished goods	<u>70</u>	<u>–</u>
	<u>70</u>	<u>–</u>

17. DEBTORS

	Group	Company
	2003 £000	2002 £000
Trade debtors	239	281
Other debtors	31	6
Amounts due from subsidiary undertakings:		
after more than one year	–	–
Withholding tax	110	124
VAT recoverable	3	23
	<u>383</u>	<u>434</u>
	<u>383</u>	<u>4,261</u>
		<u>4,754</u>

18. CREDITORS: amounts falling due within one year

	Group	Company
	2003 £000	2002 £000
Bank borrowings (secured)	438	313
Trade creditors	301	99
Amounts due to subsidiary undertakings	–	–
Corporation tax	188	303
Other taxes and social security	30	35
Accruals and deferred income	194	155
Other creditors	342	–
	<u>1,493</u>	<u>905</u>
	<u>1,493</u>	<u>958</u>
		<u>438</u>

19. CREDITORS: amounts falling due after more than one year

	2003	Group	2003	Company
	£000	2002	£000	2002
		£000		£000
Bank borrowings (secured)	2,375	2,625	2,375	2,625
	2,375	2,625	2,375	2,625

20. SHARE CAPITAL

	2003		2002
	No.	£000	No.
			£000
Ordinary shares of 1p each			
Authorised	50,000,000	500	50,000,000
			500
Issued, called up and fully paid	27,557,802	276	27,557,802
			276

Subsequent to the year end, on 30 January 2004, the company announced that it had issued an additional 2,755,551 ordinary shares at 18 pence per share. Funds raised were used for short term working capital purposes.

21. RESERVES

	Share premium account	Merger reserve	Profit and loss account	Total
	£000	£000	£000	£000
Group				
At 1 January 2003	1,887	244	495	2,626
Exchange difference	—	—	31	31
Loss for the year	—	—	(475)	(475)
At 31 December 2003	1,887	244	51	2,182
Company				
At 1 January 2003	1,887	—	(165)	1,722
Exchange difference	—	—	27	27
Loss for the year	—	—	(864)	(864)
At 31 December 2003	1,887	—	(1,002)	885

22. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2003	2002
	£000	£000
Loss for the year	(475)	143
Exchange differences	31	179
Issue of ordinary shares	—	1,950
Movement in merger reserve arising upon demerger	—	416
Net increase/(decrease) in shareholders' funds	(444)	2,688
Shareholders' funds at 1 January	2,902	214
Shareholders' funds at 31 December	2,458	2,902

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash inflow from operating activities

	2003	2002
	£000	£000
Operating loss	(292)	429
Depreciation	9	7
(Increase)/decrease in debtors	37	(120)
Increase/(decrease) in creditors	573	(184)
(Increase) in stock	(70)	-
Loss on exchange	8	-
	<u>265</u>	<u>132</u>

(b) Reconciliation of net cash inflow to movement in net debt

	2003	2002
	£000	£000
(Decrease)/increase in cash in the year	(163)	188
Decrease/(increase) in bank borrowings	125	(2,938)
	<u>(38)</u>	<u>(2,750)</u>
Non-cash movements	-	1,930
Exchange differences	-	(89)
Net debt at beginning of year	(2,735)	(1,826)
	<u>(2,773)</u>	<u>(2,735)</u>

(c) Analysis of net debt

	At 1 January 2003 £000	Cash flow 2003 £000	At 31 December 2003 £000
Cash at bank	203	(163)	40
Bank borrowings	(2,938)	125	(2,813)
	<u>(2,735)</u>	<u>(38)</u>	<u>(2,773)</u>

24. OPERATING LEASE COMMITMENTS

The annual commitment in respect of operating lease categorised by year of expiry is as follows:

	2003 £000	Group 2002 £000	2003 £000	Company 2002 £000
Land and buildings				
Within one year	-	20	-	20
Two to five years	9	-	-	-
Motor vehicles				
Within one year	-	-	-	-
Two to five years	13	-	-	-

25. FINANCIAL RISK MANAGEMENT

An explanation of the group's policies and strategies for the role of financial instruments in managing the risks of the group in its activities is given in the operational and financial review.

(a) Interest risk profile of financial liabilities

The financial liabilities of the group comprised:

	2003	2002
	£000	£000
Bank borrowings	<u>2,813</u>	<u>2,938</u>

Bank borrowings are denominated in sterling and bear interest at a floating rate based on LIBOR. The group does not have any currency exposure on monetary liabilities.

(b) Interest risk profile of financial assets

	2003	2002
	£000	£000
Sterling	27	94
Swiss francs	—	14
Euros	13	95
US dollars	—	—
	<u>40</u>	<u>203</u>

The financial assets consist of cash at bank, which attracts interest at commercial rates.

(c) Maturity of financial liabilities

Total borrowings are repayable as follows:

	2003	2002
	£000	£000
In one year or less	438	313
In more than one year but not more than two years	1,875	500
In more than two years but not more than five years	500	1,563
In more than five years	—	562
	<u>2,813</u>	<u>2,938</u>

The bank borrowings relate to the Barclays loan of £2.8 million, agreed at the time of the demerger and drawn down in October 2002. The principal is repaid quarterly together with interest which is calculated on the outstanding balance of the loan and a repayment holiday was granted by the group's bankers until March 2004. The loan is secured over the assets of the group, which are principally the trade marks.

(d) Undrawn committed borrowing facilities

At 31 December 2003 there were no other undrawn committed borrowing facilities.

(e) Fair value of financial instruments

	Book value		Fair value	
	2003	2002	2003	2002
	£000	£000	£000	£000
Cash	40	203	40	203
Bank borrowings falling due within one year	438	313	438	313
Bank borrowings falling due after one year	<u>2,375</u>	<u>2,625</u>	<u>2,375</u>	<u>2,625</u>

The fair value has been calculated by discounting the expected future cash flows at prevailing rates of interest.