

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006
FOR
TREVOR BAYLIS BRANDS PLC**

TREVOR BAYLIS BRANDS PLC

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FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

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TREVOR BAYLIS BRANDS PLC
COMPANY INFORMATION
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006

DIRECTORS: T G Baylis OBE
D R Bunting
R A Fairall
Ms L Miller
A Hindley

SECRETARY: Mrs L E Marshall

REGISTERED OFFICE: Ludwell House
2 Guildford Street
Chertsey
Surrey
KT16 9BQ

REGISTERED NUMBER: 4547128

AUDITORS: H G Field & Co
Registered Auditors
Ludwell House
2 Guildford Street
Chertsey
Surrey
KT16 9BQ

TREVOR BAYLIS BRANDS PLC
REPORT OF THE DIRECTORS
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006

The directors present their report with the financial statements of the company for the period 1 July 2005 to 30 September 2006.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of acting as agents representing inventors.

REVIEW OF BUSINESS

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

Fair review of the business

The company has made considerable progress in developing the key areas of its business. The number of inventor ideas being processed has increased, which is reflected in an increase in turnover, and two additional start-up companies have been established in the period. In addition, the company successfully raised further funds and achieved a listing on the PLUS market. Further details of this are set out below.

Although there are no key financial performance indicators which are considered to be relevant at present, the directors have continued to invest a considerable amount of their time in establishing a firm basis on which the company can now develop its business plans. In common with all companies which operate in this type of business environment, the operating results for the period reflect the cost of this time, together with ongoing overhead expenses. However, the balance sheet discloses a strong financial position at 30 September 2006 and the directors are confident that the company will show a significant improvement in its operating results in the forthcoming year.

On 10th May 2006, the company submitted an offer for subscription of up to 6,818,182 Ordinary shares of 1/4p each at 22p per share together with an application to be admitted to trading on the PLUS market (formerly Ofex). The offer was closed on 27th September 2006 and full financial details relating to the allotment of shares during that period are set out in the financial statements.

Further details on the company's activities are set out in the Chairman's Statement.

Risk and uncertainty assessment

The company's principal risk is that the underlying inventions in which the company has an interest do not prove profitable, and at the same time that the level of inventor downloads declines, thus reducing the company's revenues. The company has no external debt and all surplus funds remain liquid. There are no significant obligations requiring the company to invest this surplus. As a consequence, there are no material exposures to currency, operational or balance sheet risks which are likely to impact on the company's financial performance.

DIVIDENDS

No dividends will be distributed for the period ended 30 September 2006.

FUTURE DEVELOPMENTS

The company is continuing to meet the increasing demand from inventors for its advisory and support services, and it has agreements with a number of potential routes-to-market to evaluate selected ideas, including high technology products. The company has successfully licensed a number of ideas and has others under active evaluation within general industry. The directors will also be looking to actively pursue their policy of launching spin-off companies in the appropriate circumstances.

Further details on the company's activities are set out in the Chairman's Statement.

DIRECTORS

The directors set out in the table below have held office during the whole of the period from 1 July 2005 to the date of this report unless otherwise stated.

TREVOR BAYLIS BRANDS PLC
REPORT OF THE DIRECTORS
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006

DIRECTORS - continued

The beneficial interests of the directors holding office at 30 September 2006 in the shares of the company, according to the register of directors' interests, were as follows:

	30.9.06	1.7.05 or date of appointment if later
Ordinary shares of 1/4p each		
T G Baylis OBE	3,600,000	3,600,000
D R Bunting	3,600,000	3,600,000
R A Fairall	3,600,000	3,600,000
Ms L Miller	3,600,000	3,600,000
A Hindley - appointed 4.5.06	-	-

These directors did not hold any non-beneficial interests in the shares of the company.

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The Company does not follow a universal code which deals specifically with payments to suppliers but, where appropriate, the company's practice is to:

- (a) agree the terms of payment at the start of business with the supplier;
- (b) ensure that those suppliers are made aware of the terms of payment;
- (c) pay in accordance with its contractual and other legal obligations.

FINANCIAL INSTRUMENTS

The company's principal financial instrument is cash held at the bank, which will enable the company to finance its business activities in the foreseeable future. The directors do not consider that there is any material risk associated with any aspect of its operations.

CORPORATE GOVERNANCE

The Combined Code Principles of Corporate Governance and Code of Best Practice (the Combined Code) are not currently mandatory for companies traded on PLUS Markets (formerly Ofex). However, the directors support the principles of the Combined Code and are applying the requirements of the Combined Code where they are considered appropriate for the size of the company. During the next twelve months the Board will consider further areas where practice differs from the Combined Code and, where considered practicable, will make appropriate changes to its corporate governance procedures.

The Board, which comprises four executive directors and one non-executive director, meets every month and matters for consideration are clearly laid down and decisions recorded. The Board is responsible for the strategic direction of the company, the approval of all, and any support provided to, inventors and/or products, the approval of capital expenditure above agreed limits, the review of budgets, trading performance and any significant financial or operational issues. Procedures are also in place whereby the directors can obtain independent professional advice in relation to the execution of their duties. The company has a Remuneration Committee currently consisting of Mr T Baylis and Mr R Fairall, which meets if a proposal to change salaries is put forward.

TREVOR BAYLIS BRANDS PLC
REPORT OF THE DIRECTORS
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, H G Field & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

D R Bunting - Director

24 November 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
TREVOR BAYLIS BRANDS PLC**

We have audited the financial statements of Trevor Baylis Brands plc for the period ended 30 September 2006 on pages six to seventeen. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page four.

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

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

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

H G Field & Co
Registered Auditors
Ludwell House
2 Guildford Street
Chertsey
Surrey
KT16 9BQ

24 November 2006

TREVOR BAYLIS BRANDS PLC
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006

		Period 1.7.05 to 30.9.06	Year Ended 30.6.05 as restated £
	Notes	£	£
TURNOVER		110,905	62,541
Administrative expenses		<u>541,235</u>	<u>274,866</u>
		(430,330)	(212,325)
Other operating income		<u>-</u>	<u>923</u>
OPERATING LOSS	3	(430,330)	(211,402)
Interest receivable and similar income		<u>8,483</u>	<u>14,167</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(421,847)	(197,235)
Tax on loss on ordinary activities	4	<u>5,052</u>	<u>(36,552)</u>
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>(426,899)</u>	<u>(160,683)</u>

CONTINUING OPERATIONS

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

The notes form part of these financial statements

TREVOR BAYLIS BRANDS PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006

	Period 1.7.05 to 30.9.06 £	Year Ended 30.6.05 as restated £
LOSS FOR THE FINANCIAL PERIOD	(426,899)	(160,683)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	(426,899)	<u>(160,683)</u>
Prior year adjustment	Note 5 <u>85,000</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u>(341,899)</u>	

The notes form part of these financial statements

TREVOR BAYLIS BRANDS PLC

**BALANCE SHEET
30 SEPTEMBER 2006**

	Notes	30.9.06		30.6.05 as restated	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		4,065		5,420
Investments	7		<u>270</u>		<u>30</u>
			4,335		5,450
CURRENT ASSETS					
Debtors	8	71,468		91,824	
Cash at bank and in hand		<u>501,854</u>		<u>398,723</u>	
				490,547	
CREDITORS					
Amounts falling due within one year	9	<u>24,881</u>		<u>16,791</u>	
NET CURRENT ASSETS			<u>548,441</u>		<u>473,756</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>552,776</u>		<u>479,206</u>
CAPITAL AND RESERVES					
Called up share capital	10		74,613		65,965
Share premium	11		1,065,740		573,919
Profit and loss account	11		<u>(587,577)</u>		<u>(160,678)</u>
SHAREHOLDERS' FUNDS	13		<u>552,776</u>		<u>479,206</u>

The financial statements were approved by the Board of Directors on 24 November 2006 and were signed on its behalf by:

D R Bunting - Director

The notes form part of these financial statements

TREVOR BAYLIS BRANDS PLC

**CASH FLOW STATEMENT
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

	Notes	Period 1.7.05 to 30.9.06 £	Year Ended 30.6.05 as restated £
Net cash outflow from operating activities	1	(438,080)	(200,065)
Returns on investments and servicing of finance	2	8,483	14,167
Capital expenditure and financial investment	2	<u>(5,240)</u>	<u>(20,515)</u>
		(434,837)	(206,413)
Financing	2	<u>537,968</u>	<u>589,884</u>
Increase in cash in the period		<u>103,131</u>	<u>383,471</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>103,131</u>	<u>383,471</u>
Change in net funds resulting from cash flows		<u>103,131</u>	<u>383,471</u>
Movement in net funds in the period		103,131	383,471
Net funds at 1 July		<u>398,723</u>	<u>15,252</u>
Net funds at 30 September		<u>501,854</u>	<u>398,723</u>

The notes form part of these financial statements

TREVOR BAYLIS BRANDS PLC

**NOTES TO THE CASH FLOW STATEMENT
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period 1.7.05 to 30.9.06	Year Ended 30.6.05 as restated
	£	£
Operating loss	(430,330)	(211,402)
Depreciation charges	1,355	541
Increase in debtors	(17,195)	(2,772)
Increase in creditors	<u>8,090</u>	<u>13,568</u>
Net cash outflow from operating activities	<u>(438,080)</u>	<u>(200,065)</u>

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

	Period 1.7.05 to 30.9.06	Year Ended 30.6.05 as restated
	£	£
Returns on investments and servicing of finance		
Interest received	<u>8,483</u>	<u>14,167</u>
Net cash inflow for returns on investments and servicing of finance	<u>8,483</u>	<u>14,167</u>
 Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(5,485)
Purchase of fixed asset investments	(240)	(30)
Loans to associated companies	<u>(5,000)</u>	<u>(15,000)</u>
Net cash outflow for capital expenditure and financial investment	<u>(5,240)</u>	<u>(20,515)</u>
 Financing		
Share issue	8,648	15,965
Premium on share issue	752,399	658,919
Direct costs on share issue	(260,579)	(85,000)
Settlement of unpaid share capital	<u>37,500</u>	<u>-</u>
Net cash inflow from financing	<u>537,968</u>	<u>589,884</u>

The notes form part of these financial statements

TREVOR BAYLIS BRANDS PLC

**NOTES TO THE CASH FLOW STATEMENT
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.7.05	Cash flow	At
	£	£	30.9.06
			£
Net cash:			
Cash at bank and in hand	<u>398,723</u>	<u>103,131</u>	<u>501,854</u>
	<u>398,723</u>	<u>103,131</u>	<u>501,854</u>
Total	<u>398,723</u>	<u>103,131</u>	<u>501,854</u>

4. MAJOR NON-CASH TRANSACTIONS

The movements recorded on debtors excludes those relating to the deferred tax asset, as this is not considered to be applicable to the cash flow statement.

The notes form part of these financial statements

TREVOR BAYLIS BRANDS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents the invoiced value of services provided, net of value added tax. Licence fees and royalties receivable under contractual agreements are accounted for in accordance with the specific terms of each agreement.

Tangible fixed assets

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

Fixtures and fittings - 20% on reducing balance

Deferred tax

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

Deferred tax assets are recognised to the extent that they are considered to be recoverable in the foreseeable future.

2. STAFF COSTS

	Period 1.7.05 to 30.9.06	Year Ended 30.6.05 as restated
	£	£
Wages and salaries	323,285	173,314
Social security costs	<u>37,031</u>	<u>16,645</u>
	<u>360,316</u>	<u>189,959</u>

The average monthly number of employees during the period was as follows:

	Period 1.7.05 to 30.9.06	Year Ended 30.6.05 as restated
Administration and management	<u>6</u>	<u>6</u>

TREVOR BAYLIS BRANDS PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

3. OPERATING LOSS

The operating loss is stated after charging:

	Period 1.7.05 to 30.9.06	Year Ended 30.6.05 as restated
	£	£
Depreciation - owned assets	1,355	541
Auditors' remuneration	<u>7,750</u>	<u>4,000</u>
Directors' emoluments	<u>270,000</u>	<u>161,333</u>

Information regarding the highest paid director for the period ended 30 September 2006 is as follows:

	Period 1.7.05 to 30.9.06
	£
Emoluments etc	<u>75,000</u>

4. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the loss on ordinary activities for the period was as follows:

	Period 1.7.05 to 30.9.06	Year Ended 30.6.05 as restated
	£	£
Deferred tax	<u>5,052</u>	<u>(36,552)</u>
Tax on loss on ordinary activities	<u>5,052</u>	<u>(36,552)</u>

No liability to UK corporation tax arose on ordinary activities for the period.

The company has unrelieved tax losses amounting to £613,940 which have been carried forward at 30 September 2006. As disclosed in Note 15 to the accounts, the directors consider that a proportion of these tax losses will be recoverable in the foreseeable future. A deferred tax asset has been calculated, at net present value, at the corporation tax rate of 19% which is expected to apply over the periods concerned.

5. PRIOR YEAR ADJUSTMENT

Corporate Finance fees in respect of an offer of shares for subscription in the year ended 30 June 2005, previously charged to Profit and Loss Account under the heading Exceptional Items, have been recharged to the share premium account as they relate to the cost of issuing shares. This resulted in a prior year adjustment of £85,000.

TREVOR BAYLIS BRANDS PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

6. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
COST	
At 1 July 2005	
and 30 September 2006	<u>5,961</u>
DEPRECIATION	
At 1 July 2005	541
Charge for period	<u>1,355</u>
At 30 September 2006	<u>1,896</u>
NET BOOK VALUE	
At 30 September 2006	<u><u>4,065</u></u>
At 30 June 2005	<u><u>5,420</u></u>

7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Interest in associate undertakings £	Totals £
COST			
At 1 July 2005	-	30	30
Additions	<u>200</u>	<u>40</u>	<u>240</u>
At 30 September 2006	<u>200</u>	<u>70</u>	<u>270</u>
NET BOOK VALUE			
At 30 September 2006	<u><u>200</u></u>	<u><u>70</u></u>	<u><u>270</u></u>
At 30 June 2005	<u><u>-</u></u>	<u><u>30</u></u>	<u><u>30</u></u>

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

Associated Companies

Direct Air Dryers Ltd

Nature of business: Sale of drying units.

Class of shares:	%
Ordinary	holding 33.33

Direct Air Dryers Ltd was incorporated on 14 February 2005 and commenced trading on 1 May 2005. It has an issued share capital of £90 and in the period up to 31 March 2006, it recorded an operating loss of 1,921.

TREVOR BAYLIS BRANDS PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

7. FIXED ASSET INVESTMENTS - continued

Ultrasonic Processors Ltd

Nature of business: Dormant

	%	holding
Class of shares:		
Ordinary	33.33	

Ultrasonic Processors Ltd was incorporated on 31st October 2005 and has an issued share capital of £30. It has not commenced trading.

Surface Control Ltd

Nature of business: Dormant

	%	holding
Class of shares:		
Ordinary	33.33	

Surface Control Ltd was incorporated on 20th April 2006 and has an issued share capital of £90. It has not commenced trading.

The company also owns 100% of the issued capital of Advance Construction Enterprises Ltd and Building Enterprise Ltd, both of which were incorporated on 23rd March 2006, had issued capital of 100 ordinary shares of £1 each and were dormant throughout the period to 30th September 2006.

Further details regarding the business plans for these companies are set out in Note 14.

8. DEBTORS

	30.9.06	30.6.05 as restated
	£	£
Amounts falling due within one year:		
Trade debtors	1,500	-
Amounts owed by participating interests	20,000	15,000
Other debtors	941	2,020
VAT	16,775	-
Called up share capital not paid	-	37,500
Prepayments and accrued income	<u>752</u>	<u>752</u>
	<u>39,968</u>	<u>55,272</u>
Amounts falling due after more than one year:		
Deferred tax	<u>31,500</u>	<u>36,552</u>
Aggregate amounts	<u>71,468</u>	<u>91,824</u>

Full details of the deferred tax asset are set out in Note 15 to the accounts.

Amounts owed by participating interests comprise funds advanced to Direct Air Dryers Ltd (£18,000) and Ultrasonic Processors Ltd (£2,000). These amounts have been loaned in order to assist the working capital requirements of the companies concerned and are repayable on demand.

The directors consider that this presents a true and fair view of the status of these loans and the comparative figures have been adjusted accordingly to reflect this.

TREVOR BAYLIS BRANDS PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.9.06	30.6.05 as restated
	£	£
Trade creditors	3,618	3,988
Social security and other taxes	8,939	-
VAT	-	680
Other creditors	38	-
TBF Inventions Ltd (note 12)	1,306	2,006
Accruals and deferred income	<u>10,980</u>	<u>10,117</u>
	<u>24,881</u>	<u>16,791</u>

10. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	30.9.06	30.6.05 as restated
			£	£
50,000,000	Ordinary	1/4p	<u>125,000</u>	<u>125,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	30.9.06	30.6.05 as restated
			£	£
29,845,270 (30.6.05 - 26,385,965)	Ordinary	1/4p	<u>74,613</u>	<u>65,965</u>

On 10 May 2006, the company issued 3,459,305 ordinary 1/4p shares to public shareholders by way of an offer for subscription at a price of 22p per share.

At 30 September 2006, the company had a total issued share capital of 29,845,270 ordinary 1/4p shares with a par value of £74,613.

11. RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 July 2005	(245,678)	573,919	328,241
Prior year adjustment	<u>85,000</u>		<u>85,000</u>
	(160,678)		413,241
Deficit for the period	(426,899)		(426,899)
Cash share issue	<u>-</u>	<u>491,821</u>	<u>491,821</u>
At 30 September 2006	<u>(587,577)</u>	<u>1,065,740</u>	<u>478,163</u>

As set out in Note 10, the company issued 3,459,305 ordinary 1/4p shares to public shareholders by way of an offer for subscription, at a price of 22p per share. All costs directly attributable to the share issue have been charged against the share premium arising in the year.

TREVOR BAYLIS BRANDS PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 JULY 2005 TO 30 SEPTEMBER 2006**

12. RELATED PARTY DISCLOSURES

During the period, the company repaid £700 to TBF Inventions Ltd, a company in which T.Baylis Esq had an interest. The amount owed to that company at 30th June 2006 was £1,305.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30.9.06	30.6.05 as restated
	£	£
Loss for the financial period	(426,899)	(160,683)
Issue of shares	<u>500,469</u>	<u>589,884</u>
Net addition to shareholders' funds	73,570	429,201
Opening shareholders' funds (originally £394,206 before prior year adjustment of £85,000)	<u>479,206</u>	<u>50,005</u>
Closing shareholders' funds	<u>552,776</u>	<u>479,206</u>
Equity interests	<u>552,776</u>	<u>479,206</u>

14. POST BALANCE SHEET EVENTS AND GOING CONCERN

Since the balance sheet date, the directors have spent some considerable time in developing new business plans and looking at ways of improving the methods of financing the company, which will enable them to continue to develop the overall corporate structure under which the latest phases of the planned business activities will operate. As part of the above procedures, the directors have prepared detailed operating budgets and cash flow forecasts and have confirmed that sufficient financial resources will continue to be made available to the company in order to fund its ongoing working capital requirements.

In the opinion of the directors, the above undertakings are sufficient to enable the company to continue trading in the foreseeable future, and in particular, for a period of at least 12 months from the date of approval of these accounts.

15. DEFERRED TAX ASSET

The company has incurred trading losses in the year, which has resulted in unrelieved tax losses amounting to £613,940 being carried forward at 30 September 2006.

Although it is unlikely that any significant part of these tax losses will be recovered within the next 12 months, the directors are confident that, under the positive trading circumstances set out in Note 14, a proportion of those losses will be recovered during the subsequent periods of trading ending on 30 September 2009. It has therefore been considered appropriate to carry forward a deferred tax asset amounting to £31,500, which represents the estimated amount by which the corporation tax liability will be reduced over the periods concerned. This amount has been discounted in order to take into consideration, the anticipated time period over which these tax losses will be recovered.

