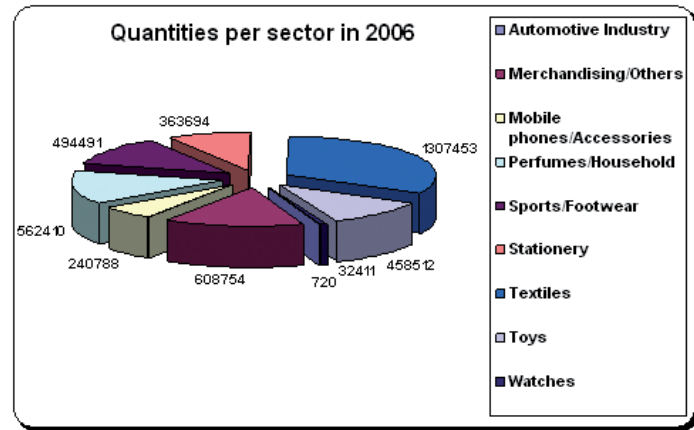
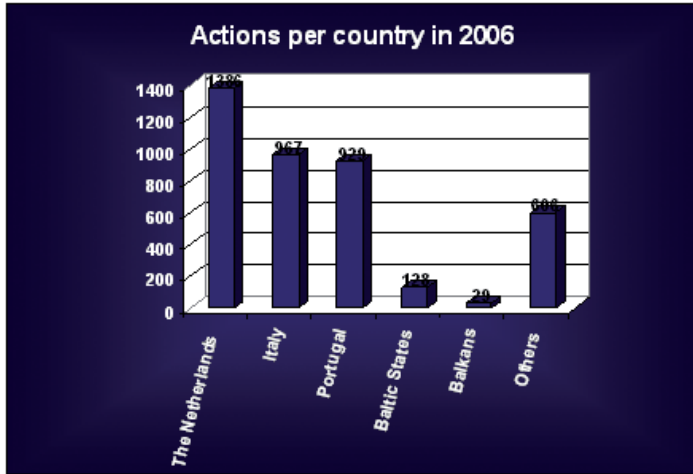


ANNUAL REPORT 2006

1. Graphics



2. Finances

Particularly due to the vast increase in cases, the revenues and the related costs have raised significantly during 2006. By virtue of the increasing performance as well as of the efficiency per employee, the fees could be maintained again at the same level. Also in 2007, fees will not be raised. The result of € 41.443 will be allocated to the assets.

| Lost and Profit Account | 2006 | 2005 |
|-------------------------|-----------|-----------|
| Revenues | 1.565.789 | 1.291.439 |
| Costs | 1.505.219 | 1.260.231 |
| Results to assets | 41.443 | 31.208 |

In this issue

1. Graphics
2. Finances
3. Organisation: Board, Units, Membership
4. Internet Monitoring
5. New Services: Russia, Bulgaria, China, Scandinavian countries

3. Organisation: Board, Units, Membership

The annual assembly of 27 April 2006 has changed, SNB-REACT's board significantly. After 15 years of full dedication and commitment to the anti counterfeiting work, the founder and chairman Max Blom has resigned. Sander Bakker of Sara Lee is his successor (see picture). The board is composed as follows:



Sander Bakker

- Chairman: Sander Bakker (Sara Lee);
- Vice Chair: Leen Noordermeer (LVMH Cosmetics);
- Board members: Charles Gielen (Nauta Dutilh); Aline Olie (adidas); Karen Ngo (Warner Bros); Bodo Bredahl (Epson); Bram Husken (MTVNetworks); Tony

Stephens (Stephens & partners) and Charles Willemsen (Container Centralen).

On the 31st December, 132 members have joined SNB-REACT. SNB-REACT's headquarters are in Amsterdam. It has branch offices in Milan, Lisbon, Vilnius and Skopje; and partnerships all over Europe. Employed on a full time or part time basis are 24 persons next to about 10 free lance officers.

Important case law

In its attempt to reduce costs and liabilities for rights holders in customs cases, SNB-REACT has initiated a court case against China Shipping agency. Under this case, the Dutch customs have, in accordance with EC Regulation 1383/2003, suspended release or detained 56.000 counterfeit goods from

various shipments, during the period between May 2005 and April 2006. The right holders concerned have obtained written or presumed agreement to abandon the goods for destruction, in accordance with the simplified procedure of article 11 EC Regulation 1383/2003. The right holders have requested China Shipping to surrender the goods for destruction. China Shipping has refused to release the goods as long as the demurrage costs had not been compensated.

The claims of the right holders and China Shipping were both rejected. However, the summary judge gave a positive opinion for the right holders about the demurrage costs issue. It was explicitly confirmed that the right holders are not liable for these costs. Although the summary judge considered his inadequacy to decide upon this matter;

REACT foundation

he noted that the demurrage costs should eventually have to be paid by the assignor of China Shipping. In addition, it has been decided that article 11 of the Regulation could be directly applied and does not require any specific national legislation. Parties have not lodged an appeal and have settled the matter in the meantime.

European policy matters

SNB-REACT has addressed two letters to the EU DG Taxud in 2006 emphasizing the need for certain improvements in the enforcement procedures. For a better, more environmental friendly and more cost efficient destruction of counterfeit goods, the transport within the community of counterfeit goods for

destruction/recycling purposes should be authorised and organized in the same way as on a national level. Presently, the international transportation is not allowed. A second problem found by our members arises from to the contents of Article 2 par 1 a i) of the Regulation. The limitation of the Regulation strictly allows speaking the abuse of a brand on products for which the brand is not registered. In our opinion, however, these goods fall clearly under the perception of counterfeit goods.

Thirdly, the mandatory adoption of article 11 in full would be of most importance. The procedure mentioned on article 11 (including 2nd paragraph!) allows the destruction of large quantities of counterfeit goods in a short period of time against relatively limited costs and paperwork compared to civil proceedings.

This has clear benefits for rights owners, customs and even the intermediaries of the consignee/consignors.

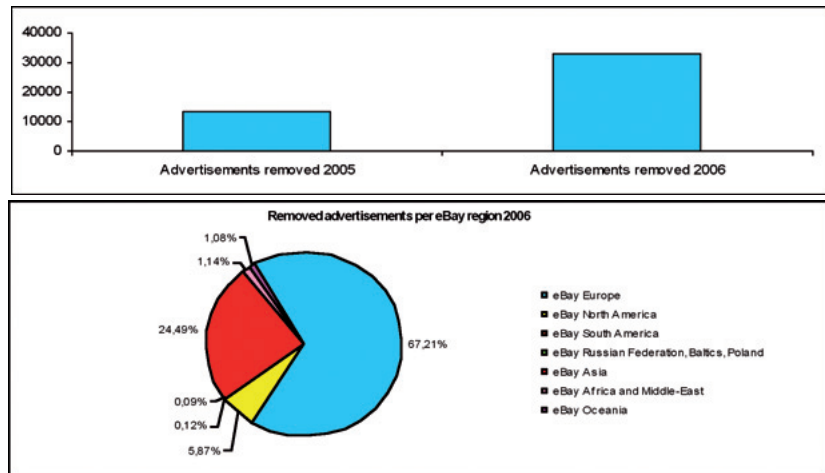
The Dutch Ministry of Economic Affairs was complained about the maintenance of the bad faith condition for damage claims, which is in our opinion contradictory to the EU Enforcement directive principles.

Technical assistance activities

In 2006, REACT has organised training for enforcement officers in Amsterdam, Vilnius, Riga, Lisbon, Budapest, Bucharest, Constanza. In the framework of the WCOIPR group, technical assistance was provided for in Uruguay, Kampala, Colombo and Istanbul.

4. Internet monitoring

In 2006 the Internet monitoring service really came off the ground. Personnel from all offices have contributed to the monitoring. The results in graphics:



NEW SERVICES 2007

5. New Services

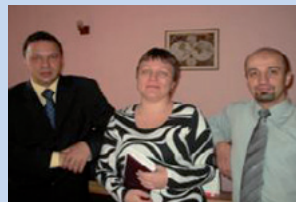
Russia

In Russia, probably the largest consumer markets of counterfeit goods, too little is being done against the trade in counterfeit goods so far. Rights owners fear the Russian formalities or the related costs before installing Court procedures. Along with other reasons this creates an unacceptable situation of tolerance. With the external partner Shevryev&partners, REACT wishes to introduce a low cost and immediate solution for a large number of cases.

Bulgaria

With the accession of Bulgaria to the European Union, the need to operate against the Turkish counterfeit trade is self explanatory. That is why the joint venture of REACT with Turcu & Turcu in Romania will be extended to Bulgaria. An office has been opened in Sofia, staffed with an experienced IP lawyer and assistance. The services offered in Bulgaria will be completely similar to those in Romania (which have been already fully in line with the REACT approach). The Bulgarian team has started on the 1st of March 2007. A training exercise for Bulgarian

enforcement officers and rights owners has been scheduled for 28th and 29th May 2007.



Internet monitoring unit in China

Chinese Internet sites have become a major platform for sales of fake goods worldwide. Due to formal obstacles and the language barrier, little is being done against it so far. With its experiences in Europe and to a lesser extend in other parts of the world as well as its wide membership; SNB-REACT believes it well positioned to deal with this problem effectively. That is why we have searched and found a Chinese partner with relevant investigation experience, to monitor the Chinese Internet sites. With SNB-REACT software; reporting tools and contacts, we will be able to monitor Chinese sites effectively and finally start "cleaning" those from the numerous offers of fake products. The experience has started early in 2007 and will be extended for several months to several brands in the luxury fashion goods.

Afterwards, the project will be further extended to other countries (extension to other countries in Asia Pacific region) and sectors (to all sectors covered by REACT).

Scandinavian countries

Denmark, Norway and Sweden are countries which have a civil based approach to the problem of counterfeiting. The procedures are very similar to those in The Netherlands, the home base of SNB-REACT. That is why SNB-REACT can now offer its members to manage the simple and standard type of customs cases from its home base, being backed up by experienced local IP lawyers when needed. Therefore, we have already managed customs cases in Denmark and this will be extended to other countries. Norway is somewhat more complicated because its procedure to apply for customs protection requires a Court procedure. The procedure after notifications by customs is similar to those in Norway and in Sweden, that is, an undertaking by the importer to surrender the counterfeit goods for destruction is sufficient. Denmark also applies the "silent confirmation" of article 11 par. 2 of the EU Regulation 1383/2003 which is most helpful to rights owners.