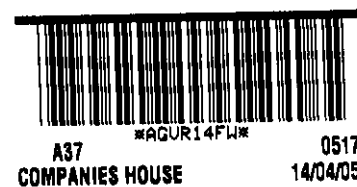


**REPORT OF THE DIRECTORS AND
UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004
FOR
CHERRY PIE LIMITED 2623610**



CHERRY PIE LIMITED

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for the year ended 30 June 2004

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CHERRY PIE LIMITED

COMPANY INFORMATION
for the year ended 30 June 2004

DIRECTORS:

G R Farrant
J Burns

SECRETARY:

G R Farrant

REGISTERED OFFICE:

Whitworth Road
St Leonards-on-Sea
East Sussex
TN37 7PZ

REGISTERED NUMBER:

2623610 (England and Wales)

ACCOUNTANTS:

Feist Hedgethorne Limited
Chartered Accountants
Preston Park House
South Road
Brighton
East Sussex
BN1 6SB

BANKERS:

HSBC Bank plc
26 Norman Road
St Leonards-on-Sea
East Sussex
TN37 6NR

CHERRY PIE LIMITED

REPORT OF THE DIRECTORS
for the year ended 30 June 2004

The directors present their report with the financial statements of the company for the year ended 30 June 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of printing t-shirts and other promotional goods.

REVIEW OF BUSINESS

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

DIVIDENDS

No dividends will be distributed for the year ended 30 June 2004.

DIRECTORS

The directors during the year under review were:

G R Farrant
J Burns

The beneficial interests of the directors holding office on 30 June 2004 in the issued share capital of the company were as follows:

	30.6.04	1.7.03
Ordinary £1 shares		
G R Farrant	500	500
J Burns	-	-
Ordinary non-voting £1 shares		
G R Farrant	214	-
J Burns	-	-

ON BEHALF OF THE BOARD:



.....
G R Farrant - Secretary

Date: 07.04.05

CHERRY PIE LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2004

		2004	2003
	Notes	£	£
TURNOVER		5,336,044	4,777,366
Cost of sales		4,482,425	3,821,993
GROSS PROFIT		853,619	955,373
Administrative expenses		747,511	740,703
OPERATING PROFIT	3	106,108	214,670
Interest receivable and similar income		119	747
		106,227	215,417
Interest payable and similar charges	4	27,676	13,853
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		78,551	201,564
Tax on profit on ordinary activities	5	27,217	45,793
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		51,334	155,771
Retained profit brought forward		25,327	298,556
		76,661	454,327
Purchase of own shares		-	(429,000)
RETAINED PROFIT CARRIED FORWARD		£76,661	£25,327

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

CHERRY PIE LIMITED

BALANCE SHEET

30 June 2004

		2004		2003	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		613,415		678,860
Investments	7		<u>2</u>		<u>2</u>
			613,417		678,862
CURRENT ASSETS:					
Stocks	8	604,957		435,064	
Debtors	9	1,506,308		1,218,989	
Cash at bank and in hand		<u>2,196</u>		<u>111,762</u>	
		2,113,461		1,765,815	
CREDITORS: Amounts falling due within one year	10	<u>2,406,642</u>		<u>2,173,467</u>	
NET CURRENT LIABILITIES:			<u>(293,181)</u>		<u>(407,652)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			320,236		271,210
CREDITORS: Amounts falling due after more than one year	11		(219,490)		(224,657)
PROVISIONS FOR LIABILITIES AND CHARGES:	15		(23,085)		(20,226)
			<u>£77,661</u>		<u>£26,327</u>
CAPITAL AND RESERVES:					
Called up share capital	16		714		714
Other reserves	17		286		286
Profit and loss account			<u>76,661</u>		<u>25,327</u>
SHAREHOLDERS' FUNDS:	19		<u>£77,661</u>		<u>£26,327</u>

The notes form part of these financial statements

CHERRY PIE LIMITED

BALANCE SHEET

30 June 2004

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 30 June 2004.

The members have not required the company to obtain an audit of its financial statements for the year ended 30 June 2004 in accordance with Section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

ON BEHALF OF THE BOARD:



.....
G R Farrant - Director

Approved by the Board on 07.04.05

The notes form part of these financial statements

CHERRY PIE LIMITED

**CASH FLOW STATEMENT
for the year ended 30 June 2004**

		2004		2003	
	Notes	£	£	£	£
Net cash outflow from operating activities	1		(487,886)		(140,528)
Returns on investments and servicing of finance	2		(30,789)		(103,488)
Taxation			(60,917)		(67,975)
Capital expenditure	2		(19,498)		(475,943)
			<u>(599,090)</u>		<u>(787,934)</u>
Financing	2		79,702		716,704
Decrease in cash in the period			<u>£(519,388)</u>		<u>£(71,230)</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
Decrease in cash in the period		(519,388)		(71,230)	
Cash outflow from decrease in debt and lease financing		<u>34,062</u>		<u>39,515</u>	
Change in net funds resulting from cash flows			<u>(485,326)</u>		<u>(31,715)</u>
Movement in net funds in the period			<u>(485,326)</u>		<u>(31,715)</u>
Net funds at 1 July			<u>76,439</u>		<u>108,154</u>
Net (debt)/funds at 30 June			<u>£(408,887)</u>		<u>£76,439</u>

The notes form part of these financial statements

CHERRY PIE LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 30 June 2004

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

	2004 £	2003 £
Operating profit	106,108	214,670
Depreciation charges	84,941	69,351
Loss on sale of fixed assets	-	2,796
Increase in stocks	(169,893)	(101,835)
Increase in debtors	(689,009)	(412,112)
Increase in creditors	179,967	86,602
Net cash outflow from operating activities	<u>(487,886)</u>	<u>(140,528)</u>

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

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	119	747
Interest paid	(29,480)	(100,028)
Interest element of hire purchase payments	(1,428)	(4,207)
Net cash outflow for returns on investments and servicing of finance	<u>(30,789)</u>	<u>(103,488)</u>
Capital expenditure		
Purchase of tangible fixed assets	(19,498)	(479,943)
Sale of tangible fixed assets	-	4,000
Net cash outflow for capital expenditure	<u>(19,498)</u>	<u>(475,943)</u>
Financing		
New loan taken out in year	82,269	613,942
Loan repayments in year	(49,673)	(6,643)
Hire purchase repayments	(34,062)	(39,515)
Amount introduced by directors	81,168	577,920
Purchase of own shares	-	(429,000)
Net cash inflow from financing	<u>79,702</u>	<u>716,704</u>

The notes form part of these financial statements

CHERRY PIE LIMITED

**NOTES TO THE CASH FLOW STATEMENT
for the year ended 30 June 2004**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.7.03 £	Cash flow £	At 30.6.04 £
Net cash:			
Cash at bank and in hand	111,762	(109,566)	2,196
Bank overdraft	-	(409,822)	(409,822)
	<u>111,762</u>	<u>(519,388)</u>	<u>(407,626)</u>
Debt:			
Hire purchase	(35,323)	34,062	(1,261)
	<u>(35,323)</u>	<u>34,062</u>	<u>(1,261)</u>
Total	<u>76,439</u>	<u>(485,326)</u>	<u>(408,887)</u>
Analysed in Balance Sheet			
Cash at bank and in hand	111,762		2,196
Bank overdraft	-		(409,822)
Hire purchase			
within one year	(34,089)		(1,261)
after one year	(1,234)		-
	<u>76,439</u>		<u>(408,887)</u>

The notes form part of these financial statements

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- not provided
Plant and machinery	- 25% on reducing balance
Fixtures and fittings	- 15% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 33% on cost

The Directors undertake an annual impairment review of freehold property in accordance with Financial Reporting Standard Number 11 and are of the opinion that the residual value of the property is not materially different from the carrying value of the property. As a result any depreciation arising from applying Financial Reporting Standard number 15 to the carrying value less residual value of the freehold property would be immaterial and therefore no provision has been made.

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

2. STAFF COSTS

	2004	2003
	£	£
Wages and salaries	650,025	634,494
Social security costs	59,902	54,973
Other pension costs	3,029	2,010
	<u>712,956</u>	<u>691,477</u>

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

	2004	2003
Directors	2	2
Administration and design	8	11
Production and sales	25	24
	<u>35</u>	<u>37</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2004	2003
	£	£
Hire of plant and machinery	1,133	2,191
Other operating leases	10,546	8,955
Depreciation - owned assets	79,520	54,240
Depreciation - assets on hire purchase contracts	5,421	15,111
Loss on disposal of fixed assets	-	2,796
Auditors' remuneration	-	2,500
	<u>95,000</u>	<u>93,967</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Bank interest	9,651	1,685
Bank loan interest	13,509	4,729
Loan interest	3,088	3,232
Hire purchase	1,428	4,207
	<u>27,676</u>	<u>13,853</u>

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2004 £	2003 £
Current tax:		
UK corporation tax	24,358	39,318
Deferred taxation	2,859	6,475
Tax on profit on ordinary activities	<u>27,217</u>	<u>45,793</u>

6. TANGIBLE FIXED ASSETS

	Freehold property £	Buildings £	Plant and machinery £
COST:			
At 1 July 2003	315,244	65,318	332,895
Additions	-	-	6,506
At 30 June 2004	<u>315,244</u>	<u>65,318</u>	<u>339,401</u>
DEPRECIATION:			
At 1 July 2003	-	-	222,745
Charge for year	-	-	28,983
At 30 June 2004	<u>-</u>	<u>-</u>	<u>251,728</u>
NET BOOK VALUE:			
At 30 June 2004	<u>315,244</u>	<u>65,318</u>	<u>87,673</u>
At 30 June 2003	<u>315,244</u>	<u>65,318</u>	<u>110,151</u>

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

6. TANGIBLE FIXED ASSETS - continued

	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£
COST:				
At 1 July 2003	108,488	61,537	145,323	1,028,805
Additions	3,760	-	9,232	19,498
	<u>112,248</u>	<u>61,537</u>	<u>154,555</u>	<u>1,048,303</u>
At 30 June 2004				
DEPRECIATION:				
At 1 July 2003	42,998	20,134	64,070	349,947
Charge for year	10,153	10,351	35,454	84,941
	<u>53,151</u>	<u>30,485</u>	<u>99,524</u>	<u>434,888</u>
At 30 June 2004				
NET BOOK VALUE:				
At 30 June 2004	<u>59,097</u>	<u>31,052</u>	<u>55,031</u>	<u>613,415</u>
At 30 June 2003	<u>65,491</u>	<u>41,403</u>	<u>81,253</u>	<u>678,860</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery
	£
COST:	
At 1 July 2003	126,140
Transferred to ownership	(74,740)
	<u>51,400</u>
At 30 June 2004	
DEPRECIATION:	
At 1 July 2003	80,808
Charge for year	5,421
Transferred to ownership	(51,092)
	<u>35,137</u>
At 30 June 2004	
NET BOOK VALUE:	
At 30 June 2004	<u>16,263</u>
At 30 June 2003	<u>45,332</u>

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

7. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 July 2003	
and 30 June 2004	2
	<u>—</u>
NET BOOK VALUE:	
At 30 June 2004	2
	<u>—</u>
At 30 June 2003	2
	<u>—</u>
	2004 2003
	£ £
Unlisted investments	2 2
	<u>—</u> <u>—</u>

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

Barheath Limited

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary £1	100.00

	30.9.02	30.9.02
	£	£
Aggregate capital and reserves	2	2
	<u>—</u>	<u>—</u>

8. STOCKS

	2004	2003
	£	£
Goods-in-transit	—	12,433
Finished goods	604,957	422,631
	<u>604,957</u>	<u>435,064</u>
	<u>604,957</u>	<u>435,064</u>

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

**9. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2004 £	2003 £
Trade debtors	805,369	660,040
Prepayments & accrued income	86,324	50,111
Cherry Pie Hediyeelik Esy	555,622	495,739
Dysfunctional Clothing (UK) Limited	58,993	13,099
	<u>1,506,308</u>	<u>1,218,989</u>

**10. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2004 £	2003 £
Bank loans and overdrafts (see note 12)	877,970	388,293
Hire purchase contracts (see note 13)	1,261	34,089
Trade creditors	31,464	193,310
Other creditors	-	43,326
Directors' current accounts	1,349,476	1,355,428
V.A.T.	103,681	18,837
Paye/Nic	-	19,774
Corporation tax	21,482	39,318
Income taxation	-	18,723
Accrued expenses	21,308	62,369
	<u>2,406,642</u>	<u>2,173,467</u>

**11. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	2004 £	2003 £
Bank loans (see note 12)	219,490	223,423
Hire purchase contracts (see note 13)	-	1,234
	<u>219,490</u>	<u>224,657</u>

CHERRY PIE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2004 £	2003 £
Amounts falling due within one year or on demand:		
Bank overdrafts	409,822	-
Bank loans	468,148	388,293
	<u>877,970</u>	<u>388,293</u>
Amounts falling due between one and two years:		
Bank loans	<u>6,904</u>	<u>7,292</u>
Amounts falling due between two and five years:		
Bank loans	<u>23,525</u>	<u>24,531</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	<u>189,061</u>	<u>191,600</u>

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	2004 £	Hire purchase contracts 2003 £
Gross obligations repayable:		
Within one year	1,261	34,089
Between one and five years	-	1,234
	<u>1,261</u>	<u>35,323</u>
Net obligations repayable:		
Within one year	1,261	34,089
Between one and five years	-	1,234
	<u>1,261</u>	<u>35,323</u>

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following payments are committed to be paid within one year:

	Operating leases			
	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiring:				
Between one and five years	13,000	11,000	10,546	10,546
In more than five years	13,000	13,000	-	-
	<u>26,000</u>	<u>24,000</u>	<u>10,546</u>	<u>10,546</u>

14. SECURED DEBTS

The following secured debts are included within creditors:

	2004	2003
	£	£
Bank loans	687,638	611,716
Hire purchase contracts	1,261	35,323
	<u>688,899</u>	<u>647,039</u>

The bank loans are secured by a fixed and floating charge over the assets of the company. The Hire Purchase contracts are secured against those company assets to which they relate.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	2004	2003
	£	£
Deferred tax	<u>23,085</u>	<u>20,226</u>
	Deferred tax	
	£	
Balance at 1 July 2003	20,226	
Accelerated capital allowances	2,859	
	<u>23,085</u>	
Balance at 30 June 2004		

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

15. PROVISIONS FOR LIABILITIES AND CHARGES - continued

Deferred tax provision	2004	2003
	£	£
Accelerated capital allowances	23,085	20,226
	<u>23,085</u>	<u>20,226</u>

16. CALLED UP SHARE CAPITAL

Authorised:			2004	2003
Number:	Class:	Nominal value:	£	£
786	Ordinary	£1	786	786
214	Ordinary non-voting	£1	214	214
			<u>1,000</u>	<u>1,000</u>

Allotted, issued and fully paid:			2004	2003
Number:	Class:	Nominal value:	£	£
500	Ordinary	£1	500	500
214	Ordinary non-voting	£1	214	214
			<u>714</u>	<u>714</u>

On 8 January 2003 the company purchased 286 of its own ordinary £1 shares for £429,000, and 214 ordinary £1 shares were re-designated ordinary non-voting £1 shares. These events were connected to the resignation of L J Bull as director on 8 January 2003.

17. OTHER RESERVES

	2004	2003
	£	£
Brought forward	286	-
Purchase of own shares	-	286
	<u>286</u>	<u>286</u>

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

18. RELATED PARTY DISCLOSURES

During the year the company was under the control of the director G R Farrant and there were the following related party transactions:

G R Farrant

The company paid G R Farrant £5,952

At 30 June 2004 the company owed G R Farrant £1,349,476 (2003: £1,355,428).

ATB Sales Limited

The father of G R Farrant is the managing director of ATB Sales Limited which provides both business premises and services to the company.

1) Purchases of goods and services - £53,201

2) Sales - £13,486

At 30 June 2004 £nil (2003: £1,666) was accrued for as due to ATB Sales Limited, £53 (2003: £37,849) was included as a purchase ledger balance, and £10,828 (2003: £262) was included as a sales ledger balance.

Cherry Pie Hediyeelik Esy

G Farrant is the owner of Cherry Pie Hediyeelik Esy, a company incorporated in Turkey.

The company purchased goods and services from the above totalling £1,755,435.

At 30 June 2004 Cherry Pie Hediyeelik Esy owed the company £555,622 (2003: £495,739).

Dysfunctional Clothing (UK) Limited

G Farrant is the majority shareholder in Dysfunctional Clothing (UK) Limited.

1) The company loaned the above £30,000.

2) The company paid £14,467 expenses on behalf of the above.

3) The company made sales to the above, amounting to £66,149.

At 30 June 2004 Dysfunctional Clothing (UK) Limited owed the company £58,993 (2003: £13,099).

CHERRY PIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	51,334	155,771
Re-purchase 286 ordinary £1 shares	-	(429,000)
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	51,334	(273,229)
Opening shareholders' funds	26,327	299,556
	<hr/>	<hr/>
Closing shareholders' funds	<u>77,661</u>	<u>26,327</u>
	<hr/>	<hr/>
Equity interests	<u>77,661</u>	<u>26,327</u>