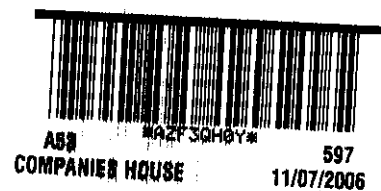


CANNON MOTORCYCLES LIMITED

DIRECTORS' REPORT
AND
UNAUDITED FINANCIAL STATEMENTS
YEAR ENDED
31 DECEMBER 2005



CANNON MOTORCYCLES LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

DIRECTORS : W.G. Cannon
V.M.C. Cannon

SECRETARY : V.M.C. Cannon

REGISTERED NUMBER : 4870056

REGISTERED OFFICE : 2nd Floor,
Raeburn House,
Baron Road,
South Woodham Ferrers,
Chelmsford,
Essex,
CM3 5XQ

BANKERS : Lloyds TSB plc
77/81 High Street,
Chelmsford,
Essex,
CM1 1DX

ACCOUNTANTS : Martin C. Cook & Co.,
Chartered Accountants,
2nd Floor,
Raeburn House,
Baron Road,
South Woodham Ferrers,
Chelmsford,
Essex,
CM3 5XQ

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CANNON MOTORCYCLES LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2005

The directors submit their report and the financial statements of the company for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The principal activity of the company throughout the year continued to be the sale of motorcycles and accessories.

DIRECTORS

The Directors who served during the year and their beneficial interests in the company's issued ordinary share capital were as follows:-

	<u>31/12/05</u>	<u>31/12/04</u>
W.G. Cannon	50	50
V.M.C. Cannon	50	50

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board on 1.7.2006 and signed on its behalf by


V.M.C. Cannon
Secretary

CANNON MOTORCYCLES LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2005

		<u>2005</u>		<u>2004</u>	
	<u>Note</u>	£	£	£	£
TURNOVER			3330669		2690023
Cost of Sales			2808950		2171089
GROSS PROFIT			<hr/> 521719		<hr/> 518934
Selling and Distribution Costs		103812		123084	
Administrative Expenses		146650		172203	
			<hr/> 250462		<hr/> 295287
OPERATING PROFIT	2		<hr/> 271257		<hr/> 223647
Other Interest Receivable			3580		4079
Other Interest Payable			(7)		-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			<hr/> 274830		<hr/> 227726
Taxation	3		52636		44973
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			<hr/> <hr/> £222194		<hr/> <hr/> £182753

The notes on pages 4 to 7 form part of these financial statements

CANNON MOTORCYCLES LIMITED

BALANCE SHEET

31 DECEMBER 2005

	<u>Note</u>	<u>2005</u>	<u>2004</u>
		£	£
FIXED ASSETS			
Intangible Assets	6	27512	29062
Tangible Assets	7	14261	18611
CURRENT ASSETS			
Stock		283930	320908
Debtors		64440	29980
Cash at Bank and in Hand	8	202001	196316
		<u>550371</u>	<u>547204</u>
CREDITORS - Amounts falling due within one year	9	305097	445024
		<u>245274</u>	<u>102180</u>
NET CURRENT ASSETS		245274	102180
TOTAL ASSETS LESS CURRENT LIABILITIES		£287047	£149853
CAPITAL AND RESERVES			
Called up Share Capital	10	100	100
Profit and Loss Account	11	286947	149753
SHAREHOLDERS FUNDS		£287047	£149853

For the financial period ended 31 December 2005 the company was entitled to exemption from audit under section 249A(1) Companies Act 1985 and members have not required the company to obtain an audit if its accounts in accordance with section 249B(2). The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Act and preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the period and of its profit or loss for the financial period in accordance with the requirements of the Companies Act 1985, so far as applicable to the company.

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board on 5/2/06 and signed on its behalf by

W.G. Cannon
W.G. Cannon
Director

The notes on pages 4 to 7 form part of these financial statements

CANNON MOTORCYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

b. Turnover

Turnover represents net invoiced sales of goods and services, excluding VAT.

c. Intangible Fixed Assets

Depreciation is provided on goodwill on a straight line basis over a period of 20 years in order to write the asset off over its estimated useful life.

d. Tangible Fixed Assets

Depreciation is provided at 25% per annum on reducing balance in order to write off each asset over its estimated useful life.

e. Stock

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

f. Deferred Taxation

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on material timing differences which result in an obligation to pay more, or less, tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

CANNON MOTORCYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

(Continued)

2. OPERATING PROFIT	2005	2004
	£	£
Operating Profit is stated after Charging:-		
Depreciation	6240	8463
Operating lease rentals	20466	21977
	<u>£26706</u>	<u>£30440</u>
3. TAXATION		
UK Corporation Tax on the profit for the year	52643	44973
Overpaid in previous period	(7)	-
	<u>£52636</u>	<u>£44973</u>
4. DIRECTORS' REMUNERATION		
Emoluments	<u>£9797</u>	<u>£13377</u>
5. DIVIDENDS		
Interim dividend paid in the year	<u>£85000</u>	<u>£33000</u>
6. INTANGIBLE FIXED ASSETS		
		<u>Goodwill</u>
COST		
At 1 January and 31 December 2005		£31000
DEPRECIATION		
At 1 January 2005		1938
Charge for year		1550
		<u>£3488</u>
NET BOOK VALUE		
At 31 December 2005		<u>£27512</u>
At 31 December 2004		<u>£29062</u>

CANNON MOTORCYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

(Continued)

7. TANGIBLE FIXED ASSETS

	<u>Leasehold Premises</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
	£	£	£
COST			
At 1 January 2005	871	24265	25136
Additions	-	340	340
At 31 December 2005	<u>£871</u>	<u>£24605</u>	<u>£25476</u>
DEPRECIATION			
At 1 January 2005	273	6252	6525
Charge for period	150	4540	4690
At 31 December 2005	<u>£423</u>	<u>£10792</u>	<u>£11215</u>
NET BOOK VALUE			
At 31 December 2005	<u>£448</u>	<u>£13813</u>	<u>£14261</u>
At 31 December 2004	<u>£598</u>	<u>£18013</u>	<u>£18611</u>

8. DEBTORS

	<u>2005</u>	<u>2004</u>
	£	£
Trade Debtors	56472	19931
Other Debtors	7968	10049
	<u>£64440</u>	<u>£29980</u>

9. CREDITORS - amounts falling due within
one year

Trade Creditors	93692	214330
Social Security and Other Taxes	65811	56258
Directors Loan Account	114849	161705
Other Creditors	30745	12731
	<u>£305097</u>	<u>£445024</u>

CANNON MOTORCYCLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

(Continued)

10. SHARE CAPITAL	2005	2004
	£	£
Authorised		
Ordinary Shares of £1 each	£100	£100
	<u> </u>	<u> </u>
Allotted and Fully Paid		
Ordinary Shares of £1 each	£100	£100
	<u> </u>	<u> </u>

11. PROFIT AND LOSS ACCOUNT

Profit on Ordinary Activities after Taxation	222194	182753
Dividends - See note 5	85000	33000
	<u> </u>	<u> </u>
Retained Profit for the Year	137194	149753
Retained Profit Brought Forward	149753	-
	<u> </u>	<u> </u>
Retained Profit Carried Forward	£286947	£149753
	<u> </u>	<u> </u>

12. COMMITMENTS

Operating Lease Commitments

At 31 December 2005 the company was committed to making the following payments under non-cancelable operating leases in the year to 31 December 2006:-

Operating leases which expire within two to five years	£10125	£10125
	<u> </u>	<u> </u>

13. RELATED PARTY TRANSACTIONS

The company is controlled by W.G. and V.M.C. Cannon who each own 50 of the 100 issued shares. There were no related party transactions during the year.

14. COMPARATIVE FIGURES

Comparative figures relate to the period 18 August 2003 to 31 December 2004.