

CHARTERED ACCOUNTANTS

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KJ PITTALIS & CO

ALISON HAYES (UK) LIMITED

Directors' Report and Financial Statements For the year ended 31 December 2004



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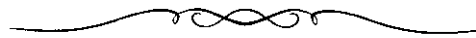
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ALISON HAYES (UK) LIMITED)

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ALISON HAYES (UK) LIMITED

Officers and Company Information

Directors: Mr Evelthon Georgiades, Cypriot (Chairman)
Mr Robert Chamberlain, British (Managing)
Miss Koula Georgiadou, Cypriot
Mr George Vassiliou, Cypriot
Miss Julie Thompson, British
Mr Nicolas Georghiadis, Cypriot
Mr Evelthon Vassiliou, Cypriot

Company secretary: Mr Mark Mowat

Registered in England: 2241601

Registered office: Global House
303 Ballards Lane
London N12 8NP

Trading address: 361B-363B Liverpool Road
London N1 1NL

Bankers: Bank of Cyprus (London) Limited
162 Seven Sisters Road
London N7 7PT

Auditors: K J Pittalis & Co
Chartered Accountants
Global House
303 Ballards Lane
London N12 8NP

Solicitors: Pittalis & Co
Global House
303 Ballards Lane
London N12 8NP

ALISON HAYES (UK) LIMITED

Directors' Report

The directors present their report together with the accounts of the company for the year ended 31 December 2004.

Principal activity

The principal activity of the company is that of designers, manufacturers and wholesalers of wearable, high quality ladies garments. The company trades under the name of Alison Hayes.

The company is a wholly owned subsidiary of Synek Limited, a company incorporated in Cyprus. The company itself has three wholly owned subsidiaries, Alison Hayes (Romania) S.A. and Alison Hayes Moda S.R.L. who deal with production of the garments in Romania and Alison Hayes (Brittanica) S.A. which deals with the warehousing and distribution of production in Romania .

Results and dividends

The profit and loss account of the company is set out on page 5 and shows the results for the year. The profit for the financial year before taxation was **£1,561,456** (2003-£1,118,863). No dividend is recommended.

Review of the business and future developments

The company has continued its growth with a further increase in sales whilst at the same time maintaining its profitability.

Fixed assets

Details and movements in the fixed assets of the company are detailed in the balance sheet and notes 5 and 6 of the accounts on pages 11 and 12.

The company's main asset at Liverpool Road was revalued in April 2004 by Ringley, Chartered Surveyors, at between £1.43m and 1.53m. The lower amount has been included in the accounts and fixed assets have been upwardly increased by £400,000.

ALISON HAYES (UK) LIMITED

Directors' Report

Directors' responsibilities

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 profit or loss of the company 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 departure 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.

Directors

The directors of the company during the year and their interest in the share capital of the company were:

| | Ordinary Shares of £1 each | |
|--------------------|----------------------------|------|
| | 2004 | 2003 |
| Mr E Georgiades | -- | -- |
| Mr R A Chamberlain | -- | -- |
| Miss K Georgiadou | -- | -- |
| Mr G Vassiliou | -- | -- |
| Miss J Thompson | -- | -- |
| Mr N Georghiades | -- | -- |
| Mr E Vassiliou | -- | -- |

Synek Limited, a company incorporated in Cyprus, holds **1,000,000** (2003 – 1,000,000) shares of £1 each. Apart from J Thompson the others are also directors of Synek Limited.

Auditors

Messrs K J Pittalis & Co are deemed to be reappointed in accordance with Section 386 of the Companies Act 1985.

BY ORDER OF THE BOARD


E Vassiliou
Director

26 April 2005

ALISON HAYES (UK) LIMITED

Independent Auditors' report to the Shareholders of Alison Hayes (UK) Limited

We have audited the financial statements of Alison Hayes (UK) Limited on pages for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Loss and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold premises and 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 auditor's 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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with your instructions and with 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 company is not disclosed.

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

Basis of audit opinion

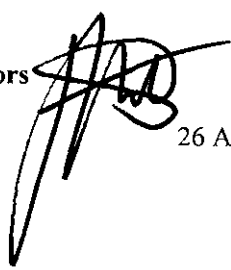
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

K J Pittalis & Co - Chartered Accountants and Registered Auditors
Global House,
303 Ballards Lane, London N12 8NP



26 April 2005

ALISON HAYES (UK) LIMITED

Profit and Loss Account for the year ended 31 December 2004

| | Notes | 2004 | 2003 |
|--|----------|---------------------|--------------|
| | | £ | £ |
| Turnover | 2 | 32,654,868 | 30,378,062 |
| Cost of sales | | (21,873,560) | (21,333,041) |
| Gross profit | | 10,781,308 | 9,045,021 |
| Distribution costs | | (6,130,567) | (5,947,762) |
| Administrative expenses | | (3,060,757) | (1,985,634) |
| Operating profit | 3 | 1,589,984 | 1,111,625 |
| Rental income | | 14,400 | 14,400 |
| Interest receivable | | 24,404 | 11,537 |
| Interest payable | | (67,332) | (18,699) |
| Profit on ordinary activities before taxation | | 1,561,456 | 1,118,863 |
| Taxation - UK Corporation Tax | 4 | (488,201) | (366,715) |
| Retained profit for the financial year | | 1,073,255 | 752,148 |
| Retained profit at 1 January 2004 | | 2,341,936 | 1,589,788 |
| Retained profit at 31 December 2004 | | 3,415,191 | 2,341,936 |

All of the company's activities in the above two years wholly derive from continuing operations.

ALISON HAYES (UK) LIMITED

**Statement of total recognised gains and losses
for the year ended 31 December 2004**

| | 2004 | 2003 |
|--|------------------|----------------|
| | £ | £ |
| Profit for the financial year after taxation | 1,073,255 | 752,148 |
| Unrealised surplus on revaluation of property | 400,000 | -- |
| Total recognised gains relating to the year | <u>1,473,255</u> | <u>752,148</u> |

ALISON HAYES (UK) LIMITED

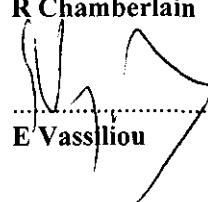
Balance Sheet As at 31 December 2004

| | Notes | 2004 £ | 2003 £ |
|--|-------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 5 | 1,805,176 | 1,392,552 |
| Investments | 6 | 2,464,974 | 815,187 |
| | | 4,270,150 | 2,207,739 |
| Current assets | | | |
| Stock | 7 | 2,481,745 | 2,654,595 |
| Debtors | 8 | 3,655,443 | 4,741,146 |
| Investments | 9 | 18,000 | 18,000 |
| Cash at bank and in hand | | 499,318 | 500,252 |
| | | 6,654,506 | 7,913,993 |
| Creditors | | | |
| Amounts falling due within one year | 10 | (5,326,200) | (5,856,203) |
| | | 1,328,306 | 2,057,790 |
| Net current assets | | 1,328,306 | 2,057,790 |
| | | 5,598,456 | 4,265,529 |
| Total assets less current liabilities | | 5,598,456 | 4,265,529 |
| Creditors | | | |
| Amounts falling due after more than one year | 11 | (327,157) | (467,485) |
| | | 5,271,299 | 3,798,044 |
| Net assets | | 5,271,299 | 3,798,044 |
| | | 5,271,299 | 3,798,044 |
| Capital and reserves | | | |
| Called up share capital | 12 | 1,000,000 | 1,000,000 |
| Revaluation reserve | 13 | 856,108 | 456,108 |
| Profit and loss account | | 3,415,191 | 2,341,936 |
| | | 5,271,299 | 3,798,044 |
| Shareholders' funds | 14 | 5,271,299 | 3,798,044 |
| | | 5,271,299 | 3,798,044 |

The accounts were approved by the board of directors on 26 April 2005 and signed on its behalf by:


.....
R Chamberlain

)
) Directors
)
)


.....
E Vassiliou

ALISON HAYES (UK) LIMITED

Cash Flow Statement for the year ended 31 December 2004

| | Notes | 2004 | | 2003 | |
|--|-------|---------------|-----------------|---------------|------------------|
| | | £ | £ | £ | £ |
| Net cash inflow from operating activities | 1 | | 2,322,434 | | 115,357 |
| Returns on investment and servicing of finance | | | | | |
| Interest paid | | (67,332) | | (18,699) | |
| Interest received | | 24,404 | | 11,537 | |
| Rental income | | <u>14,400</u> | | <u>14,400</u> | |
| Net cash (outflow)/inflow from returns on investment & servicing of finance | | | (28,528) | | 7,238 |
| Taxation | | | | | |
| Corporation tax paid | | | (595,533) | | (165,000) |
| Investing activities | | | | | |
| Investment in subsidiaries | | (1,649,787) | | (15,000) | |
| Payments to acquire tangible fixed assets | | (149,160) | | (103,018) | |
| Receipts from sale of fixed assets & investments | | <u>14,255</u> | | <u>--</u> | |
| Net cash (outflow) from investing activities | | | (1,784,692) | | (118,018) |
| (Decrease) in cash & cash equivalents | 2 | | <u>(86,319)</u> | | <u>(160,423)</u> |

NOTES TO CASH FLOW STATEMENT

1. Reconciliation of operating profit to net cash inflow from operating activities.

| | 2004 | 2003 |
|---|------------------|------------------|
| | £ | £ |
| Operating profit | 1,589,984 | 1,111,625 |
| Depreciation charge | 118,037 | 108,330 |
| Loss on sale of fixed assets | 4,244 | 2,323 |
| Decrease/(increase) in stocks & work in progress | 172,850 | (256,360) |
| Decrease/ (increase) in debtors | 1,085,703 | (2,256,052) |
| (Decrease)/increase in creditors | <u>(648,384)</u> | <u>1,405,491</u> |
| Net cash inflow from operating activities | <u>2,322,434</u> | <u>115,357</u> |

2. Analysis of change in cash and cash equivalents during the year

| | 2004 | 2003 | Change in year |
|--------------------------|------------------|-----------------|-----------------|
| | £ | £ | £ |
| Cash at bank and in hand | 499,318 | 500,252 | (934) |
| Bank overdraft | <u>(155,938)</u> | <u>(70,553)</u> | <u>(85,385)</u> |
| | <u>343,380</u> | <u>429,699</u> | <u>(86,319)</u> |

ALISON HAYES (UK) LIMITED

Notes forming part of the accounts for the year ended 31 December 2004

1. ACCOUNTING POLICIES

(i) **Accounting convention**

The financial statements were prepared under the historical cost convention modified to include the revaluation of the main freehold property and comply with all applicable accounting standards.

(ii) **Depreciation**

Depreciation is calculated at the following rates and aims to write off the cost of assets over their expected useful lives.

Freehold buildings - 2% on cost or revalued amounts
Other assets - 25% - reducing balance method

(iii) **Stocks**

Stocks and work-in-progress are valued by the directors at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

(iv) **Investment in subsidiaries and basis of consolidation**

The investment in the subsidiary undertakings is stated at cost. The directors consider that there has not been any permanent diminution in the value of the investments.

The company is a wholly owned subsidiary of Synek Limited, a company incorporated in Cyprus. The company has therefore taken advantage of the exemption provided by section 228 of the Companies Act 1985 not to prepare group accounts.

(v) **Foreign currency translation**

- (a) Monetary assets and liabilities denominated in a foreign currency are translated into Sterling at the foreign exchange rate ruling at the balance sheet date.
- (b) Revenue and expenses in foreign currencies are recorded in Sterling at an average rate during the year in which the transactions arise.
- (c) Gains and losses on translation are included in the profit and loss account.

(vi) **Deferred taxation**

Deferred tax is not provided as there is no reasonable probability of a material amount becoming payable in the foreseeable future.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

(vii) **Pensions**

The company operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. In principle the company contributes to the scheme an amount equal to the regular cost of pensions as calculated by a qualified actuary. The regular pensions costs so calculated are charged to the profit and loss account.

The company also makes contributions to a defined contributions scheme. The pension costs so calculated are charged to the profit and loss account.

ALISON HAYES (UK) LIMITED

Notes forming part of the accounts for the year ended 31 December 2004

2. TURNOVER

Turnover represents the amounts receivable, excluding VAT, by the company for goods sold in the United Kingdom.

3. OPERATING PROFIT

| | 2004 | 2003 |
|--|----------------|----------------|
| | £ | £ |
| i) Operating profit is stated after charging: | | |
| Depreciation | 118,037 | 108,330 |
| Auditors' emoluments - audit | 28,000 | 28,000 |
| - non audit | 2,000 | 4,000 |
| Directors' emoluments | 811,985 | 627,731 |
| | | |
| ii) Directors: | | |
| Emoluments for service as directors | 752,765 | 615,753 |
| Pension contributions | 27,413 | 26,625 |
| Benefits in kind | <u>31,807</u> | <u>30,353</u> |
| | <u>811,985</u> | <u>627,731</u> |

The highest paid director received emoluments totalling £253,660.

iii) Employee costs during the year amounted to:

| | | |
|-----------------------|------------------|------------------|
| Wages & salaries | 2,739,201 | 2,409,790 |
| Social security costs | 212,888 | 179,686 |
| Pension contributions | <u>7,775</u> | <u>8,641</u> |
| | <u>2,959,864</u> | <u>2,598,117</u> |

iv) The average number of employees during the year was 85 (2003 - 76).

v) There is one director who is accruing benefits under a defined benefits scheme.

vi) There are two directors who are accruing benefits under a defined contributions scheme.

ALISON HAYES (UK) LIMITED

Notes forming part of the accounts for the year ended 31 December 2004

| | | | |
|-----------|--|------------------------------|---------------------------|
| 4. | TAXATION | 2004 | 2003 |
| | | £ | £ |
| | Taxation based on the adjusted profit for the year: | | |
| | Corporation tax on profit for the year at 30% | <u>£488,201</u> | <u>£366,715</u> |
| | The directors do not consider that any provision is required for deferred taxation, as no material liability is expected to crystallise. | | |
| 5. | TANGIBLE FIXED ASSETS | | |
| | | Land & Buildings | Computer Equipment |
| | | Plant & Machinery | Motor Vehicles |
| | | | Total |
| | Cost/revaluation | £ | £ |
| | At 1 January 2004 | 1,222,326 | 331,505 |
| | Additions | -- | 88,833 |
| | Disposals | -- | -- |
| | Revaluation | 400,000 | -- |
| | At 31 December 2004 | 1,622,326 | 420,338 |
| | Depreciation | | |
| | At 1 January 2004 | 99,266 | 234,414 |
| | Charge for the year | 27,442 | 41,163 |
| | Disposals | -- | -- |
| | At 31 December 2004 | 126,708 | 275,577 |
| | Net book values | | |
| | At 31 December 2004 | 1,495,618 | 144,761 |
| | At 31 December 2003 | 1,123,060 | 97,091 |

The freehold property from which the company operates was valued in April 2004 at £1,430,000 by Ringley Chartered Surveyors, on the basis of open market value. The cost or revaluation of freehold buildings on which depreciation is charged amounted to **£1,180,000** (2003 - £750,000).

The historical cost of freehold land and buildings included in the valuation of £1,430,000 was **£543,892** (2003 - £543,892) and the aggregate depreciation would have been £76,155 (2003 - £65,267)

Land and buildings include an investment property at a cost of £192,326. The directors estimate that the open market value of the property is in the region of £290,000.

ALISON HAYES (UK) LIMITED
Notes forming part of the accounts
for the year ended 31 December 2004

| | | |
|-----------------------------------|---------------------------|------------------|
| 6. FIXED ASSET INVESTMENTS | 2004 | 2003 |
| Cost | £ | £ |
| At 1 January 2004 | 815,187 | 800,187 |
| Capitalisation of investment | <u>1,649,787</u> | <u>15,000</u> |
| At 31 December 2004 | <u>£ 2,464,974</u> | <u>£ 815,187</u> |

Subsidiary undertakings

The company's investment in its subsidiary companies represents the cost of acquisition of 100% of the ordinary share capital of Alison Hayes (Romania) S.A., Alison Hayes (Brittanica) S.A. and Alison Hayes Moda S.R.L.

The subsidiaries results as at 31 December 2004 are as follows:

| | Aggregate share capital and reserves | Profit/(loss) in the year |
|--------------------------------|---|--------------------------------------|
| | £ | £ |
| Alison Hayes (Romania) S.A | 2,682,343 | (383,170) |
| Alison Hayes Moda S.R.L | 81,935 | 65,375 |
| Alison Hayes (Brittanica) S.A. | 253,817 | 89,836 |

7. STOCK

Stock has been valued at the lower of cost and net realisable value and comprises of the following:

| | | |
|----------------------|--------------------------|-------------------|
| | 2004 | 2003 |
| | £ | £ |
| Fabric and trimmings | 1,362,122 | 1,637,188 |
| Finished goods | 288,658 | 459,228 |
| Goods in transit | 587,940 | 394,372 |
| Work in progress | 243,025 | 163,807 |
| | <u>£2,481,745</u> | <u>£2,654,595</u> |

8. DEBTORS

| | | |
|------------------------------------|--------------------------|-------------------|
| Trade debtors | 2,552,156 | 2,688,806 |
| Amounts owed by group undertakings | 929,609 | 1,922,889 |
| Other debtors | 121,282 | 92,088 |
| Prepayments | 52,396 | 37,363 |
| | <u>£3,655,443</u> | <u>£4,741,146</u> |

The amounts included as owed by group undertakings are expected to be received after more than one year.

9. CURRENT ASSET INVESTMENTS

These comprise investments in shares of a company listed on the Cyprus Stock Exchange. The market value of shares listed on the Cyprus Stock Exchange at the date of signing the accounts was approximately £18,000 (cost - £50,000). The value of the shares was written down to the current market value in 2002 and has remained at a similar level since. The company has no plans to sell the investment.

ALISON HAYES (UK) LIMITED

Notes forming part of the Accounts for the year ended 31 December 2004

| 10. CREDITORS | 2004 £ | 2003 £ |
|--|------------|------------|
| Amounts falling due within one year | | |
| Bank overdraft | 155,938 | 70,553 |
| Trade creditors | 2,676,648 | 2,843,418 |
| Amounts owed to group undertakings | 357,651 | 464,683 |
| Customs & Excise – VAT | 1,093,775 | 1,076,983 |
| Inland Revenue – PAYE & NIC | 86,447 | 170,212 |
| Corporation tax | 297,523 | 404,855 |
| Other creditors & accruals | 658,218 | 825,499 |
| | £5,326,200 | £5,856,203 |
| | £5,326,200 | £5,856,203 |
| <p>The bank overdraft and other facilities are secured by a first legal charge over the company's freehold properties.</p> | | |
| | | |
| 11. CREDITORS | | |
| Amounts falling due after more than one year | | |
| Amount owed to group undertakings | 327,157 | 327,157 |
| Other creditors | -- | 140,328 |
| | £327,157 | 467,485 |
| | £327,157 | 467,485 |
| | | |
| 12. CALLED UP SHARE CAPITAL | | |
| Authorised | | |
| 1,000,000 ordinary shares of £1 each | £1,000,000 | £1,000,000 |
| | | |
| Allotted, called up and fully paid | | |
| 1,000,000 ordinary shares of £1 each | £1,000,000 | £1,000,000 |
| | | |
| 13. REVALUATION RESERVE | | |
| At 1 January 2004 | 456,108 | |
| Revaluation in the year | 400,000 | |
| | £856,108 | |
| | £856,108 | |

ALISON HAYES (UK) LIMITED

Notes forming part of the Accounts
for the year ended 31 December 2004

| | | |
|---|-------------------|-------------------|
| 14. SHAREHOLDERS FUNDS | 2004 | 2003 |
| | £ | £ |
| Reconciliation of movements in shareholders' funds | | |
| Profit for the financial year after taxation | 1,073,255 | 752,148 |
| Revaluation in the year | 400,000 | -- |
| Opening shareholders' funds at 1 January 2004 | 3,798,044 | 3,045,896 |
| | <hr/> | <hr/> |
| Closing shareholders' funds at 31 December 2004 | £5,271,299 | £3,798,044 |
| | <hr/> <hr/> | <hr/> <hr/> |

15. RELATED PARTY TRANSACTIONS

During the year the company paid production costs in the ordinary course of business to Alison Hayes (Romania) S.A. a subsidiary undertaking. The production costs paid were as follows:

| | | |
|-----------------------------|-----------|-----------|
| Alison Hayes (Romania) S.A. | 6,683,280 | 5,344,738 |
| Alison Hayes Moda S.R.L. | 322,497 | 140,217 |

Amounts owed by group undertaking as disclosed in note 8 are as follows:

| | | |
|--------------------------------|-----------------|-------------------|
| Alison Hayes (Romania) S.A. | 784,204 | 1,665,411 |
| Alison Hayes (Brittanica) S.A. | -- | 98,026 |
| Alison Hayes Moda S.R.L. | 145,405 | 159,452 |
| | <hr/> | <hr/> |
| | £929,609 | £1,922,889 |
| | <hr/> <hr/> | <hr/> <hr/> |

Amount owed to group undertaking as disclosed in note 10 are as follows:

| | | |
|---|-----------------|-----------------|
| Synek Limited | 341,146 | 464,683 |
| Alison Hayes (Brittanica) S.A. | 16,505 | -- |
| | <hr/> | <hr/> |
| | £357,651 | £464,683 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Amount included in long term creditors as per note 11 | | |
| Synek Limited – subordinated loan | £327,157 | £327,157 |
| | <hr/> <hr/> | <hr/> <hr/> |