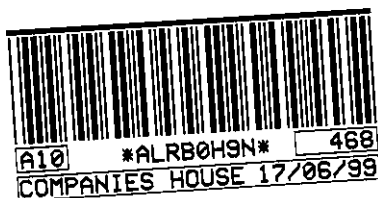


Rechtsanw.

Julius A Meller Management
Services Limited

REPORT AND FINANCIAL STATEMENTS

31 December 1998



Julius A Meller Management Services Limited

DIRECTORS AND OFFICERS

DIRECTORS

MJ Meller
DR Meller
JN Curtis FCA

SECRETARY

JN Curtis FCA

REGISTERED OFFICE

Meller House
42-43 Chagford Street
London NW1 6EB

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Julius A Meller Management Services Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Julius A Meller Management Services Limited for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the provision of management services.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company has traded profitably during the year under review and is expected to continue to do so in 1999, providing a similar level of services.

DIVIDENDS

In view of the company's current and future requirements and the maintenance and development of the company's business the directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

MJ Meller
DR Meller
JN Curtis FCA

No director had any interest in the share capital of the company.

The interests of the directors in the shares of the parent company are disclosed in that company's directors' report.

YEAR 2000 COMPLIANCE

The problems associated with computer and digital systems using data which can accommodate the Year 2000 and beyond are well publicised. This is a complex and pervasive issue and the operation of our business not only depends on our own systems but also to some degree on those of our suppliers, bankers, customers and anyone else associated with our business. This could expose us to risks in the event that there is a failure by other parties to address their own Year 2000 issues.

The directors believe that the potential risks to the business have been reviewed and reasonable steps have or are being taken to deal with the Year 2000 issues within the company.

The costs to date associated in dealing with the above issues have been absorbed within the normal running costs of the business and no significant further costs are expected to be incurred.

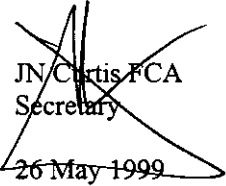
Julius A Meller Management Services Limited

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board


JN/Curtis FCA
Secretary

26 May 1999

Julius A Meller Management Services Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. 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 requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF JULIUS A MELLER MANAGEMENT SERVICES LIMITED

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies as set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

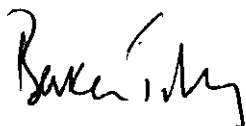
Basis of opinion

We conducted our audit in accordance with 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 at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

26 May 1999

Julius A Meller Management Services Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	<i>Notes</i>	1998 £000	1997 £000
TURNOVER	1	2,737	2,397
Administrative expenses		(2,668)	(2,362)
OPERATING PROFIT		69	35
Interest payable	2	(1)	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		68	34
Taxation	4	(16)	(7)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		52	27

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Julius A Meller Management Services Limited

BALANCE SHEET

31 December 1998

	<i>Notes</i>	1998 £000	1997 £000
CURRENT ASSETS			
Debtors	5	788	626
Cash at bank and in hand		-	3
		<u>788</u>	<u>629</u>
CREDITORS: Amounts falling due within one year	6	(706)	(599)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>82</u>	<u>30</u>
CAPITAL AND RESERVES			
Called up share capital	7	1	1
Profit and loss account	8	81	29
SHAREHOLDERS' FUNDS		<u>82</u>	<u>30</u>

Approved by the board on 26 May 1999

MJ Meller



Director

JN Curtis FCA



Director

Julius A Meller Management Services Limited

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

BASIS OF ACCOUNTING

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

PENSIONS

The company operates a defined contribution scheme covering the majority of its permanent employees. Pension costs charged against profits, represents the amount payable to the scheme in respect of the year.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of services provided to customers.

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity. All sales were made in the same geographical market.

	1998 £000	1997 £000
2 INTEREST PAYABLE		
Bank overdrafts	1	1

	1998 No.	1997 No.
3 EMPLOYEES		

The average monthly number of persons (including directors) employed by the company during the year was:

Office and management	8	8
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Staff costs for the above persons:

	1998 £000	1997 £000
Wages and salaries	2,103	1,968
Social security costs	211	132
Other pension costs	341	260
	<u>2,655</u>	<u>2,360</u>

DIRECTORS' EMOLUMENTS

	1998 £000	1997 £000
Remuneration	1,975	1,850
Contribution to money purchase pension schemes	334	254
Total emoluments	<u>2,309</u>	<u>2,104</u>

	No.	No.
The number of directors to whom relevant benefits are accruing under money purchase pension schemes was:	3	3

	1998 £000	1997 £000
Emoluments in respect of the highest paid director amounted to:		
Remuneration	656	634
Contribution to money purchase pension schemes	143	121
	<u>799</u>	<u>755</u>

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

4	TAXATION	1998 £000	1997 £000
	Based on the result for the year:		
	UK corporation tax	16	7
5	DEBTORS	1998 £000	1997 £000
	Due within one year:		
	Amounts owed by former group undertakings	783	621
	Prepayments	5	5
		788	626
		1998 £000	1997 £000
6	CREDITORS: Amounts falling due within one year		
	Bank overdraft	50	-
	Amounts owed to former group undertakings	16	80
	Corporation tax	16	7
	Other taxation and social security costs	388	347
	Accruals and deferred income	236	165
		706	599
	Bank overdrafts amounting to £50,000 (1997: £Nil) are guaranteed by the former parent and former fellow subsidiary companies as part of group banking arrangements and are secured by a fixed and floating charge over the company's assets.		
7	SHARE CAPITAL	1998 £000	1997 £000
	Authorised:		
	1,000 ordinary shares of £1 each	1	1
	Allotted, issued and fully paid:		
	1,000 ordinary shares of £1 each	1	1
8	PROFIT AND LOSS ACCOUNT	1998 £000	1997 £000
	1 January 1998	29	2
	Profit for the financial year	52	27
	31 December 1998	81	29

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

9	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1998 £000	1997 £000
	Profit for the financial year	52	27
	Opening shareholders' funds	30	3
	Closing shareholders' funds	<u>82</u>	<u>30</u>

10 CONTINGENT LIABILITIES

The company has guaranteed the borrowings of its former parent company and former fellow subsidiaries as part of group banking arrangements. The borrowings are secured by a fixed and floating charge over the assets of the companies involved. At 31 December 1998 the contingent liability in respect of this guarantee was £Nil (1997 - £735,000).

The company is included in a group registration for VAT purposes with its former parent company and former fellow subsidiaries. All members of the VAT group are jointly and severally liable for the total amount of VAT due, and at 31 December 1998 the contingent liability in respect of this group registration was £1,889,000 (1997 - £1,903,000).

11 RELATED PARTY TRANSACTIONS

The company has provided management and executive services to former fellow subsidiaries and is owed monies by former group undertakings as follows:

	1998 £000	1997 £000
(i) Services provided to former fellow subsidiaries:		
Julius A Meller (Toiletries) Ltd	532	360
CML Ltd	26	24
Julius A Meller (Imports) Ltd	2,179	2,013
(ii) Amounts owed by/(to) former group undertakings:		
Julius A Meller (Toiletries) Ltd	131	4
CML Ltd	8	2
Julius A Meller (Imports) Ltd	634	(535)
Julius A Meller Holdings plc	(6)	-

All former group companies are under common ownership and control to the company as at 31 December 1998.

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

12 ULTIMATE PARENT COMPANY

During the year the company's ultimate parent company was Julius A Meller Holdings plc.

On 20 November 1998 the company was demerged from the Julius A Meller Holdings plc group and the ultimate parent company became Julius A Meller Management Services Holdings Limited.

Copies of the group financial statements of Julius A Meller Holdings Plc are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. The first financial statements of Julius A Meller Management Services Holdings Limited will cover the period from its incorporation to 31 December 1999.