

Julius A Meller Management Services Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2002



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 2002.

PRINCIPAL ACTIVITIES

The activities of the company during the year were the provision of management services.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company has increased its income but has suffered a loss for the year under review. It is expected that the company will continue to provide a similar level of service in 2003 when it is hoped that it will return to profitability.

DIVIDENDS

The directors recommend the payment of a dividend of £50,000 (2001: £Nil).

MARKET VALUE OF LAND AND BUILDINGS

The directors, having regard to professional valuations where appropriate, have revalued the company's investment property at 31 December 2002 on an open market and existing use basis at £1,800,000.

DIRECTORS AND THEIR INTERESTS

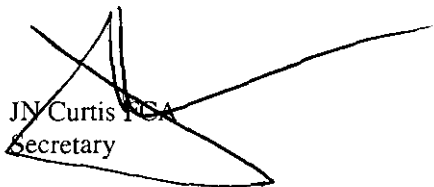
The directors of the company during the year were as follows:

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.

By order of the board


JN Curtis FCA
Secretary

26 March 2003

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.

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

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies as set out on page 8.

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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

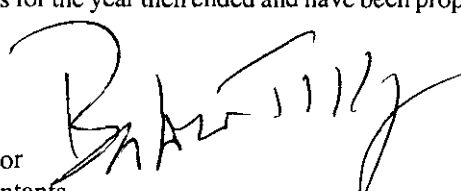
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2002 and of its loss 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 March 2003

Julius A Meller Management Services Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

	<i>Notes</i>	2002 £000	2001 £000
TURNOVER	1	4,628	4,220
Administrative expenses		(4,833)	(4,157)
		<u>(205)</u>	<u>63</u>
Other operating income	2	160	160
OPERATING (LOSS)/PROFIT		<u>(45)</u>	<u>223</u>
Interest payable	3	(63)	(65)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(108)</u>	<u>158</u>
Taxation	5	34	(43)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(74)</u>	<u>115</u>
Dividends	6	(50)	-
(LOSS)/RETAINED PROFIT FOR THE YEAR		<u>(124)</u>	<u>115</u>

The operating (loss)/profit for the year arises from the company's continuing operations.

Julius A Meller Management Services Limited
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2002

	2002 £000	2001 £000
(Loss)/profit for the financial year	(74)	115
Unrealised surplus on revaluation of investment properties	300	297
Total recognised gains and losses relating to the year	<u>226</u>	<u>412</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 December 2002

	2002 £000	2001 £000
(Loss)/profit on ordinary activities before taxation	(108)	158
Difference between an historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	-	-
Historical cost (loss)/profit on ordinary activities before taxation	<u>(108)</u>	<u>158</u>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>(124)</u>	<u>115</u>

Julius A Meller Management Services Limited

BALANCE SHEET

31 December 2002

	<i>Notes</i>	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets	7	1,800	1,500
CURRENT ASSETS			
Debtors	8	2,040	1,982
CREDITORS: Amounts falling due within one year	9	(2,681)	(2,347)
NET CURRENT LIABILITIES		(641)	(365)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,159	1,135
CREDITORS: Amounts falling due after more than one year	10	(359)	(511)
		800	624
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Revaluation reserve	12	597	297
Profit and loss account	13	202	326
SHAREHOLDERS' FUNDS		800	624

Approved by the board on 26 March 2003

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 as modified by the revaluation of certain fixed assets.

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No 19:

- investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets.

However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

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 2002

1	TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
	The company's turnover and (loss)/profit before taxation were all derived from its principal activity. All sales were made in the same geographical market.		
2	OTHER OPERATING INCOME	2002 £000	2001 £000
	Rent receivable	160	160
3	INTEREST PAYABLE	2002 £000	2001 £000
	Bank loans and overdrafts	63	65
4	EMPLOYEES	2002 No.	2001 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Office and management	8	9
	Staff costs for the above persons:	2002 £000	2002 £000
	Wages and salaries	3,585	3,203
	Social security costs	418	398
	Other pension costs	766	540
		4,769	4,141
	DIRECTORS' EMOLUMENTS	2002 £000	2001 £000
	Remuneration	3,304	3,028
	Contributions to money purchase pension schemes	746	529
	Total emoluments	4,050	3,557
		No.	No.
	The number of directors to whom relevant benefits are accruing under money purchase pension schemes was:	3	3
	Emoluments in respect of the highest paid director amounted to:	2002 £000	2002 £000
	Remuneration	1,275	1,120
	Contributions to money purchase pension schemes	208	193
		1,483	1,313

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

5	TAXATION	2002 £'000	2001 £'000
	Based on the result for the year:		
	UK corporation tax	16	44
	Under/(over) provided in earlier years	-	(1)
	Total current tax	<u>16</u>	<u>43</u>
	Deferred taxation:		
	Origination and reversal of timing differences	(50)	-
	Taxation (recoverable)/payable	<u>(34)</u>	<u>43</u>
	Factors affecting tax charge for the year:	2002 £'000	2001 £'000
	The tax for the year differs from a charge based on the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	(Loss)/profit on ordinary activities before tax	(108)	158
	(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2001: 30%)	<u>(32)</u>	<u>47</u>
	Effects of:		
	Expenses not deductible for tax purposes	52	-
	Small companies rate relief	(4)	(3)
	Under/(over) provided in earlier years	-	(1)
	Current tax charge for the year	<u>16</u>	<u>43</u>
	Factors that may affect future tax charges:		
	No provision has been made for taxation which might become payable if the group's freehold land and buildings were to be sold at the net amount at which they are stated in these financial statements. The directors estimate that if this property was to be sold at its balance sheet value the taxation liability would be:		
		2002 £'000	2001 £'000
	Potential liability	<u>148</u>	<u>69</u>
6	DIVIDENDS	2002 £000	2001 £000
	Proposed:	<u>50</u>	<u>-</u>

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

7	TANGIBLE FIXED ASSETS	Freehold investment property £000
	1 January 2002	1,500
	Surplus on revaluation	300
	31 December 2002	<u>1,800</u>

The company's investment property was revalued at its open market value at 31 December 2002 by the directors. The historical cost of the investment property is £1,203,000.

8	DEBTORS	2002 £000	2001 £000
	Due within one year:		
	Trade debtors	1,973	1,972
	Prepayments	17	10
		<u>1,990</u>	<u>1,982</u>
	Due after more than one year:		
	Deferred tax asset	50	-
		<u>2,040</u>	<u>1,982</u>
	The deferred tax asset relates to timing differences as follows:		
	Balance at 1 January 2002	-	-
	Transfer from profit and loss account	50	-
	Balance at 31 December 2002	<u>50</u>	<u>-</u>

9	CREDITORS: Amounts falling due within one year	2002 £000	2001 £000
	Bank loans and overdrafts	973	517
	Other loans	27	24
	Proposed dividends	50	-
	Corporation tax	16	43
	Other taxation and social security costs	807	688
	Other creditors	-	449
	Accruals and deferred income	808	626
		<u>2,681</u>	<u>2,347</u>

Bank overdrafts amounting to £847,000 (2001: £400,000) are guaranteed by the company's 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.

Bank loans amounting to £126,000 (2001: £117,000) are secured by a charge over the company's investment property.

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

10	CREDITORS: Amounts falling due in more than one year	2002 £000	2001 £000
	Bank loan	167	292
	Other loans	192	219
		<u>359</u>	<u>511</u>

Bank loans amounting to £167,000 (2001 : £292,000) are secured by a charge over the company's investment property. The loans bear interest at 1.5% per annum above bank base rate and are repayable by instalments over a 6 year period to March 2005.

Other loans represent an unsecured loan from the company's self-administered pension scheme. This loan bears interest at 5% per annum above bank base rate and is repayable by instalments over a 10 year period to March 2009.

The loans above and in Note 9 are repayable by instalments, as follows:-

	2002 £000	2001 £000
Within one year	153	141
Between one and two years	165	153
Between two and five years	141	265
After more than five years	53	92
	<u>512</u>	<u>651</u>

11	SHARE CAPITAL	2002 £000	2001 £000
	Authorised: 1,000 ordinary shares of £1 each	1	1
	Allotted, issued and fully paid: 1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>
12	REVALUATION RESERVE	2002 £000	2001 £000
	1 January 2002	297	-
	Surplus on revaluation	300	297
	31 December 2002	<u>597</u>	<u>297</u>

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

13	PROFIT AND LOSS ACCOUNT	2002 £000	Group 2001 £000
	1 January 2002	326	211
	(Loss)/profit for the financial year	(74)	115
	Dividends	(50)	-
	31 December 2002	<u>202</u>	<u>326</u>
14	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2002 £000	2001 £000
	(Loss)/profit for the financial year	(74)	115
	Dividends	(50)	-
		<u>(124)</u>	<u>115</u>
	Surplus on revaluation of investment property	300	297
		<u>176</u>	<u>412</u>
	Net addition to shareholders' funds	624	212
	Opening shareholders' funds	<u>800</u>	<u>624</u>
	Closing shareholders' funds	<u>800</u>	<u>624</u>

15 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 2002 the contingent liability in respect of this guarantee was £6,873,000 (2001 : £1,712,000).

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 2002 the contingent liability in respect of this group registration was £1,589,000 (2001 : £1,335,000).

Julius A Meller Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

16 RELATED PARTY TRANSACTIONS

The company has provided management and executive services to and is owed monies by companies under common ownership and control as follows:

	2002 £000	2001 £000
Services provided to companies under common control:		
Meller Home & Beauty Ltd	1,832	2,284
CML Public Limited Company	258	224
Meller Designs Ltd	2,373	1,590
Meller Beauty Limited	110	-
Amounts owed by/(to) companies under common control:		
Meller Home & Beauty Ltd	550	1,756
CML Public Limited Company	22	194
Meller Designs Ltd	1,272	(449)
Meller Beauty Limited	129	-

The company's freehold investment property is leased to Meller Home & Beauty Limited. The total rental income receivable during the year was £160,000 (2001: £160,000)

During the year the company has provided management and executive services to Retail Cellular Services Limited, a company in which the directors have an interest. The total value of these services was £55,000 (2001: £122,000). At 31 December 2002, the amount owing to the company by Retail Cellular Services Limited was £Nil (2001: £22,000).

During the year the company has borrowed monies from its self administered pension scheme. Full details of amounts borrowed are given in Note 10.

17 ULTIMATE CONTROLLING PARTIES

The company's ultimate parent company is Julius A Meller Management Services Holdings Limited. Copies of the group financial statements of the above company are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.