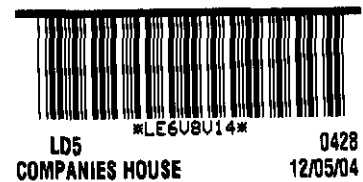


Company Registration No. 2518921 (England and Wales)

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



JULIUS A MELLER MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

Directors

M J Meller
D R Meller
J N Curtis FCA
I Christodoulou (Appointed 1 July 2003)

Secretary

I Christodoulou

Company number

2518921

Registered office

Meller House
42-43 Chagford Street
London
NW1 6EB

Auditors

MRI Moores Rowland LLP
3 Sheldon Square
Paddington
London
W2 6PS

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the financial statements	7 - 15

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company continued to be that of provision of management services.

The company has increased its income and returned to profitability in the year under review. It is expected that the company will continue to provide a similar level of service in 2004 when it is anticipated that the company will remain profitable.

Results and dividends

The results for the year are set out on page 4.

The directors recommend the payment of a dividend of £nil (2002: £50,000).

Directors

The following directors have held office since 1 January 2003:

M J Meller

D R Meller

J N Curtis FCA

I Christodoulou

(Appointed 1 July 2003)

Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

MRI Moores Rowland LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

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 group and of the profit or loss of the group 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 departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



J.N. Curtis FCA
Director

10 May 2004

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF JULIUS A MELLER MANAGEMENT SERVICES LIMITED

We have audited the financial statements of Julius A Meller Management Services Limited on pages 4 to 15 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 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 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 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MRI Moores Rowland LLP

10 May 2004

Chartered Accountants
Registered Auditor

3 Sheldon Square
Paddington
London
W2 6PS

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	4,986	4,628
Administrative expenses		(4,747)	(4,832)
Other operating income - rent receivable		160	160
Operating profit/(loss)	3	399	(44)
Interest payable and similar charges	4	(89)	(63)
Profit/(loss) on ordinary activities before taxation		310	(107)
Tax on profit/(loss) on ordinary activities	5	(96)	34
Profit/(loss) on ordinary activities after taxation		214	(73)
Dividends	6	-	(50)
Retained profit/(loss) for the year	14	214	(123)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£'000	£'000
Profit/(loss) for the financial year	214	(73)
Unrealised surplus on revaluation of properties	-	300
Total recognised gains and losses relating to the year	<u>214</u>	<u>227</u>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

		2003	2002
	Notes	£'000	£'000
Fixed assets			
Tangible assets	7 and 8	1,843	1,800
Current assets			
Debtors	9	2,551	2,040
		2,551	2,040
Creditors: amounts falling due within one year	10	(1,920)	(2,681)
Net current assets/(liabilities)		631	(641)
Total assets less current liabilities		2,474	1,159
Creditors: amounts falling due after more than one year	11	(1,460)	(359)
		1,014	800
Capital and reserves			
Called up share capital	13	1	1
Revaluation reserve	14	597	597
Profit and loss account	14	416	202
Shareholders' funds - equity interests	15	1,014	800

The financial statements were approved by the Board on 10 May 2004


I Christodoulou
Director


J.N. Curtis FCA
Director

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Turnover

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

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	33% per annum straight line basis
Motor vehicles	25% per annum straight line basis

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Pensions

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

1.6 Deferred taxation

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

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

(continued)

1.7 Investment properties

In accordance with Statement of Standard Accounting Practice No19:

-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 regard certain of the company's investment properties, may be a departure from the requirements of the Company 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.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit/(loss)

2003	2002
£'000	£'000

Operating profit/(loss) is stated after charging:

Depreciation of tangible assets

13	-
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4 Interest payable

2003	2002
£'000	£'000

On bank loans and overdrafts

15	12
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Hire purchase interest

2	-
---	---

Other interest

72	51
----	----

89	63
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JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

5	Taxation	2003 £'000	2002 £'000
	Domestic current year tax		
	U.K. corporation tax	348	16
	Current tax charge	348	16
	Deferred tax		
	Deferred tax charge/(credit)	(252)	(50)
		96	(34)
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	310	(107)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002: 30.00%)	93	(32)
	Effects of:		
	Non deductible expenses (including pension contributions)	255	52
	Other tax adjustments	-	(4)
		255	48
	Current tax charge	348	16

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 £120,000 (2002: £148,000).

6	Dividends	2003 £'000	2002 £'000
	Ordinary final proposed (2002:£50 per share)	-	50

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

7 Tangible fixed assets

	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation			
At 1 January 2003	-	-	-
Additions	3	53	56
At 31 December 2003	3	53	56
Depreciation			
At 1 January 2003	-	-	-
Charge for the year	-	13	13
At 31 December 2003	-	13	13
Net book value			
At 31 December 2003	3	40	43

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £'000
Net book values	
At 31 December 2003	40
Depreciation charge for the year	
31 December 2003	13

8 Tangible fixed assets

	Investment properties £'000
Cost or valuation	
At 1 January 2003 & at 31 December 2003	1,800

The company's investment property was revalued at its open market value at 31 December 2003 by the directors. The historical cost of the investment property is £1,203,000.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

9 Debtors	2003 £'000	2002 £'000
Trade debtors	2,209	1,972
Other debtors	304	51
Prepayments and accrued income	38	17
	<u>2,551</u>	<u>2,040</u>

Amounts falling due after more than one year and included in the debtors above are:

	2003 £'000	2002 £'000
Other debtors	<u>303</u>	<u>50</u>

Other debtors greater than one year relates to a deferred tax asset , which is due to the taxation timing differences resulting from the pension contribution.

10 Creditors: amounts falling due within one year	2003 £'000	2002 £'000
Bank loans and overdrafts	978	972
Net obligations under hire purchase contracts	27	-
Corporation tax	349	16
Other taxes and social security costs	156	809
Other creditors	244	27
Accruals and deferred income	166	807
Proposed dividend	-	50
	<u>1,920</u>	<u>2,681</u>

Bank overdraft amounting to £839,616 (2002: £846,895) are guaranteed by the company's former parent and former fellow subsidiary companies as part of group banking arrangement and are secured by fixed and floating charge over the company's assets.

Bank loans amounting to £137,578 (2002: £125,481) are secured by a charge over the company's investment property.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

11 Creditors: amounts falling due after more than one year	2003 £'000	2002 £'000
Bank loans	12	167
Other loans	1,448	192
	<u>1,460</u>	<u>359</u>
Analysis of loans		
Wholly repayable within five years	1,842	511
	<u>1,842</u>	<u>511</u>
Included in current liabilities	(382)	(152)
	<u>1,460</u>	<u>359</u>
Loan maturity analysis		
In more than one year but not more than two years	244	165
In more than two years but not more than five years	732	141
In more than five years	484	53
	<u>1,460</u>	<u>359</u>

Bank loans amounting to £11,918 (2002: £167,000) 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 2 unsecured loans from the company's self-administered pension scheme. The first 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 second loan bears interest at a rate of 3% per annum above bank base rate and is repayable by installments over a 7 year period to December 2010.

12 Pension costs

Defined contribution

	2003 £'000	2002 £'000
Contributions payable by the company for the year	<u>2,178</u>	<u>765</u>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

13 Share capital	2003	2002
	£'000	£'000
Authorised		
1,000 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>
14 Statement of movements on reserves	Revaluation reserve	Profit and loss account
	£'000	£'000
Balance at 1 January 2003	597	202
Retained profit for the year	-	214
	<u>597</u>	<u>416</u>
Balance at 31 December 2003	597	416
15 Reconciliation of movements in shareholders' funds	2003	2002
	£'000	£'000
Profit/(Loss) for the financial year	214	(73)
Dividends	-	(50)
	<u>214</u>	<u>(123)</u>
Other recognised gains and losses	-	300
	<u>214</u>	<u>177</u>
Net addition to shareholders' funds	214	177
Opening shareholders' funds	800	623
	<u>1,014</u>	<u>800</u>
Closing shareholders' funds	1,014	800

16 Contingent liabilities

The company has guaranteed the borrowing 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 2003 the contingent liability in respect of this guarantee was £6,536,307(2002 : £6,873,000).

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 2003 the contingent liability in respect of this registration was £1,965,620 (2002 : £1,589,000)

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

17 Directors' emoluments	2003 £'000	2002 £'000
Emoluments for qualifying services	1,757	3,304
Company pension contributions to money purchase schemes	2,160	746
	<u>3,917</u>	<u>4,050</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 0 (2002- 3).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	612	1,275
Company pension contributions to money purchase schemes	730	208
	<u>730</u>	<u>208</u>

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

2003 Number	2002 Number
<u>9</u>	<u>8</u>

Employment costs

	£'000	£'000
Wages and salaries	2,177	3,585
Social security costs	264	418
Other pension costs	2,178	765
	<u>4,619</u>	<u>4,768</u>

19 Control

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.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

20 Related party transactions

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

	2003 £'000	2002 £'000
Services provided to companies under common control:		
Meller Home & Beauty Limited	1,715	1,832
CML Public Limited Company	450	258
Meller Designs Limited	1,138	2,373
Meller Beauty Limited	1,845	110
	<u> </u>	<u> </u>

Amount owed by/(to) companies under common control:

Meller Home & Beauty Limited	141	550
CML Public Limited Company	190	22
Meller Designs Limited	(75)	1,272
Meller Beauty Limited	1,952	129
	<u> </u>	<u> </u>

The group's freehold investment property is leased to Meller Home & Beauty Limited. The total rental income receivable during the year was £160,000 (2002: £160,000).