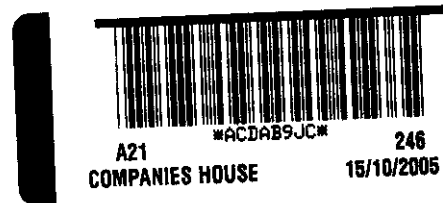


Company Registration No. 2518921 (England and Wales)

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2005



JULIUS A MELLER MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

Directors	M J Meller D R Meller J N Curtis FCA I Christodoulou
Secretary	I Christodoulou
Company number	2518921
Registered office	Sunderland Road Sandy Bedfordshire SG19 1QY
Auditors	MRI Moores Rowland LLP 3 Sheldon Square London W2 6PS

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

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JULIUS A MELLER MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2005

The directors present their report and financial statements for the period ended 31 March 2005.

Principal activities and review of the business

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

Results and dividends

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

The directors do not recommend the payment of an ordinary dividend (2003: £nil).

Directors

The following directors have held office since 1 January 2004:

M J Meller
D R Meller
J N Curtis FCA
I Christodoulou

Directors' interests

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

Charitable donations	2005	2003
	£	£
During the period the company made the following payments:		
Charitable donations	2,300	-

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that MRI Moores Rowland LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE PERIOD ENDED 31 MARCH 2005**

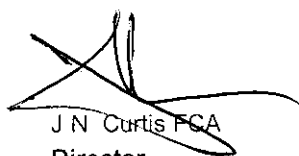
Directors' responsibilities

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 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 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.

On behalf of the board



J N Curtis FCA
Director

27 September 2005

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 16 for the period ended 31 March 2005. 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 March 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland LLP
MRI Moores Rowland LLP

Chartered Accountants
Registered Auditor

27 September 2005

3 Sheldon Square
London
W2 6PS

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2005

		Period ended 31 March 2005 £	Year ended 31 December 2003 £
	Notes		
Turnover	2	5,128,322	4,987,028
Administrative expenses		(4,392,186)	(4,748,027)
Exceptional administrative expenses	3	(993,548)	-
Other operating income		143,332	160,000
Operating (loss)/profit	3	(114,080)	399,001
Interest payable and similar charges	4	(264,225)	(89,000)
(Loss)/profit on ordinary activities before taxation		(378,305)	310,001
Tax on (loss)/profit on ordinary activities	5	127,678	(95,708)
(Loss)/profit on ordinary activities after taxation	13	(250,627)	214,293

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 PERIOD ENDED 31 MARCH 2005

	Period ended 31 March 2005 £	Year ended 31 December 2003 £
(Loss)/profit for the financial period	(250,627)	214,293
Unrealised surplus on revaluation of properties	1,700,000	-
Total recognised gains and losses relating to the period	1,449,373	214,293

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005 £	£	2003 £	£
Fixed assets					
Tangible assets	6 and 7		3,541,648		1,841,812
Current assets					
Debtors	8	7,564,994		2,551,191	
Cash at bank and in hand		-		248	
		<u>7,564,994</u>		<u>2,551,439</u>	
Creditors: amounts falling due within one year	9	<u>(7,502,992)</u>		<u>(1,919,331)</u>	
Net current assets			62,002		632,108
Total assets less current liabilities			<u>3,603,650</u>		<u>2,473,920</u>
Creditors: amounts falling due after more than one year	10		<u>(1,140,460)</u>		<u>(1,460,103)</u>
			<u>2,463,190</u>		<u>1,013,817</u>
Capital and reserves					
Called up share capital	12		1,000		1,000
Revaluation reserve	13		2,297,000		597,000
Profit and loss account	13		165,190		415,817
Shareholders' funds - equity interests	14		<u>2,463,190</u>		<u>1,013,817</u>

The financial statements were approved by the Board on 27 September 2005


I Christodoulou
Director


J.N. Curtis FCA
Director

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared in accordance with applicable accounting standards and 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 of services provided to customers net of VAT and trade discounts.

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, represent the amount payable to the scheme in respect of the year period.

1.6 Deferred taxation

Deferred tax is recognised in respect of all timing differences 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 PERIOD ENDED 31 MARCH 2005

1 Accounting policies (continued)

1.7 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 is a departure from the requirements of the Companies Act 1985 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 period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating (loss)/profit	2005 £	2003 £
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	20,319	13,425
Auditors' remuneration	22,078	-

The exceptional administrative expense relates to the write off of a debt due from Meller Home & Beauty Limited, a company formerly related through common ownership and control that went into administration during the period.

4 Interest payable	2005 £	2003 £
On bank loans and overdrafts	133,065	14,228
Hire purchase interest	858	2,052
Other interest	130,302	72,720
	<u>264,225</u>	<u>89,000</u>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2005

5	Taxation	2005 £	2003 £
	Domestic current year tax		
	U.K. corporation tax	(217,519)	348,200
	Adjustment for prior years	(265)	-
	Current tax (credit)/charge	(217,784)	348,200
	Deferred tax		
	Deferred tax charge/(credit)	90,106	(252,492)
		(127,678)	95,708
	Factors affecting the tax charge for the period		
	(Loss)/profit on ordinary activities before taxation	(378,305)	310,001
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	(113,492)	93,000
	Effects of:		
	Non deductible expenses (including pension contributions)	(163,612)	255,200
	Depreciation add back	6,096	-
	Tax losses carried forward	53,489	-
	Adjustments to previous periods	(265)	-
		(104,292)	255,200
	Current tax (credit)/charge	(217,784)	348,200

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 £640,000 (2003: £120,000).

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2005

6 Tangible fixed assets

	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2004	2,716	52,520	55,236
Additions	-	20,155	20,155
At 31 March 2005	2,716	72,675	75,391
Depreciation			
At 1 January 2004	294	13,130	13,424
Charge for the period	548	19,771	20,319
At 31 March 2005	842	32,901	33,743
Net book value			
At 31 March 2005	1,874	39,774	41,648
At 31 December 2003	2,422	39,390	41,812

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

	Motor vehicles £
Net book values	
At 31 March 2005	-
At 31 December 2003	39,390
Depreciation charge for the period	
31 March 2005	-
31 December 2003	13,131

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2005

7 Tangible fixed assets

	Investment properties £
Cost or valuation	
At 1 January 2004	1,800,000
Revaluation	1,700,000
	<u>3,500,000</u>
At 31 March 2005	<u>3,500,000</u>

The company's investment property was revalued at its open market value at 31 March 2005 by the directors. The historical cost of the investment property is £1,203,000.

8 Debtors	2005 £	2003 £
Trade debtors	7,108,196	2,209,213
Corporation tax	217,519	-
Other debtors	224,025	304,120
Prepayments and accrued income	15,254	37,858
	<u>7,564,994</u>	<u>2,551,191</u>

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

	2005 £	2003 £
Other debtors	<u>158,897</u>	<u>302,492</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 contributions and accelerated capital allowances.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2005

9	Creditors: amounts falling due within one year	2005	2003
		£	£
	Bank loans and overdrafts	5,365,611	977,194
	Net obligations under hire purchase contracts	-	27,008
	Corporation tax	-	348,520
	Other taxes and social security costs	165,444	156,231
	Other creditors	1,720,288	244,029
	Accruals and deferred income	251,649	166,349
		<u>7,502,992</u>	<u>1,919,331</u>

Bank overdrafts amounting to £5,365,611 (2003: £839,616) 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 £nil (2003: £137,578) 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 PERIOD ENDED 31 MARCH 2005

10 Creditors: amounts falling due after more than one year	2005 £	2003 £
Bank loans	-	11,918
Other loans	1,140,460	1,448,185
	<u>1,140,460</u>	<u>1,460,103</u>
Analysis of loans		
Wholly repayable within five years	1,417,091	1,841,710
	<u>1,417,091</u>	<u>1,841,710</u>
Included in current liabilities	(276,631)	(381,607)
	<u>1,140,460</u>	<u>1,460,103</u>
Loan maturity analysis		
In more than one year but not more than two years	279,493	244,103
In more than two years but not more than five years	860,967	732,000
In more than five years	-	484,000
	<u></u>	<u></u>

Other loans represent two 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 2010. The second loan is secured by a debenture, constituting a fixed charge over the Company's investment property and a floating charge over the remainder of the Company's assets. The loan bears interest at a rate of 2.5% per annum above bank base rate and is repayable by instalments over a 7 year period to December 2011.

Interest paid on the pension loans in the period ended 31 March 2005 amounted to £149,789 (2003: £68,980).

11 Pension costs

Defined contribution

	2005 £	2003 £
Contributions payable by the company for the period	<u>632,316</u>	<u>2,178,256</u>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2005

12 Share capital	2005 £	2003 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

13 Statement of movements on reserves	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2004	597,000	415,817
Retained loss for the period	-	(250,627)
Revaluation during the period	1,700,000	-
Balance at 31 March 2005	2,297,000	165,190

14 Reconciliation of movements in shareholders' funds	2005 £	2003 £
(Loss)/Profit for the financial period	(250,627)	214,293
Other recognised gains and losses	1,700,000	-
Net addition to shareholders' funds	1,449,373	214,293
Opening shareholders' funds	1,013,817	799,524
Closing shareholders' funds	2,463,190	1,013,817

15 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 March 2005 the contingent liability in respect of this guarantee was £4,437,236 (2003:£6,536,307).

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 March 2005 the contingent liability in respect of this registration was £1,096,009 (2003: £1,965,620).

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2005

16 Directors' emoluments	2005 £	2003 £
Emoluments for qualifying services	2,743,403	1,756,590
Company pension contributions to money purchase schemes	618,172	2,160,212
	<u>3,361,575</u>	<u>3,916,802</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2003 - 3).

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

Emoluments for qualifying services	1,061,431	612,000
Company pension contributions to money purchase schemes	-	730,000
	<u>1,061,431</u>	<u>1,342,000</u>

17 Employees

Number of employees

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

2005 Number	2003 Number
8	9
<u>8</u>	<u>9</u>

Employment costs

	£	£
Wages and salaries	3,078,147	2,176,738
Social security costs	390,165	264,488
Other pension costs	632,316	2,178,256
	<u>4,100,628</u>	<u>4,619,482</u>

18 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 PERIOD ENDED 31 MARCH 2005

19 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

During the period the company has entered into the following transactions with companies under common ownership and control:

	2005 £	2003 £
(i) Management and executive services provided to companies under common control:		
CML Public Limited Company	643,530	450,000
Meller Designs Limited	877,090	1,137,356
Meller Beauty Limited	2,607,884	1,844,918
	<u> </u>	<u> </u>

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

Julius A Meller Holdings Limited	(36,826)	-
CML Public Limited Company	846,194	190,405
Meller Designs Limited	1,562,119	(75,000)
Meller Beauty Limited	4,625,686	1,952,187
Meller Home & Beauty Holdings Limited	(1,470,288)	-
	<u> </u>	<u> </u>

- (iii) During the period Julius A Meller Management Services Limited wrote off amounts of £993,548 (2003: nil) due from Meller Home & Beauty Limited, a company related through common ownership and control, as a result of that company going into administration. At the period end £110,000 (2003: £140,725) was due from Meller Home & Beauty Limited.

During the period Julius A Meller Management Services Limited provided management and executive services totalling £999,818 (2003: £1,553,640) to Meller Home & Beauty Limited.

The group's freehold investment property was leased to Meller Home & Beauty Limited. The total rental income receivable during the period was £143,333 (2003: £160,000).

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

MANAGEMENT INFORMATION

FOR THE PERIOD ENDED 31 MARCH 2005

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2005

	2005	2003
	£	£
Turnover		
Management services	5,128,322	4,987,028
Administrative expenses	(5,385,734)	(4,748,027)
	<u>(257,412)</u>	<u>239,001</u>
Other operating income		
Rent receivable	143,332	160,000
Operating (loss)/profit	<u>(114,080)</u>	<u>399,001</u>
Interest payable		
Bank interest paid	133,065	14,228
Hire purchase interest paid	858	2,052
Other interest paid	<u>130,302</u>	<u>72,720</u>
	<u>(264,225)</u>	<u>(89,000)</u>
(Loss)/profit before taxation	<u><u>(378,305)</u></u>	<u><u>310,001</u></u>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE PERIOD ENDED 31 MARCH 2005

	Period ended 31 March 2005 £	Year ended 31 December 2003 £
Administrative expenses		
Wages and salaries	334,744	420,148
Directors' remuneration	2,743,403	1,756,590
Employer's N.I. contributions	390,165	264,488
Directors' pension costs	618,172	2,160,212
Staff pension costs	14,144	18,044
Insurance	27,791	26,006
Recruitment costs	36,581	27,200
Telephone	3,298	-
Motor running expenses	17,681	21,174
Travelling expenses	10,698	-
Legal and prof fees	124,190	18,112
Consultancy fees	5,500	12,055
Audit fees	22,078	-
Bank charges	14,334	8,528
Bad and doubtful debts	993,548	-
Sundry expenses	6,244	2,045
Charitable donations	2,300	-
Subscriptions	544	-
Depreciation on fixtures, fittings and equipments	548	295
Depreciation on motor vehicles	19,771	13,130
	<u>5,385,734</u>	<u>4,748,027</u>