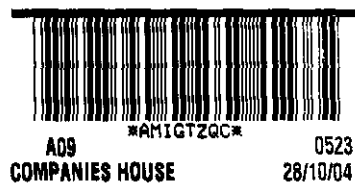


REGISTERED NUMBER: 1095274

HUGO RUSSELL & CO. LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003



HUGO RUSSELL & CO. LIMITED
CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7
Trading and Profit and Loss Account	12

HUGO RUSSELL & CO. LIMITED
REPORT OF THE CHAIRMAN
FOR THE YEAR ENDED 31 DECEMBER 2003

I present the accounts for the year to December 31st 2003. This period is the first full year of trading since the acquisition of the Company in December 2002.

I am pleased to report a trading profit before tax of £46,107 against a loss in the prior year of £51,839. Turnover decreased by 5% to £2,019,548, reflecting difficult trading conditions in the interior design and giftware sectors. The improved profitability was achieved by better margins, through keener product buying and a tighter control of overhead costs.

Throughout the year the Company has worked to improve both communication and service to its core retail customers. The arrival of new ranges is announced to targeted customers, while improved distribution services handle the despatch of orders flowing from our website photo database.

The Company's development focus has been on new business with the hospitality sector – both directly to hotel and leisure facility groups and indirectly through specifying interior designers. The attraction of this market is both its 'end-user' status and the potential to build volume business with a small group of customers whose needs can be closely monitored and fulfilled.

The stock acquired at the time of the Company purchase has been analysed and slow moving items identified as either 'slow but selling' or surplus to requirement. The appropriate action for both categories is in process.

During the year we have worked more closely with both customers and suppliers and we thank them for that association. I especially want to thank our staff who, through a year of change and redirection, have worked tirelessly to achieve our ambitions.

In particular, my thanks go to Esther Chapman, a long serving director of the company, who retired in October 2003 after a truly valuable contribution to the Company's success.

In August 2004, Richard Board left the Company to realise a long held plan to travel the world with his young family. I would like to record our thanks to him for his considerable role in managing the Company and we wish him well on his ventures.

The Company's ambition continues to be the development of sales to the hospitality sector and to the design and supply of products sought by that market.

Jolyon Tibbitts
Chairman.
25 October 2004

HUGO RUSSELL & CO. LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS:

Mr F J S Tibbitts
Mr D G Owen

SECRETARY:

Mr F J S Tibbitts

REGISTERED OFFICE:

38 Westwood Park Trading Centre
Concord Road
Western Avenue
London
W3 0TH

REGISTERED NUMBER:

1095274

AUDITORS:

Wilkins Kennedy
Chartered Accountants
Registered Auditors
Risborough House
38-40 Sycamore Road
Amersham
Buckinghamshire
HP6 5DZ

HUGO RUSSELL & CO. LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report with the financial statements of the company for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of wholesale distribution of decorative accessories and giftware.

DIRECTORS

The directors during the year under review were:

Mr F J S Tibbitts
Mrs E L Chapman
Mr R Board
Mr D G Owen

- resigned 29.10.2003

The directors holding office at 31 December 2003 did not hold any beneficial interest in the issued share capital of the company at 1 January 2003 or 31 December 2003.

At 31 December 2003 and 1 January 2003 the share capital was owned by a company called Dilldash Holdings Limited (formerly Ever 1881 Limited), of which Mr F J S Tibbitts and Mr D G Owen are directors and shareholders.

The beneficial interests of the directors in the share capital of the holding company were as follows:-

Mr F J S Tibbitts 72 £1 ordinary shares.

Mr D G Owen 2 £1 ordinary shares.

Mr R Board resigned as a director on 31 July 2004.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of £225.

STATEMENT OF 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.

AUDITORS

The auditors, Wilkins Kennedy, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

HUGO RUSSELL & CO. LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:

A handwritten signature in dark ink, appearing to read 'M. J. Tibbitts', written over a horizontal line.

Mr F J S Tibbitts - Director

25 October 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
HUGO RUSSELL & CO. LIMITED**

We have audited the financial statements of Hugo Russell & Co. Limited for the year ended 31 December 2003 on pages five to eleven. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention 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 auditors' 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 on page two the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

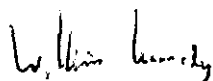
Basis of audit opinion

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.



Wilkins Kennedy
Chartered Accountants
Registered Auditors
Risborough House
38-40 Sycamore Road
Amersham
Buckinghamshire
HP6 5DZ

25 October 2004

HUGO RUSSELL & CO. LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
TURNOVER	2	2,019,548	2,144,173
Cost of sales		(1,087,608)	(1,275,264)
GROSS PROFIT		931,940	868,909
Distribution costs		(225)	-
Administrative expenses		(882,944)	(901,381)
OPERATING PROFIT/(LOSS)	3	48,771	(32,472)
Interest receivable and similar income		377	181
		49,148	(32,291)
Interest payable and similar charges		(3,041)	(19,548)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		46,107	(51,839)
Tax on profit/(loss) on ordinary activities	4	(7,357)	11,349
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		38,750	(40,490)
RETAINED PROFIT/(DEFICIT) FOR THE YEAR		38,750	(40,490)

The notes form part of these financial statements

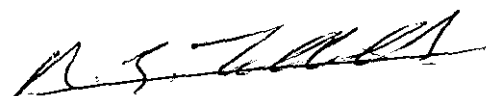
HUGO RUSSELL & CO. LIMITED

BALANCE SHEET
31 DECEMBER 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	5	4,904	10,679
CURRENT ASSETS			
Stocks		589,690	518,702
Debtors	6	151,536	154,750
Cash at bank and in hand		158,102	232,652
		<u>899,328</u>	<u>906,104</u>
CREDITORS			
Amounts falling due within one year	7	(287,526)	(338,827)
NET CURRENT ASSETS		<u>611,802</u>	<u>567,277</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>616,706</u>	<u>577,956</u>
CAPITAL AND RESERVES			
Called up share capital	10	5,000	5,000
Profit and loss account	11	611,706	572,956
SHAREHOLDERS' FUNDS		<u>616,706</u>	<u>577,956</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:



Mr F J S Tibbitts - Director

Approved by the Board on 25 October 2004

The notes form part of these financial statements

HUGO RUSSELL & CO. LIMITED

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

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Furniture and equipment	- 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33% on cost and 20% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The interest element of leasing payments is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

HUGO RUSSELL & CO. LIMITED

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

2. **TURNOVER**

The turnover and profit (2002 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market for the year ended 31 December 2003 is given below:

UK sales	90.82%
EC sales	4.83%
Sales to the rest of the world	4.35%
	<u>100.00%</u>

This analysis is not considered to be applicable to the year ended 31 December 2002.

3. **OPERATING PROFIT/(LOSS)**

The operating profit (2002 - operating loss) is stated after charging:

	2003	2002
	£	£
Depreciation - owned assets	7,265	6,875
Pension costs	-	100,000
Amounts payable to the auditors in respect of audit services	7,400	7,000
Amounts payable to the auditors in respect of non-audit services	1,345	10,020
	<u>127,420</u>	<u>192,880</u>
Directors' emoluments and other benefits etc	<u>127,420</u>	<u>192,880</u>

4. **TAXATION**

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	2003	2002
	£	£
Current tax:		
UK corporation tax	7,686	(9,484)
Deferred tax	(329)	(1,865)
Tax on profit/(loss) on ordinary activities	<u>7,357</u>	<u>(11,349)</u>

The directors believe the deferred tax asset to be fully recoverable.

HUGO RUSSELL & CO. LIMITED

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

5. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
At 1 January 2003	339,283
Additions	1,490
At 31 December 2003	340,773
DEPRECIATION	
At 1 January 2003	328,604
Charge for year	7,265
At 31 December 2003	335,869
NET BOOK VALUE	
At 31 December 2003	4,904
At 31 December 2002	10,679

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade debtors	98,203	84,089
Other debtors	53,333	70,661
	151,536	154,750

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank loans and overdrafts	22,728	61,866
Trade creditors	64,794	39,843
Taxation and social security	62,556	67,270
Other creditors	137,448	169,848
	287,526	338,827

8. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year:

	2003 £	2002 £
Expiring:		
In more than five years	188,873	188,873

HUGO RUSSELL & CO. LIMITED

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

9. PROVISION FOR LIABILITIES AND CHARGES

	Deferred tax £
Balance at 1 January 2003	(1,865)
Accelerated capital allowances	(329)
Balance at 31 December 2003	<u>(2,194)</u>

10. CALLED UP SHARE CAPITAL

Authorised:			2003	2002
Number:	Class:	Nominal value:	£	£
5,000	Ordinary 'A'	£1	5,000	5,000
5,000	Ordinary 'B'	£1	5,000	5,000
			<u>10,000</u>	<u>10,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2003 £	2002 £
2,500	Ordinary 'A'	£1	2,500	2,500
2,500	Ordinary 'B'	£1	2,500	2,500
			<u>5,000</u>	<u>5,000</u>

11. RESERVES

	Profit and loss account £
At 1 January 2003	572,956
Retained profit for the year	38,750
At 31 December 2003	<u>611,706</u>

12. PENSION COMMITMENTS

The company operated a defined contribution pension scheme for the benefit a director who left the company in 2002. The assets of the scheme are administered by trustees in a fund independent from those of the company. The charge in the accounts was £Nil (2002 : £100,000).

13. ULTIMATE PARENT COMPANY

The ultimate parent company is Dilldash Holdings Limited (formerly Ever 1881 Limited).

14. RELATED PARTY DISCLOSURES

Loan to the company by Dilldash Holdings Limited (formerly Ever 1881 Limited), the holding company - £100,000 (2002 : £150,000).

HUGO RUSSELL & CO. LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2003**

15. ULTIMATE CONTROLLING PARTY

In the opinion of the directors the ultimate controlling party throughout the current year was Mr F J S Tibbitts. During the preceding year the ultimate controlling party was Mr R G Gomme.