

Company Number: 1095274

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Hugo Russell & Co Limited

Financial Statements

for the year ended 31st December 1998

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**Chairman**

Mr R G Gomme

**Registered Office**

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

**Directors**

Mr R G Gomme  
Mrs E L Chapman  
Mr R Board

**Secretary**

Mr R G Gomme

**Auditors**

Wilkins Kennedy  
Risborough House  
38/40 Sycamore Road  
Amersham  
Bucks  
HP6 5DZ

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**Directors' Report****for the year ended 31st December 1998**

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The directors submit their report together with the audited financial statements for the year ended 31st December 1998.

As discussed at length in the media, many computers and microchips only recognise dates using the last two digits of the year and will therefore need to be modified or replaced to record the Year 2000. The company's business depends on a computerised system to record transactions. In addition, the company could be at risk if other parties do not deal adequately with the Year 2000 issue.

The directors have assessed the risks to the company's business resulting from the change to the Year 2000. The directors have also assessed the possibility of Year 2000 related failures in the company's significant suppliers.

It is impossible to guarantee that no Year 2000 problems will remain. However, the directors believe that the company will be able to deal with any failures that may occur.

**Directors' Statement**

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 for that year. 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 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.

**Principal Activity**

The principal activity of the company continued to be that of wholesale warehousing and sale of giftware.

**Directors and their Interests**

The directors who served during the year and their beneficial interests in the share capital of the company were as follows:

	Ordinary 'A'	Ordinary 'B'	Ordinary 'A'	Ordinary 'B'
	1998	1998	1997	1997
	No.	No.	No.	No.
Mr R G Gomme	2,500	2,500	2,500	2,500
Mrs E L Chapman	-	-	-	-
Mr R Board	-	-	-	-

**Auditors**

The Auditors, Wilkins Kennedy Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

**Exemption Statement**

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

By Order of the Board:



Mr R G Gomme, Secretary

14th October 1999

**Auditors' Report to the Shareholders**

**on the Financial Statements for the year ended 31st December 1998**

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We have audited the financial statements on pages 4 to 10, which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

**Respective responsibilities of the directors and auditors**

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 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, other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

**Going Concern**

In forming our opinion we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the uncertain outcome of the directors' plans to mitigate the effects of the Year 2000 issue.

In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1998 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 Auditor**

**Risborough House**  
**38/40 Sycamore Road**  
**Amersham**  
**Bucks**  
**HP6 5DZ**

14th October 1999

**Hugo Russell & Co Limited****Profit and Loss Account****for the year ended 31st December 1998**

	Notes	1998 £	1997 £
<b>Turnover</b>	2	2,748,489	2,555,922
Cost of sales		(1,699,390)	(1,666,488)
<b>Gross profit</b>		1,049,099	889,434
Administrative expenses		(963,756)	(1,139,102)
<b>Operating profit/(loss)</b>	3	85,343	(249,668)
Interest receivable	4	5,574	3,362
Interest payable	5	(30,263)	(13,813)
<b>Profit/(Loss) on ordinary activities before Taxation</b>		60,654	(260,119)
Tax on profit/(loss) on ordinary activities		2,382	20,629
<b>Profit/(Loss) on ordinary activities after Taxation</b>		63,036	(239,490)
Retained profit brought forward		319,852	559,342
<b>Retained profit carried forward</b>		382,888	319,852

*All amounts relate to continuing activities.*

*There have been no recognised gains or losses, other than the results for the financial year, and all profits or losses have been accounted for on an historical cost basis.*

# Hugo Russell & Co Limited

## Balance Sheet

as at 31st December 1998

	Notes	1998 £	1998 £	1997 £	1997 £
<b>Fixed Assets</b>					
Tangible Fixed Assets	7		20,384		35,977
<b>Current Assets</b>					
Stock	8	508,156		519,179	
Debtors	9	253,746		204,884	
Cash at bank and in-hand		74,479		23,619	
		836,381		747,682	
<b>Creditors:</b>					
Amounts falling due within one year	10	(468,877)		(458,807)	
<b>Net Current Assets</b>			367,504		288,875
			387,888		324,852
<b>Capital and Reserves</b>					
Called up share capital	11		5,000		5,000
Profit and loss account			382,888		319,852
<b>Equity Shareholders' Funds</b>	12		387,888		324,852

- The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Small entities.
- These accounts were approved by the board on 14th October 1999.

Mr R G Gomme



Director



**1 Principal Accounting Policies**

***Accounting Convention***

The Financial Statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

***Going Concern***

As discussed at length in the media, many computers and microchips only recognise dates using the last two digits of the year and will therefore need to be modified or replaced to record the Year 2000. The company's business depends on a computerised system to record transactions. In addition, the company could be at risk if other parties do not deal adequately with the Year 2000 issue.

The directors have assessed the risks to the company's business resulting from the change to the Year 2000. The directors have also assessed the possibility of Year 2000 related failures in the company's significant suppliers.

It is impossible to guarantee that no Year 2000 problems will remain. However, the directors believe that the company will be able to deal with any failures that may occur. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

***Cash Flow Statement***

In the opinion of the directors the company qualifies as a small company and accordingly a cash flow statement is not required.

***Turnover***

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

***Depreciation***

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Motor vehicles	25% straight line
Fixtures and fittings	20% straight line

***Stocks***

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

***Deferred Taxation***

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advanced corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

**Foreign Currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

**Contribution to Pension Funds**

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

**Leased Assets**

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 represents a constant proportion of the capital balance outstanding and 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.

**2 Turnover**

The turnover and operating profit/(loss) for the year was derived from the company's principal activity and was carried out wholly in the UK.

**3 Operating Profit/(Loss)**

*The operating profit/(loss) is stated after charging or crediting:*

	1998	1997
	£	£
Hire of plant and machinery - operating leases	-	601
Other operating lease rentals	122,735	122,735
Amounts payable to the auditors in respect of audit services	5,900	5,600
Amounts payable to the auditors in respect of non-audit services	2,685	5,700
Depreciation - owned assets	15,593	15,982

**4 Interest Receivable**

	1998	1997
	£	£
Bank interest receivable	4,622	3,112
Other interest receivable	952	250
	5,574	3,362

**5 Interest Payable**

	1998	1997
	£	£
Bank loans and overdrafts	4,763	4,031
Other interest payable	25,500	9,782
	30,263	13,813

# Hugo Russell & Co Limited

## Notes to the Financial Statements

for the year ended 31st December 1998

<b>6</b>	<b>Directors</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Total emoluments	307,948	487,870
<b>7</b>	<b>Tangible Fixed Assets</b>		<b>Plant, Machinery and Other Assets £</b>
	<b>Cost</b>		
	At 1st January 1998		325,207
	At 31st December 1998		325,207
	<b>Depreciation</b>		
	At 1st January 1998		289,230
	Charge for the year		15,593
	At 31st December 1998		304,823
	<b>Net Book Value</b>		
	At 31st December 1998		20,384
	At 31st December 1997		35,977
<b>8</b>	<b>Stocks</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Stocks	508,156	519,179
<b>9</b>	<b>Debtors</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Trade debtors	186,271	122,334
	Other debtors	67,475	82,550
		253,746	204,884
<b>10</b>	<b>Creditors: Amounts falling due within one year</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Bank loans and overdrafts - secured	-	22,553
	Trade creditors	52,378	52,767
	Other creditors	416,499	383,487
		468,877	458,807

**11 Share Capital**

<b>Authorised</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
10,000 Ordinary shares of £1 each (1997: 10,000)	10,000	10,000
<b>Allotted and fully paid</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
5,000 Ordinary shares of £1 each (1997: 5,000)	5,000	5,000

The authorised share capital is divided into 5,000 Class A ordinary £1 shares and 5,000 Class B ordinary £1 shares.

The issue and fully paid share capital is divided into 2,500 Class A ordinary £1 shares and 2,500 Class B ordinary £1 shares.

**12 Reconciliation of the Movement in Shareholders' Funds**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Profit/(Loss) for the financial year	63,036	(239,490)
Increase/(Decrease) in shareholders' funds	63,036	(239,490)
Opening shareholders' funds	324,852	564,342
Closing shareholders' funds	387,888	324,852

**13 Pensions - Defined Contribution Scheme**

The company operates a defined contribution pension scheme for the benefit of one of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company. The company also provides contributions for two of the directors personal pension schemes.

**14 Related Party Transactions**

Details of related party transactions occurring during the year are as follows:

Name of related party	Nature of Relationship	Transaction Details	Amount £	Balance £	Amounts Written Off £
R G Gomme	Director/ Shareholder	Movement on loan to the company	117,909	(1,129)	-
J Board	Connected person to a director	Movement on loan by the company	(3,543)	6,801	-
Gomme F.U.R.B.S.	Retirement fund of a director	Movement on loan to the company	-	(150,000)	-
Gomme F.U.R.B.S.	Retirement fund of a director	Interest paid on loan to the company	15,000	(15,000)	-
G F & D L Gomme	Connected person to a director	Movement on loan to the company	140,000	(140,000)	-
G F & D L Gomme	Connected person to a director	Interest paid on loan to the company	10,500	-	-

**Ultimate controlling party**

The company was throughout the current and preceding year controlled by R G Gomme who is a director and shareholder of the company.

**15 Operating lease commitments**

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	1998 Land and buildings £	1997 Land and buildings £
Expiring:		
Within one year	-	-
Within two to five years	-	-
After five years	122,735	122,735
	<u>122,735</u>	<u>122,735</u>

**16 Exceptional costs**

Included in administrative costs is a £Nil (1997, £300,000) contribution to a funded unapproved retirement benefit scheme of one of the directors.

Included in administrative costs is a £236,000 (1997, £105,000) contribution to a retirement fund of one of the directors.