

HUGO RUSSELL & CO. LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002



HUGO RUSSELL & CO. LIMITED

**REPORT OF THE CHAIRMAN
FOR THE YEAR ENDED 31 DECEMBER 2002**

In my role as the new Chairman of Hugo Russell & Co. Limited, I present the accounts for the year to 31 December 2002.

This follows the acquisition of the Company by Dilldash Holdings on 18 December 2002. The new ownership is committed to maintaining and developing sales to the Company's traditional giftware and decorative accessories customers, while building Hugo Russell to become a major supplier to both the residential and the hospitality contract interior decoration markets. To this end, we have invested in an extended range of products that specifically address the needs of these new customers.

We have enlisted the services of a team of experienced design industry agents to better serve our growing national and international client base. The company has recently taken a display area at the UK's centre for interior design at Chelsea Harbour Design Centre in London.

We are now both presenting our product range more widely through the use of targeted publicity material, and expanding our delivery services, to ensure that Hugo Russell is the most attractive trade supplier to its customers. We have a new web-based pictorial product register which is well used by major customers to place orders.

We have kept in place all senior employees including my fellow director, Richard Board, and also retained the services of Richard Gomme, the previous owner, who has proved invaluable in ensuring continuity of supply and service. David Owen, director, has provided the essential financial guidance during and since the acquisition.

The accounts for 2002 do not, at first, make pleasing reading but it should be pointed out that they are affected by the transfer of ownership and changes instituted as a result thereof. Despite the trying economic conditions in 2003, the company is on target and I look forward to presenting a much improved picture in 2004.

Jolyon Tibbitts
Chairman.
18 July 2003

HUGO RUSSELL & CO. LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2002**

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HUGO RUSSELL & CO. LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2002

DIRECTORS:

Mr F J S Tibbitts
Mrs E L Chapman
Mr R Board
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 2002

The directors present their report with the financial statements of the company for the year ended 31 December 2002.

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	- appointed 18.12.2002
Mrs E L Chapman	
Mr R Board	
Mr R G Gomme	- resigned 18.12.2002
Mr D G Owen	- appointed 18.12.2002

The directors holding office at 31 December 2002 did not hold any beneficial interest in the issued share capital of the company at 1 January 2002 (or date of appointment if later) or 31 December 2002.

At 31 December 2002 the share capital was owned by a company called Dilldash Holdings Limited (formerly Ever 1881 Limited), of which Mr F J S Tibbitts is a director and a shareholder.

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.

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;
- 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.

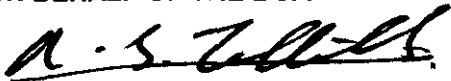
AUDITORS

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 2002

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 black ink, appearing to read 'F. J. S. Tibbitts', written over a horizontal line.

Mr F J S Tibbitts - Director

4 August 2003

HUGO RUSSELL & CO. LIMITED

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 2002 on pages six 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.

HUGO RUSSELL & CO. LIMITED

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

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Wilkins Kennedy', written in a cursive style.

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

4 August 2003

HUGO RUSSELL & CO. LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
TURNOVER		2,144,173	2,261,645
Cost of sales		<u>(1,275,264)</u>	<u>(1,340,209)</u>
GROSS PROFIT		868,909	921,436
Administrative expenses		<u>(901,381)</u>	<u>(860,972)</u>
OPERATING (LOSS)/PROFIT	2	(32,472)	60,464
Interest receivable and similar income		<u>181</u>	<u>4,071</u>
		(32,291)	64,535
Interest payable and similar charges		<u>(19,548)</u>	<u>(16,806)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(51,839)	47,729
Tax on (loss)/profit on ordinary activities	3	<u>11,349</u>	<u>(9,553)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(40,490)	38,176
(DEFICIT)/RETAINED PROFIT FOR THE YEAR		<u>£(40,490)</u>	<u>£38,176</u>

The notes form part of these financial statements

HUGO RUSSELL & CO. LIMITED

BALANCE SHEET
31 DECEMBER 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	4	10,679	13,521
CURRENT ASSETS			
Stocks		518,702	641,292
Debtors	5	154,750	163,966
Cash at bank and in hand		232,652	92,983
		<u>906,104</u>	<u>898,241</u>
CREDITORS			
Amounts falling due within one year	6	(338,827)	(293,315)
NET CURRENT ASSETS		<u>567,277</u>	<u>604,926</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>£577,956</u></u>	<u><u>£618,447</u></u>
CAPITAL AND RESERVES			
Called up share capital	8	5,000	5,000
Profit and loss account	9	572,956	613,447
SHAREHOLDERS' FUNDS		<u><u>£577,956</u></u>	<u><u>£618,447</u></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 4 August 2003

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

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
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
FOR THE YEAR ENDED 31 DECEMBER 2002**

2. OPERATING (LOSS)/PROFIT

The operating loss (2001 - operating profit) is stated after charging:

	2002 £	2001 £
Depreciation - owned assets	6,875	6,679
Pension costs	100,000	98,128
Amounts payable to the auditors in respect of audit services	7,000	6,600
Amounts payable to the auditors in respect of non-audit services	<u>10,020</u>	<u>3,160</u>
Directors' emoluments and other benefits etc	<u>192,880</u>	<u>188,039</u>

3. TAXATION

Analysis of the tax (credit)/charge

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

	2002 £	2001 £
Current tax:		
UK corporation tax	(9,484)	9,553
Deferred taxation	<u>(1,865)</u>	<u>-</u>
Tax on (loss)/profit on ordinary activities	<u>(11,349)</u>	<u>9,553</u>

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

4. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST:	
At 1 January 2002	335,249
Additions	<u>4,034</u>
At 31 December 2002	<u>339,283</u>
DEPRECIATION:	
At 1 January 2002	321,729
Charge for year	<u>6,875</u>
At 31 December 2002	<u>328,604</u>
NET BOOK VALUE:	
At 31 December 2002	<u>10,679</u>
At 31 December 2001	<u>13,520</u>

HUGO RUSSELL & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Trade debtors	84,089	101,269
Other debtors	70,661	62,697
	<u>154,750</u>	<u>163,966</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Bank loans and overdrafts	61,866	-
Trade creditors	39,843	55,357
Taxation and social security	67,270	51,135
Other creditors	169,848	186,823
	<u>338,827</u>	<u>293,315</u>

7. OPERATING LEASE COMMITMENTS

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

	2002	2001
	£	£
Expiring:		
In more than five years	<u>188,873</u>	<u>188,873</u>

8. CALLED UP SHARE CAPITAL

Authorised:			2002	2001
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:	2002	2001
			£	£
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>

HUGO RUSSELL & CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

9. RESERVES

	Profit and loss account £
At 1 January 2002	613,446
Deficit for the year	(40,490)
At 31 December 2002	<u>572,956</u>

10. PENSION COMMITMENTS

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 all three of the directors' personal pension schemes. The charge in the accounts was £100,000 (2001 : £98,128).

11. TRANSACTIONS WITH DIRECTORS

The following loan to a director subsisted during the year ended 31 December 2002:

	£
Mr R G Gomme	
Balance outstanding at start of year	-
Balance outstanding at end of year	23,810
Maximum balance outstanding during year	<u>23,810</u>

12. RELATED PARTY DISCLOSURES

Loan to the company from Gomme F.U.R.B.S., the retirement fund of a director - £NIL being repaid on the 18 December 2002 by means of a loan to the company by Dilldash Holdings Limited as stated below (2001 : £150,000).

Interest paid on the above loan - £15,000 (2001 : £15,000).

Loan to the company by Dilldash Holdings Limited (formerly Ever 1881 Limited), the holding company - £150,000 (2001 : £NIL).

13. ULTIMATE CONTROLLING PARTY

The company was controlled by Mr R G Gomme (a director and shareholder of the company) until 18 December 2002. Since 18 December 2002 the company has been controlled by Dilldash Holdings Limited (formerly Ever 1881 Limited), the holding company of Hugo Russell and Co. Limited. The ultimate controlling party is Mr F J S Tibbitts, a director of the company.