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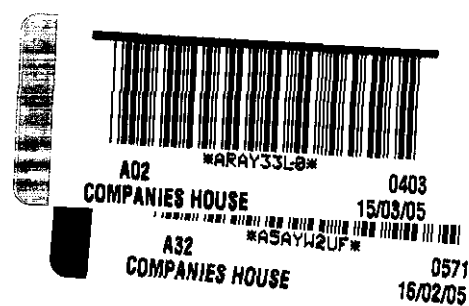
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Network Management Limited

Report and Financial Statements

Period ended

31 March 2004



BDO

BDO Stoy Hayward
Chartered Accountants

Network Management Limited

Annual report and financial statements for the period ended 31 March 2004

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Directors

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Directors

L C Barber
J J Osborne
M D Jatania

Secretary and registered office

S J Hicks, Network House, Lynchford Lane, Farnborough, Hants, GU14 6JF.

Company number

1766292

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Network Management Limited

Report of the directors for the period ended 31 March 2004

The directors present their report together with the audited financial statements for the 15 months ended 31 March 2004.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the period.

The directors do not recommend the payment of a final dividend (2002 - £Nil). An interim dividend of £55,428 (2002 - £Nil) was paid during the period.

Principal activities, trading review and future developments

The principal activities of the group are the distribution, marketing and sales in the UK and for export of fragrance, toiletries, cosmetics, private label, beauty and personal care products.

In the 15 month period, Network Management Limited was acquired by Law 2397 Limited and further brands were acquired from EMVI Limited. Although some set up costs were incurred the brands have been successfully integrated in the business and should deliver future synergies. Earnings before interest, tax, depreciation and amortisation (EBITDA) in the period was £998,000. Additionally Kuan Limited a wholly owned subsidiary returned EBITDA of £633,000 giving the group total EBITDA of £1,631,000.

Directors

The directors of the company during the period were:

L C Barber	(appointed 3 September 2003)
J J Osborne	(appointed 10 April 2003)
C J Williams	(appointed 9 April 2003, resigned 3 September 2003)
J D Kidd	(resigned 10 April 2003)
M D Jatania	(appointed 28 April 2004)

No director had any beneficial interest in the share capital of the company.

Network Management Limited

Report of the directors for the period ended 31 March 2004 (*Continued*)

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 year. In preparing those financial statements, the directors are required to:

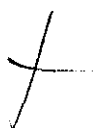

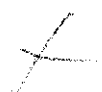
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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

BDO Stoy Hayward LLP, who were appointed as auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

  
S J Hicks

Secretary

18 October 2004

Network Management Limited

Report of the independent auditors

To the shareholders of Network Management Limited

We have audited the financial statements of Network Management Limited for the period ended 31 March 2004 on pages 5 to 20 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

Network Management Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'BDO' followed by a stylized flourish.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

28 October 2004

Network Management Limited

Profit and loss account for the period ended 31 March 2004

	Note	15 months ended 31 March 2004 £	15 months ended 31 March 2004 £	Year ended 31 December 2002 As restated £	Year ended 31 December 2002 As restated £
Turnover	2		15,260,345		7,818,441
Cost of sales			(8,319,375)		(3,526,980)
Gross profit			6,940,970		4,291,461
Administrative expenses					
- Other		6,133,631		3,616,323	
- Amortisation		296,648		158,839	
			(6,430,279)		(3,775,162)
Operating profit	5		510,691		516,299
Interest receivable			4,425		-
Interest payable	6		(120,435)		(119,467)
Profit on ordinary activities before taxation			394,681		396,832
Taxation on profit on ordinary activities	7		56,655		139,053
Profit on ordinary activities after taxation			338,026		257,779
Dividends	8		55,428		-
Retained profit for the financial period	18		282,598		257,779

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 8 to 20 form part of these financial statements.

Network Management Limited

Company balance sheet at 31 March 2004

	Note	31 March 2004 £	31 March 2004 £	31 March 2004 £	31 December 2002 As restated £	31 December 2002 As restated £	31 December 2002 As restated £
Fixed assets							
Intangible assets	9			6,951,152			887,686
Tangible assets	10			324,882			370,089
Investment in subsidiary undertaking	11			881,526			881,525
				<u>8,157,560</u>			<u>2,139,300</u>
Current assets							
Stocks	12		1,405,664			1,033,497	
Debtors - due within one year	13	3,305,120			4,987,715		
- due after more than one year	13	2,000,000			-		
		<u></u>	5,305,120		<u></u>	4,987,715	
Cash at bank and in hand			116,603			82,178	
			<u>6,827,387</u>			<u>6,103,390</u>	
Creditors: amounts falling due within one year	14		10,653,617			4,250,266	
			<u></u>			<u></u>	
Net current (liabilities)/assets				(3,826,230)			1,853,124
Total assets less current liabilities				<u>4,331,330</u>			<u>3,992,424</u>
Creditors: amounts falling due after more than one year	15			-			480,442
Provision for liabilities and charges	16			800,000			263,250
				<u></u>			<u></u>
Net assets				<u>3,531,330</u>			<u>3,248,732</u>

The notes on pages 8 to 20 form part of these financial statements.

Network Management Limited

Company balance sheet at 31 March 2004 (Continued)

	Note	31 March 2004 £	31 December 2002 As restated £
Capital and reserves			
Called up share capital	17	2,000,100	2,000,100
Capital redemption reserve	18	980,000	980,000
Profit and loss account	18	551,230	268,632
Shareholders' funds		3,531,330	3,248,732
Attributable to:			
Equity shareholders		1,531,330	1,248,732
Non-equity shareholders		2,000,000	2,000,000
		3,531,330	3,248,732

The financial statements were approved by the Board on 18 October 2004


L C Barber
Director

The notes on pages 8 to 20 form part of these financial statements.

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004

1 Accounting policies

The financial statements contain information about Network Management Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Trademarks

Trade marks are capitalised at cost and amortised over their estimated useful life of 10 years.

During the period, the directors revised their estimate for the useful economic life from 20 years to 10 years. If this change had not been made, the amortisation charge for the period ended 2004 would have been £139,000 lower.

Turnover

Turnover is the amount derived from the provision of goods falling within the company's ordinary activities after deduction of trade discounts and value added tax. Previously volume discounts were classified as a cost of sale and within creditors amounts falling due within one year. This year the company has reclassified volume discounts to be included within turnover and trade debtors. The reclassification has had no impact on shareholders' funds reported in prior years.

Depreciation

Depreciation is calculated to write off the cost of all fixed assets in equal annual instalments over their estimated useful lives at the following rates:

Short leasehold	-	over the term of the lease
Short leasehold improvements	-	over the term of the lease
Computer equipment	-	25%
Motor vehicles	-	33⅓%
Plant and machinery	-	20%
Fixtures and fittings	-	10-20%

Tangible fixed assets purchased or sold during the period are depreciated on a pro rata basis.

Research and development

Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

Investments

Fixed asset investments are stated at cost less any charge for impairment.

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (*Continued*)

1 Accounting policies (*Continued*)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leases

All leases are operating leases and rentals payable are charged to the profit and loss account on a straight line basis.

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. All exchange differences arising are included in the profit and loss account for the period.

Pension costs

The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accrual or prepayments in the balance sheet.

Group financial statements

Group financial statements have not been prepared as the company has taken advantage of the exemption conferred by section 228 of the Companies Act 1985. The financial statements of the company and its subsidiary undertakings are incorporated in the consolidated financial statements of Law 2397 Limited.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

3 Employees

	15 months ended 31 March 2004 £	Year ended 31 December 2002 £
Staff costs consist of:		
Wages and salaries	2,020,368	1,423,683
Social security costs	194,141	137,970
Other pension costs	85,489	55,889
	<u>2,299,998</u>	<u>1,617,542</u>
The average number of employees, including the director during the period was as follows:	Number	Number
Selling and distribution	34	27
Management and administration	21	21
	<u>55</u>	<u>48</u>

4 Directors

	15 months ended 31 March 2004 £	Year ended 31 December 2002 £
Directors' emoluments	337,202	80,625
Pension contributions	8,000	-
Contributions for loss of office	25,000	-
	<u>370,202</u>	<u>80,625</u>
Highest paid director:		
Emoluments	223,768	-
Contributions for loss of office	25,000	-

Network Management Limited**Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)****5 Operating profit**

	15 months ended 31 March 2004 £	Year ended 31 December 2002 £
This has been arrived at after charging/(crediting):		
Auditor's remuneration - audit	22,000	30,300
- non-audit	28,169	22,147
Gain on foreign exchange	(55,299)	(3,284)
Depreciation	190,734	158,839
Amortisation - trademarks	296,648	63,058
Operating lease rentals - plant and machinery	15,056	2,278
- other	269,391	145,059
Profit on sale of tangible fixed assets	(47,767)	4,572
Exceptional (credit)/charge:		
(Release of)/provision for onerous contract	(263,250)	263,250

6 Interest payable and similar charges

	15 months ended 31 March 2004 £	Year ended 31 December 2002 £
Bank interest	120,435	77,618
Other interest	-	41,849
	120,435	119,467

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

7 Taxation

	15 months ended 31 March 2004 £	Year ended 31 December 2002 £
<i>Current tax</i>		
UK corporation tax on profits of the period	56,655	158,330
Adjustment in respect of previous year	-	(19,277)
	<hr/>	<hr/>
Total current tax	56,655	139,053
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Tax losses carried forward	-	-
	<hr/>	<hr/>
Taxation on profit on ordinary activities	56,655	139,053
	<hr/>	<hr/>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	15 months ended 31 March 2004 £	Year ended 31 December 2002 £
Profit on ordinary activities before tax	394,681	396,832
	<hr/>	<hr/>
Profit on ordinary activities multiplied at the standard rate of corporation tax in the UK of 30% (31 December 2002 - 30%)	118,404	119,050
Tax effects of:		
Expenses not deductible for tax purposes	69,203	34,480
Capital allowances for period in excess of depreciation	3,146	(9,578)
Utilisation of provisions	(2,889)	2,440
Utilisation of group relief	(129,003)	11,938
Small companies relief	(2,206)	-
	<hr/>	<hr/>
Current tax charge for period	56,655	158,330
	<hr/>	<hr/>

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

8 Dividends

	15 months ended 31 March 2004 £	Year ended 31 December 2002 £
Interim dividend of £554.28 per share (2002 - £Nil)	55,428	-

9 Intangible fixed assets

	Trademarks £
<i>Cost</i>	
At 1 January 2003	1,261,157
Additions	6,360,114
	<hr/>
At 31 March 2004	7,621,271
	<hr/>
<i>Amortisation</i>	
At 1 January 2003	373,471
Charge for the period	296,648
	<hr/>
At 31 March 2004	670,119
	<hr/>
<i>Net book value</i>	
At 31 March 2004	6,951,152
	<hr/>
At 31 December 2002	887,686
	<hr/>

On 19 December 2003 Network Management Limited acquired certain brands of EMVI Limited. Included within additions is £5,850,000 which represents the trademarks acquired. On the same day, Network Management Limited also acquired the Ingram Brand for £400,000 from Lornamead Home & Personal Care Limited, a related party, this amount is also included within additions above.

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

10 Tangible assets	Short leasehold land and buildings £	Short leasehold improvements £	Computer equipment £	Motor vehicles £	Plant and machinery £	Fixtures and fittings £	Total £
<i>Cost or valuation</i>							
At 1 January 2003	31,500	111,779	101,430	261,057	97,410	183,410	786,586
Additions	-	13,339	32,362	-	83,677	21,311	150,689
Disposals	-	-	-	(124,340)	-	-	(124,340)
At 31 March 2004	31,500	125,118	133,792	136,717	181,087	204,721	812,935
<i>Depreciation</i>							
At 1 January 2003	31,500	111,666	54,708	168,419	19,478	30,726	416,497
Charge for the period	-	3,452	27,486	82,526	36,783	40,487	190,734
Disposals	-	-	-	(119,178)	-	-	(119,178)
At 31 March 2004	31,500	115,118	82,194	131,767	56,261	71,213	488,053
<i>Net book value</i>							
At 31 March 2004	-	10,000	51,598	4,950	124,826	133,508	324,882
At 31 December 2002	-	113	46,722	92,638	77,932	152,684	370,089

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (*Continued*)

11 Investment in subsidiary undertakings

£

Cost and net book value

At 1 January 2003

881,525

Additions

1

At 31 March 2004

881,526

The company owns 100% of the ordinary share capital of Kuan Limited, a company which is incorporated in Great Britain and whose principle activities are the development, management and distribution of cosmetic and toiletry products.

Also during the year, the company acquired 100% of the share capital in Christy Cosmetics Limited, a dormant company which is incorporated in Great Britain.

12 Stocks

31 March 2004	31 December 2002
£	£

Raw materials and consumables

219,506

292,936

Finished goods and goods for resale

1,186,158

740,561

1,405,664

1,033,497

13 Debtors

31 March 2004	31 December 2002
£	£

Amounts receivable within one year:

Trade debtors

2,796,545

1,817,858

Amounts owed by group undertakings

110,479

2,986,798

Other debtors

197,280

91,119

Prepayments and accrued income

200,816

87,740

Deferred tax asset

-

4,200

3,305,120

4,987,715

Network Management Limited**Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)****13 Debtors (Continued)**

	31 March 2004 £	31 December 2002 £
Amounts receivable after more than one year:		
Other debtors	2,000,000	-

14 Creditors: amounts falling due within one year

	31 March 2004 £	31 December 2002 £
Bank overdraft	-	425,661
Bank loan	-	219,558
Trade creditors	1,139,082	1,731,463
Amounts owed to group undertakings	7,093,803	-
Corporation tax	21,658	155,000
Other taxes and social security	98,962	75,060
Other creditors	1,704,386	1,368,367
Accruals and deferred income	595,726	275,157
	10,653,617	4,250,266

Included in other creditors is an amount of £1,567,946 (31 December 2002 – £1,235,915) due to Barclays Bank plc which is secured by a fixed charge over the company's book debts.

15 Creditors: amounts falling due after more than one year

	31 March 2004 £	31 December 2002 £
Bank loan	-	480,442

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

16 Provisions for liabilities and charges

	Onerous lease £	Deferred consideration £	Total £
At 1 January 2003	263,250	-	263,250
Transfer from profit and loss account	(263,250)	-	(263,250)
Transfer to intangible assets	-	800,000	800,000
	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	800,000	800,000
	<hr/>	<hr/>	<hr/>

17 Share capital

	Authorised		Allotted, called up and fully paid	
	31 March 2004	31 December 2002	31 March 2004	31 December 2002
	£	£	£	£
<i>Equity</i>				
Ordinary shares of £1 each	100	100	100	100
<i>Non equity</i>				
14% preference shares of £1 each	-	2,999,900	-	2,000,000
Deferred shares of £1 each	2,999,900	-	2,000,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,000,000	3,000,000	2,000,100	2,000,100
	<hr/>	<hr/>	<hr/>	<hr/>

On 10 April 2003 each of the issued and unissued 14% cumulative preference shares were converted into deferred shares of £1 each.

The deferred shares carry no voting or dividend rights. They can be redeemed with one month's notice at any time by the company for the sum of £1 each. In the event of a winding up of the company, the deferred shares are entitled to a payment of 1p per each deferred share.

The holders of the 14% cumulative preference shares have waived and have continued to waive their entitlement to repayment on 31 December 1995, by which date they were due for repayment, or within 10 years subsequent to that date. The holders of these shares have waived their entitlement to dividends during the period.

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (*Continued*)

18 Reserves

	Capital redemption reserve £	Profit and loss account £
At 1 January 2003	980,000	268,632
Retained profit for the period	-	282,598
At 31 March 2004	980,000	551,230

19 Reconciliation of movements in shareholders' funds

	31 March 2004 £	31 December 2002 £
Profit for the period	338,026	257,779
Dividends	(55,428)	-
	282,598	257,779
Redemption of 14% redeemable preference shares	-	(650,000)
	282,598	(392,221)
Opening shareholders' funds	3,248,732	3,640,953
Closing shareholders' funds	3,531,330	3,248,732

20 Pensions

The company operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £85,489 (31 December 2002 - £55,889).

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (*Continued*)

21 Commitments under operating leases

As at 31 March 2004, the company had annual commitments under non-cancellable operating leases as set out below:

	31 March 2004 Land and buildings £	31 March 2004 Other £	31 December 2002 Land and buildings £	31 December 2002 Other £
Operating leases which expire:				
Within one year	-	-	-	1,065
In two to five years	87,250	85,858	94,250	-
Over five years	220,000	-	220,000	-
	<u>307,250</u>	<u>85,858</u>	<u>314,250</u>	<u>1,065</u>

22 Charges on assets

Barclays Bank Plc holds a fixed charge over the company's book debts.

23 Related party transactions

The company has taken advantage of the exemption allowed by FRS 8 'Related Party Transactions' not to disclose any transactions with members of the group headed by Law 2397 Limited on the grounds that at least 90% of the voting rights in the company are controlled within the group and the company is included in the consolidated financial statements.

At 31 March 2004 the company was owed £289,000 (2002 - £Nil) by Natural White UK Limited, a fellow group company.

Included within other debtors is a loan amount of £2,000,000 which is due from Macbream Cosmetics Limited, a company in which John Kidd has a beneficial interest.

24 Parent undertakings

The company's immediate parent undertaking at 31 March 2004 was Law 2397 Limited which is the parent of both the smallest and largest groups of which the company is a member.

Copies of the consolidated financial statements of Law 2397 Limited are available from Companies House.

Network Management Limited

Notes forming part of the financial statements for the period ended 31 March 2004 (Continued)

25 Ultimate controlling party

The ultimate controlling party is Rotherham Holdings Limited, a company incorporated in Jersey.

26 Financial commitments

The assets of the company have been given as security against the bank facilities of its immediate parent undertaking and subsidiary undertakings.

27 Cash flow statement

The company has used the exemption under Financial Reporting Standard No. 1 "Cash Flow Statements" not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent undertaking.