

Company Registration No 2518921

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE PERIOD FROM

3 APRIL 2006 TO 31 DECEMBER 2006

Milton Avis
Chartered Accountants
Registered Auditors
Datam House
48 Maddox Street
London W1S 1QB

MONDAY



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JULIUS A MELLER MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

M J Meller
D R Meller
J N Curtis FCA

SECRETARY

J N Curtis FCA

REGISTERED OFFICE

Sunderland Road
Sandy
Bedfordshire
SG19 1QY

AUDITORS

Milton Avis
Chartered Accountants
Registered Auditors
Datam House
48 Maddox Street
London W1S 1QB

PRINCIPAL BANKERS

Clydesdale Bank plc
Ground Floor, The Podium
3 Sheldon Square
Paddington
London W2 6HY

COMPANY REGISTRATION

NO: 2518921

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

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FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

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DIRECTORS' REPORT

FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

The directors present their report on the affairs of the company together with the financial statements for the above period.

PRINCIPAL ACTIVITIES

The principal activity of the company continued to be that of provision of management services, which it re-charges to other group companies and the company under common ownership.

RESULTS AND DIVIDENDS

The results for the period are set out on page 5.

The directors do not recommend the payment of an ordinary dividend (period ended 2 April 2006 : nil).

DIRECTORS AND THEIR INTERESTS

The following directors have held office since 3 April 2006 :

M J Meller

D R Meller

J N Curtis FCA

I Christodoulou (resigned 21 July 2006)

Directors' interest

There are no directors' interests requiring disclosure under the Companies Act 1985. Their interests in the parent undertaking are disclosed in that company's financial statements.

STATEMENT OF DISCLOSURE TO AUDITORS

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT - Continued

FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

REGISTERED AUDITORS

MRI Moores Rowland resigned as auditors and Milton Avis, Chartered Accountants, were appointed in their place. In accordance with section 385 of the Companies Act 1985, a resolution proposing their reappointment will be submitted at the Annual General Meeting.

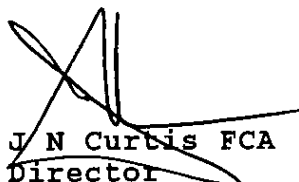
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

By order of the Board


J. N. Curtis FCA
Director

31 May 2007

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

JULIUS A MELLER MANAGEMENT SERVICES LIMITED

We have audited the financial statements of Julius A Meller Management Services Limited for the period ended 31 December 2006 on pages 5 to 17. These financial statements have been prepared 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 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 DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Standards).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 other transactions 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.

INDEPENDENT AUDITORS' REPORT - continuedTO THE MEMBERS OFJULIUS A MELLER MANAGEMENT SERVICES LIMITED**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended, and
- have been properly prepared in accordance with the Companies Act 1985.
- the information given in the directors' report is consistent with the financial statements.



Milton Avis
Chartered Accountants
Registered Auditors
Datam House
48 Maddox Street
London W1S 1QB

31 May 2007

JULIUS A MELLER MANAGEMENT SERVICES LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006**

		03.04.06 TO 31.12.06 £	01.04.05 TO 02.04.06 £
	<u>Notes</u>		
TURNOVER	2	1,962,914	1,166,066
Administration expenses		(1,249,591)	(2,742,430)
Exceptional costs	3	(593,345)	-
OPERATING PROFIT/(LOSS)	3	<u>119,978</u>	<u>(1,576,364)</u>
Loss on disposal of property		-	(149,604)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>119,978</u>	<u>(1,725,968)</u>
Income from partnership		246,063	60,518
Other interest receivable and similar income		-	9,389
Interest payable and similar 4 charges		(61,265)	(101,406)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>304,776</u>	<u>(1,757,467)</u>
Tax on profit on ordinary 6 activities		(86,374)	(104,386)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>218,402</u></u>	<u><u>(1,861,853)</u></u>

There are no recognised gains and losses other than those passing through the profit and loss account.

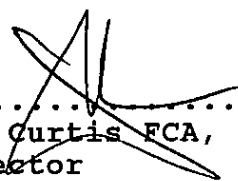
The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 7 to 17 form part of these financial statements.

BALANCE SHEET**AS AT 31 DECEMBER 2006**

		£	<u>31.12.06</u> £	£	<u>02.04.06</u> £
	<u>Notes</u>				
FIXED ASSETS					
Tangible assets	7		1,095		21,352
Investments	8		306,581		60,518
			<hr/>		<hr/>
			307,676		81,870
CURRENT ASSETS					
Debtors	9	1,679,277		867,606	
Cash at bank and in hand		2,399,616		3,502,831	
		<hr/>		<hr/>	
		4,078,893		4,370,437	
CREDITORS - amounts falling due within one year	10	(2,007,725)		(2,995,453)	
		<hr/>		<hr/>	
NET CURRENT ASSETS			2,071,168		1,374,984
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,378,844		1,456,854
			<hr/>		<hr/>
CREDITORS - amounts falling due after more than one year	11		(1,559,105)		(855,517)
			<hr/>		<hr/>
			819,739		601,337
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	13		1,000		1,000
Profit and loss account	14		818,739		600,337
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS	15		819,739		601,337
			<hr/>		<hr/>

Approved by the Board on 31 May 2007

.....

 J N Curtis FCA,
 Director

The notes on pages 7 to 17 form part of these financial statements.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006****1. ACCOUNTING POLICIES****1.1 BASIS OF ACCOUNTING**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

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

This represents the invoiced amounts of services provided, net of value added tax 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

Where assets are financed by leasing agreements that give rights approximating to ownership (''finance leases''), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are ''operating leases'' and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

1. ACCOUNTING POLICIES - continued

1.5 PENSIONS

The company operates a defined contribution scheme covering the majority of its permanent employees. Pension costs charged against profit, represent the amounts payable to the scheme in respect of the 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 transactions 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.

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 PROFIT/(LOSS)

	03.04.06 TO 31.12.06 £	01.04.05 TO 02.04.06 £
Operating profit/(loss) is stated after charging : -		
Depreciation of tangible assets	12,982	20,296
Auditors' remuneration	-	-
Directors' remuneration	798,117	2,142,821
	<u> </u>	<u> </u>

Remuneration of the company's auditors is borne by another group company.

The exceptional costs of £593,345 relate to costs incurred in connection with the re-structuring of the group's financial position.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

4. INTEREST PAYABLE

	03.04.06 TO 31.12.06	01.04.05 TO 02.04.06
	£	£
Other interest	61,265	101,406
	<u> </u>	<u> </u>

5. EMPLOYEES AND DIRECTORS

Number of employees

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

	03.04.06 TO 31.12.06	01.04.05 TO 02.04.06
	Number	Number
Office and management	5	6
	<u> </u>	<u> </u>

	£	£
Employment costs		
Wages and salaries	839,026	1,783,132
Social security costs	110,860	236,177
Other pension costs	116,536	557,418
	<u> </u>	<u> </u>

	1,066,422	2,576,727
	<u> </u>	<u> </u>

Directors' emoluments

Emoluments for qualifying services	688,453	1,591,266
Company pension contributions to money purchase schemes	109,664	551,555
	<u> </u>	<u> </u>

	798,117	2,142,821
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2 April 2006 : 3).

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

Emoluments for qualifying services	236,162	553,039
	<u> </u>	<u> </u>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

6. TAXATION

	03.04.06 TO 31.12.06 £	01.04.05 TO 02.04.06 £
Domestic current year tax		
U.K. Corporation tax @ 30.00% (2005 : 30.00%)	-	-
Deferred tax charge	86,374	104,386
	<u>86,374</u>	<u>104,386</u>
Factors affecting the tax charge for the year :		
Profit/(loss) on ordinary activities before tax	304,776	(1,757,467)
	<u>304,776</u>	<u>(1,757,467)</u>
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2006 : 30%)	91,433	(527,240)
	<u>91,433</u>	<u>(527,240)</u>
Effects of :		
Non deductible expenses	561	26,509
Depreciation add back	3,897	6,089
Capital allowances	(3,701)	(1,933)
Tax losses carried forward	(86,834)	41,721
Chargeable disposals	-	579,618
Other tax adjustments	(5,356)	(124,764)
	<u>(91,433)</u>	<u>527,240</u>
Current tax charge	-	-
	<u>-</u>	<u>-</u>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

7. TANGIBLE FIXED ASSETS

	Fixtures, fittings & equipment £	Motor Vehicles £	Total £
Cost			
At 3 April 2006	2,716	72,675	75,391
Disposals	-	(20,155)	(20,155)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	2,716	52,520	55,236
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
At 3 April 2006	1,290	52,749	54,039
Charge for the period	331	12,651	12,982
Disposals	-	(12,880)	(12,880)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	1,621	52,520	54,141
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value at 31 December 2006	1,095	-	1,095
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Book Value at 2 April 2006	1,426	19,926	21,352
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

8. FIXED ASSET INVESTMENT

<u>Unlisted investment</u>	<u>31.12.06</u>	<u>02.04.06</u>
	£	£
<u>Cost</u>		
At 3 April 2006	60,518	-
Additions	246,063	60,518
	<hr/>	<hr/>
At 31 December 2006	306,581	60,518
	<hr/>	<hr/>

The company has a 50% investment in Tecno Direct LLP. This Limited Liability Partnership has a profit for the period of £492,126 and net assets of £613,163. The company has included 50% of the profit for the period in the profit and loss account.

The company earned £63,914 (to 2 April 2006 - £122,000) as consultancy fees from the partnership and was owed £105,806 at the end of period. (2 April 2006 - £50,290)

Tecno Diect LLP has now ceased to trade.

9. DEBTORS

	<u>31.12.06</u>	<u>02.04.06</u>
	£	£
Trade debtors	-	169,817
Amounts owed by parent and fellow subsidiary undertakings	1,221,896	470,000
Amount owed by associated company	218,740	-
Corporation tax	9,011	6,172
Other debtors	106,574	175,609
Prepayments and accrued income	123,056	46,008
	<hr/>	<hr/>
	1,679,277	867,606
	<hr/>	<hr/>

Included in other debtors is a deferred tax asset of £21,626 (2 April 2006 - £108,000) which relates to trading losses carried forward.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

**10. CREDITORS - AMOUNTS FALLING DUE
 WITHIN ONE YEAR**

	<u>31.12.06</u> £	<u>02.04.06</u> £
Bank loans and overdrafts	-	29,493
Amounts owed to subsidiary undertakings	998,298	2,371,779
Taxes and social security costs	146,216	167,434
Other creditors	288,021	258,602
Accruals and deferred income	575,190	168,145
	<u>2,007,725</u>	<u>2,995,453</u>

Bank overdrafts amounting to £ nil (2.4.06 : £29,493) are guaranteed by group and other companies under common ownership and control as part of group banking arrangements and are secured by a fixed and floating charge over the company's assets.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

**11. CREDITORS : AMOUNTS FALLING DUE AFTER
MORE THAN ONE YEAR**

	<u>31.12.06</u>	<u>02.04.06</u>
	£	£
Other loans	1,559,105	855,517
	<u> </u>	<u> </u>
Analysis of loans		
Wholly repayable within five years	1,847,126	1,135,010
	<u> </u>	<u> </u>
	1,847,126	1,135,010
Less: included in current liabilities	288,021	279,493
	<u> </u>	<u> </u>
	1,559,105	855,517
	<u> </u>	<u> </u>
Loan maturity analysis :		
In more than one year but not more than two years	291,919	282,662
In more than two years but not more than five years	1,267,186	572,855
	<u> </u>	<u> </u>

Other loans represent two loans from the company's self-administered pension scheme and a loan from the directors. 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 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 December 2006 amounted to £61,265 (to 2 April 2006 - £101,406).

The loan from the directors is repayable in full after 2008 and will be interest free up to 30 April 2007. Interest will be charged after that date at a rate to be agreed but will not become payable until after 30 April 2008.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

12. PENSION COSTS

	<u>03.04.06</u> TO <u>31.12.06</u>	<u>01.04.05</u> TO <u>02.04.06</u>
	£	£
Contributions payable by the company for the period	116,536	557,418
	<u> </u>	<u> </u>

13. SHARE CAPITAL

	<u>31.12.06</u> £	<u>02.04.06</u> £
<u>Authorised</u>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
<u>Allotted, called up and fully paid</u>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>

14. STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	<u>31.12.06</u> £	<u>02.04.06</u> £
Opening balance	600,337	165,190
Profit/(loss) for the period	218,402	(1,861,853)
Transfer from revaluation reserve	-	2,297,000
	<u> </u>	<u> </u>
Closing balance	818,739	600,337
	<u> </u>	<u> </u>

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>31.12.06</u> £	<u>02.04.06</u> £
Opening shareholders' funds	601,337	2,463,190
Profit/(loss) for the financial period	218,402	(1,861,853)
Closing shareholders' funds	<u>819,739</u>	<u>601,337</u>

16. CONTINGENT LIABILITIES

The company has guaranteed the borrowings of its subsidiary companies as part of group banking arrangements. This guarantee is secured by a fixed and floating charge over the assets of the companies involved. At 31 December 2006 the contingent liability in respect of the guarantee was £9,034,202 (period to 2 April 2006 - £6,242,467).

The company is included in a group registration for VAT purposes. All members of the VAT group are jointly and severally liable for the total amount of VAT due and at 31 December 2006 the contingent liability in respect of this group registration was £1,196,305 (at 2 April 2006 - £347,841).

17. CONTROL

The company's ultimate parent company is Meller Group Limited.

Copies of the group financial statements of Meller Group Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The directors consider there to be no ultimate controlling party.

JULIUS A MELLER MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD FROM 3 APRIL 2006 TO 31 DECEMBER 2006

18. 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 :

	<u>31.12.06</u>	<u>02.04.06</u>
	£	£
(i) Management and executive services provided to companies under common control :		
CML Public Limited Company	288,000	198,063
	<u> </u>	<u> </u>
(ii) Amount owed by companies under common control :		
CML Public Limited Company	218,740	93,082
	<u> </u>	<u> </u>