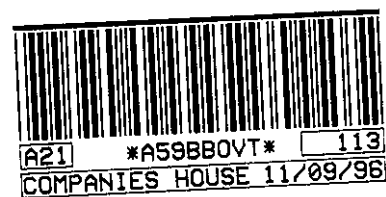


SPECIAL EFFECTS FINE FRAGRANCE PLC

STATUTORY ACCOUNTS

FOR THE YEAR ENDED 31ST MAY 1996

Company Number : 2376560



Dawson & Co
Harlington House
3 Main Street
Fulford
York
YO1 4HJ

SPECIAL EFFECTS FINE FRAGRANCE PLC

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SPECIAL EFFECTS FINE FRAGRANCE PLC
COMPANY INFORMATION

Directors	Mr F H Brown Mrs J D Brown
Company Secretary	Mrs J D Brown
Company Number	2376560
Registered Office	Millfield Lane Nether Poppleton YORK YO2 6PG
Business Address	Millfield Lane Nether Poppleton YORK YO2 6PG
Auditors	Dawson & Co Harlington House 3 Main Street Fulford York YO1 4HJ
Bankers	Yorkshire Bank plc 2 Infirmary Street Leeds LS1 2UL
Solicitors	R C Moorhouse 16/17 East Parade Leeds LS1 2BR

SPECIAL EFFECTS FINE FRAGRANCE PLC
DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MAY 1996

The directors present herewith his annual report, together with the financial statements of the company for the year ended 31st May 1996.

Principal Activity

The principal activity of the company during the year was the distribution and retail of cosmetics and there has been no change in this activity during the year

Whilst the results for the year are unsatisfactory, the directors are taking further steps to improve the profitability of the company.

Results And Dividends

The results for the year are set out on page 6.

The directors do not recommend payment of a final dividend.

It is proposed that the retained Profit for the year of £12401 is transferred to reserves.

Fixed Assets

The movements in fixed assets during the year are set out in note 7 to the financial statements.

Directors and their Interests

The directors of the company during the year and their interests in the share capital of the company at the beginning and end of the year were as stated below :

	Class of Shares	Number of shares	
		1996	1995
Mr F H Brown	Ordinary	-	-
Mrs J D Brown	Ordinary	-	-

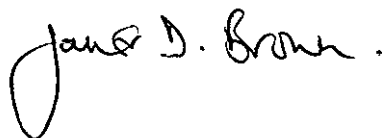
Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Dawson & Co be reappointed as auditors of the company, to hold office for the ensuing year, will be put to the Annual General Meeting.

This report was approved by the Board on 2nd August 1996 and signed on its behalf by :

Mrs J D Brown
Secretary

2nd August 1996



SPECIAL EFFECTS FINE FRAGRANCE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31ST MAY 1996

Company law requires the directors to prepare accounts 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. The directors is 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 is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. The directors is also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
SPECIAL EFFECTS FINE FRAGRANCE PLC
FOR THE YEAR ENDED 31ST MAY 1996**

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 3 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 whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

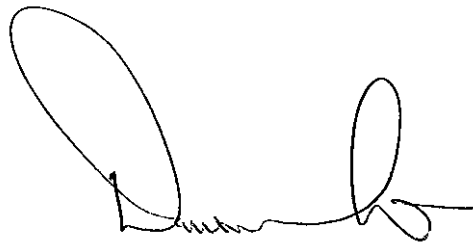
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31st May 1996 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act

Harlington House
3 Main Street
Fulford
York
YO1 4HJ

2nd August 1996



DAWSON & CO

Chartered Accountants
Registered Auditors

SPECIAL EFFECTS FINE FRAGRANCE PLC

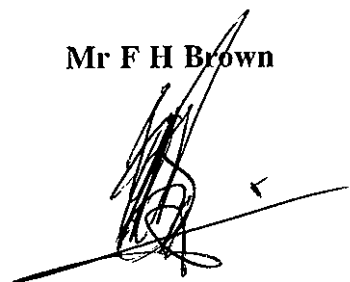
BALANCE SHEET AS AT 31ST MAY 1996

		1996	1995
		£	£
EMPLOYMENT OF CAPITAL			
FIXED ASSETS			
Tangible assets	7	22,618	25,380
CURRENT ASSETS			
Stocks	8	117,948	113,427
Debtors	9	26,416	17,834
Cash at bank and in hand		4,403	2,078
		<u>148,767</u>	<u>133,339</u>
CREDITORS : amounts falling due within one year	10	<u>456,373</u>	<u>431,307</u>
NET CURRENT LIABILITIES		(307,606)	(297,968)
TOTAL ASSETS LESS CURRENT LIABILITIES		(284,988)	(272,588)
CREDITORS : amounts falling due after more than one year		-	-
NET LIABILITIES		<u>£(284,988)</u>	<u>£(272,588)</u>
CAPITAL AND RESERVES			
Called up share capital	11	55,000	55,000
Profit and loss account		(339,988)	(327,588)
		<u>£(284,988)</u>	<u>£(272,588)</u>

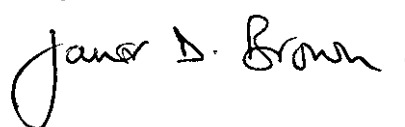
The notes on pages 10 to 13 form part of these financial statements.

The financial statements were approved by the Board on 2nd August 1996 and signed on its behalf by:

Mr F H Brown



Mrs J D Brown



SPECIAL EFFECTS FINE FRAGRANCE PLC
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MAY 1996

		1996		1995
		£	£	£
TURNOVER			246,170	137,887
COST OF SALES			(160,741)	(78,641)
GROSS PROFIT			<u>85,429</u>	<u>59,246</u>
Distribution costs		-		(6,046)
Administrative expenses		(103,999)		(75,588)
		<u>(103,999)</u>	<u>(103,999)</u>	<u>(81,634)</u>
			(18,570)	(22,388)
Other operating income			6,214	15,106
OPERATING LOSS	2		<u>(12,356)</u>	<u>(7,282)</u>
Interest receivable and similar income	4	1		5
Interest payable and similar charges	5	(46)		(616)
		<u>(45)</u>	<u>(45)</u>	<u>(611)</u>
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION			(12,401)	(7,893)
Dividends			-	-
RETAINED LOSS FOR THE FINANCIAL YEAR			(12,401)	(7,893)
RETAINED LOSS BROUGHT FORWARD			(327,587)	(319,695)
RETAINED LOSS CARRIED FORWARD			<u>£(339,988)</u>	<u>£(327,588)</u>

The notes on pages 10 to 13 form part of these financial statements.

SPECIAL EFFECTS FINE FRAGRANCE PLC
FOR THE YEAR ENDED 31ST MAY 1996

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The only gain/(loss) recognised in the year, and in the preceding year, was the result for the year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There were no material differences between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis on ordinary activities before taxation.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Loss for the financial year	(12,401)	(7,893)
Dividends	-	-
Net reduction in shareholders' funds	(12,401)	(7,893)
Opening shareholders' funds	(272,588)	(264,696)
Closing shareholders' funds	<u>£(284,988)</u>	<u>£(272,588)</u>

SPECIAL EFFECTS FINE FRAGRANCE PLC
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MAY 1996

	1996		1995	
	£	£	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(24,213)		2,010
Returns on investments and servicing of finance				
Interest received	1		5	
Interest paid	(46)		(616)	
	<u> </u>		<u> </u>	
NET CASH OUTFLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE		(45)		(611)
Investing activities				
Payments to acquire tangible assets	(1,892)		(5,388)	
	<u> </u>		<u> </u>	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,892)		(5,388)
NET CASH INFLOW BEFORE FINANCING		(26,150)		(3,989)
Financing				
Increase in long term loans	28,474		(1,422)	
Repayment of finance introduced by directors	-		-	
	<u> </u>		<u> </u>	
NET CASH INFLOW FROM FINANCING		28,474		(1,422)
INCREASE IN CASH AND CASH EQUIVALENTS		<u>£2,324</u>		<u>£(5,411)</u>

The notes on page 9 form part of this statement.

SPECIAL EFFECTS FINE FRAGRANCE PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MAY 1996

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	1996		1995	
	£	£	£	£
Operating profit		(12,356)		(7,282)
Depreciation	4,654		4,437	
Loss on sale of tangible fixed assets	-	4,654	-	4,437
	<u> </u>		<u> </u>	
Decrease/(Increase) in work in progress	(4,521)		(7,305)	
Decrease/(Increase) in debtors	(8,582)		5,309	
(Decrease)/Increase in creditors	(3,408)	(16,511)	6,851	4,855
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash outflow from operating activities		£(24,213)		£2,010
		<u> </u>		<u> </u>

ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996 £	1995 £
Balance as at 1st June 1995	2,078	7,488
Net cash	2,325	(5,410)
	<u> </u>	<u> </u>
Balance as at 31st May 1996	£4,403	£2,078
	<u> </u>	<u> </u>

CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996 £	1995 £	Change in year £
Cash at bank and in hand	4,403	2,078	2,325
	<u> </u>	<u> </u>	<u> </u>
	£4,403	£2,078	£2,325
	<u> </u>	<u> </u>	<u> </u>

ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital £	Debenture Loans £	Loan Obligations £	Hire Purchase £
Balance at 1st June 1995	55,000	-	414,689	-
Cash outflow from financing	-	-	28,474	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31st May 1996	£55,000	-	£443,163	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SPECIAL EFFECTS FINE FRAGRANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MAY 1996

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements are prepared under the historical cost convention .

1.2 Turnover

Turnover represents amounts receivable for goods and services provided within the UK net of VAT.

1.3 Tangible fixed assets and depreciation

All tangible fixed assets, other than freehold land, are stated at cost less accumulated depreciation, which has been reasonably calculated and consistently applied.

Depreciation is provided at rates calculated to write off the cost, less any residual value, of each asset, over its expected useful life, as follows :

Computer	- 15% per annum on a reducing balance basis
Fixtures & fittings	- 10% per annum on a reducing balance basis

1.4 Stock

Stock is valued at the lower of cost and net realisable value after making due allowances for slow moving or obsolete items.

1.5 Deferred taxation

No provision is made for deferred taxation due to the insignificant amounts involved.

2. OPERATING LOSS

	<u>1996</u> £	<u>1995</u> £
Operating Profit is stated after charging :		
Depreciation of tangible assets	4,654	4,437
Auditors' remuneration	1,750	1,500
Auditors' remuneration from non audit work	600	-
	<u> </u>	<u> </u>

3. STAFF COSTS

	<u>1996</u> £	<u>1995</u> £
Employment costs		
Wages and salaries	44,736	34,058
Social security costs	1,025	595
	<u>£45,761</u>	<u>£34,653</u>

The average weekly number of employees (including directors) during the year was :

	<u>1996</u> Number	<u>1995</u> Number
Manufacturing	9	8
	<u> </u>	<u> </u>

SPECIAL EFFECTS FINE FRAGRANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MAY 1996

4. INTEREST RECEIVABLE AND SIMILAR INCOME	<u>1996</u> £	<u>1995</u> £
Bank interest	1	-
Interest from solicitors	-	5
	<u>£1</u>	<u>£5</u>

5. INTEREST PAYABLE	<u>1996</u> £	<u>1995</u> £
On bank loans and overdrafts	46	616

6. TAXATION

6.1 Due to losses incurred during the year, there is no corporation tax liability.

7. TANGIBLE ASSETS

	<u>Computer</u> £	<u>Fixtures, Fittings & Equipment</u> £	<u>Total</u> £
Cost			
At 1st June 1995	1,509	40,609	42,118
Additions	192	1,700	1,892
At 31st May 1996	<u>1,701</u>	<u>42,309</u>	<u>44,010</u>
Depreciation			
At 1st June 1995	377	16,361	16,738
Charge for the year	425	4,229	4,654
At 31st May 1996	<u>802</u>	<u>20,590</u>	<u>21,392</u>
Net book values			
At 31st May 1996	<u>£899</u>	<u>£21,719</u>	<u>£22,618</u>
At 31st May 1995	<u>£1,132</u>	<u>£24,248</u>	<u>£25,380</u>

8. STOCKS	<u>1996</u> £	<u>1995</u> £
Work in progress	6,696	-
Finished goods and goods for resale	111,252	113,427
	<u>£117,948</u>	<u>£113,427</u>

SPECIAL EFFECTS FINE FRAGRANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MAY 1996

9. DEBTORS	<u>1996</u> £	<u>1995</u> £
Trade debtors	26,321	16,953
Prepayments and accrued income	95	881
	<u>£26,416</u>	<u>£17,834</u>
10. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1996</u> £	<u>1995</u> £
Trade creditors	7,026	8,418
Amounts owed to group undertaking	158,163	129,689
Other taxes and social security costs	4,568	3,596
Loan- F H Brown	285,000	285,000
Accruals and deferred income	1,616	4,604
	<u>£456,373</u>	<u>£431,307</u>
10.1 The loan from Mr F H Brown (a director of the company) is repayable on demand, although he does not intend to seek repayment in the foreseeable future.		
11. SHARE CAPITAL	<u>1996</u> £	<u>1995</u> £
Authorised		
250,000 Ordinary of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
55,000 Ordinary of £1 each	<u>55,000</u>	<u>55,000</u>
12. CAPITAL COMMITMENTS	<u>1996</u> £	<u>1995</u> £
Details of capital commitments at the the year end are as follows :		
Contracted for but not provided in the financial statements	-	-
Authorised by the directors but not contracted for	-	-
	<u>-</u>	<u>-</u>

SPECIAL EFFECTS FINE FRAGRANCE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MAY 1996

13. ULTIMATE HOLDING COMPANY

The company regarded by the directors as the ultimate holding company is London Ebor Developments PLC, a company incorporated in England. All the directors are also directors of that company and their interest in its shares are shown in the holding company's directors' report. No directors have any other interests in the shares in the company or any other body corporate in the group.