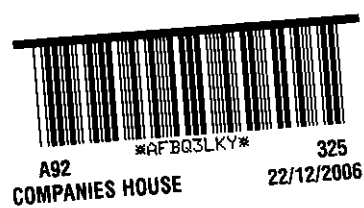


REGISTRATION NO. 4663910

PAPILIO DESIGN LIMITED
DIRECTORS' REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 1 JULY 2006



PAPILIO DESIGN LIMITED
COMPANY INFORMATION

Directors	A. Ejaz A.M.G. Alers-Hankey S.P.B. Khan
Secretary	S.P.B. Khan
Registration No.	4663910 - Registered in England and Wales
Registered office	Studio 2, 96, Whitton Road Hounslow Middlesex TW3 2ES
Accountants	Wilson Wright & Co., Chartered Accountants, 71 Kingsway, London, WC2B 6ST.
Bankers	HSBC Bank plc

PAPILIO DESIGN LIMITED

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**PAPILIO DESIGN LIMITED
REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 1 JULY 2006**

The directors submit their annual report and financial statements for the period ended 1 July 2006.

Principal Activity

The company designs, produces and sells imitation jewellery, beaded items and ancillary products.

Directors

The directors in office during the period were as follows:

A. Ejaz
A.M.G. Alers-Hankey
S.P.B. Khan

Directors' Interests

The beneficial interests of the directors in office at 1 July 2006 in the shares of the company were as follows:

	Ordinary shares of £ 1 each	
	1 July 2006	26 June 2005
A. Ejaz	60	60
A.M.G. Alers-Hankey	10	10
S.P.B. Khan	10	10

Directors' Responsibilities

The directors are obliged under company law to prepare financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice for each financial year.

The financial statements, of which the form and content is prescribed by the Companies Act 1985, must give a true and fair view of the state of affairs of the company at the end of the financial year, and of the profit or loss for that period, and they must comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements. The directors must 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 also responsible for the adoption of suitable accounting policies, their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

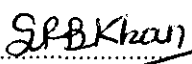
The directors confirm that the above requirements have been complied with in the financial statements.

In addition, the directors are responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the company and to prevent and detect fraud or any other irregularities.

Small Company Exemptions

This report 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


.....
S.P.B. Khan
SECRETARY

DATE: 19/12/06

CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF PAPILIO DESIGN LIMITED

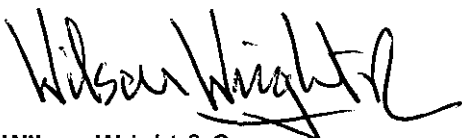
In accordance with the current engagement letter and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of Papilio Design Limited for the period ended 1 July 2006, set out on pages 3 to 8 from the accounting records and information and explanations you have given to us.

This report is made to the company's board of directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's board of directors that we have done so, and state those matters that we have agreed to state to them in this 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 board of directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet for the period ended 1 July 2006 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the period.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.



Wilson Wright & Co.,
Chartered Accountants,
71 Kingsway,
London, WC2B 6ST.

DATE: 19-12-2006

PAPILIO DESIGN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 1 JULY 2006

	Notes	2006 £	2005 £
Turnover	2	18,637	6,703
Cost of sales		8,223	2,401
Gross Profit		10,414	4,302
Administrative expenses		20,471	18,939
Operating Loss	3	(10,057)	(14,637)
Interest receivable		65	124
Loss for the Financial Year	10	(9,992)	(14,513)

PAPILIO DESIGN LIMITED
BALANCE SHEET AT 1 JULY 2006

		2006		2005	
	Notes	£	£	£	£
Fixed Assets					
Tangible assets	5		1,091		1,725
Current Assets					
Stock		4,610		6,850	
Debtors	6	3,853		4,969	
Cash at bank and in hand		271		4,521	
		<u>8,734</u>		<u>16,340</u>	
Current Liabilities					
Creditors: amounts falling due within one year	7	<u>14,423</u>		<u>12,671</u>	
Net Current Liabilities/Assets			<u>(5,689)</u>		<u>3,669</u>
Total Assets less Current Liabilities			<u>(4,598)</u>		<u>5,394</u>
Creditors					
Amounts falling due after more than one year	8		<u>22,980</u>		<u>22,980</u>
			<u>(27,578)</u>		<u>(17,586)</u>
Capital and Reserves					
Called up share capital	9		80		80
Profit and loss account	10		<u>(27,658)</u>		<u>(17,666)</u>
Shareholders' Funds			<u>(27,578)</u>		<u>(17,586)</u>

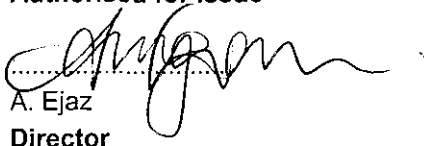
PAPILIO DESIGN LIMITED
BALANCE SHEET AT 1 JULY 2006

For the period ended 1 July 2006 the company was entitled to the exemption from audit under Section 249A(1) of the Companies Act 1985; and no notice has been deposited under Section 249B(2).

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records, which comply with Section 221 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Companies Act 1985, so far as applicable to the company.

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 January 2005).

**Approved by the Board and
Authorised for Issue**


A. Ejaz
Director

Date: 19-12-06

PAPILIO DESIGN LIMITED
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 1 JULY 2006

1 Accounting Policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

1.2 Going concern

The directors consider that, having regard to their continued support, it is appropriate to prepare the financial statements on the going concern basis.

1.3 Turnover

Turnover represents invoiced sales of goods.

1.4 Tangible fixed assets

Depreciation is provided on a straight line basis at the following annual rates in order to write off each asset over its estimated useful life:

Fixtures, fittings & equipment	15/25%
--------------------------------	--------

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised when it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

2 Turnover

	2006 £	2005 £
An analysis of turnover is as follows:		
United Kingdom	15,234	5,120
Overseas	3,403	1,583
	<u>18,637</u>	<u>6,703</u>

3 Operating Loss

	2006 £	2005 £
The operating loss is stated after charging:		
Directors' emoluments	12,000	12,000
Depreciation of tangible fixed assets	<u>634</u>	<u>634</u>

PAPILIO DESIGN LIMITED
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 1 JULY 2006

4 Related Party Disclosures

4.1 Control

The company is controlled by A. Ejaz.

4.2 Balances

At 1 July 2006, the company owed Grosvenor Stones Limited £10,000 (2005 - £10,000), a company controlled by A.M.G.Alers-Hankey and S.P.B.Khan

5 Tangible Fixed Assets

	Fixtures, fittings & equipment £
Cost	
At 26 June 2005 & at 1 July 2006	2,644
Depreciation	
At 26 June 2005	919
Charge for period	634
At 1 July 2006	1,553
Net book values	
At 1 July 2006	1,091
At 25 June 2005	1,725

6 Debtors	2006 £	2005 £
Trade debtors	3,853	-
Other debtors	-	4,969
	<u>3,853</u>	<u>4,969</u>

PAPILIO DESIGN LIMITED
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 1 JULY 2006

7 Creditors	2006	2005
	£	£
Amounts falling due within one year:		
Trade creditors	370	56
Amount owed to Director - A.Ejaz	2,290	970
Other creditors	11,763	11,645
	<u>14,423</u>	<u>12,671</u>

8 Creditors	2006	2005
	£	£
Amounts falling due after more than one year:		
Amounts owed to Directors -		
A.M.G. Alers-Hankey	11,490	11,490
S.P.B. Khan	11,490	11,490
	<u>22,980</u>	<u>22,980</u>

9 Share Capital	2006	2005
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
80 Ordinary shares of £1 each	80	80
	<u>80</u>	<u>80</u>

10 Statement of Movements on Reserves

	Profit and loss account £
Balance at 26 June 2005	(17,666)
Loss for the financial year	(9,992)
	<u>(27,658)</u>
Balance at 1 July 2006	<u>(27,658)</u>