

Together Limited

**Directors' report and financial
statements**

Registered number 1818712

28 February 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2002.

Principal activities

The principal activity of the company is the provision of womenswear designs to leading mail order houses in the United Kingdom and overseas. Royalties are payable to the company for merchandise of the company's design sold through mail order houses. In addition to the UK office, the company has a branch in Hong Kong.

Business review

The results for the year are set out in the profit and loss account on page 5.

Dividend

No dividend payment was made during the year (2001: *£nil*).

Directors and directors' interests

The directors who held office during the year were as follows:

Mrs A Hausner
Mrs J Brennan
Miss J Liston
Mr G Rietz
Mr B Houillon
Ms M Payner-Gregor

None of the directors who held office at the end of the financial year had any disclosable interest in the shares and debentures of the company.

During the year, the company made a number of payments on behalf of its directors. The highest balances outstanding at any point during the year are set out below:

Director	£
Mrs A Hausner	641
Mrs J Brennan	4,393
Miss J Liston	1,164
	<hr/>

Directors' report *(continued)*

Auditors

KPMG were re-appointed auditors on 30 August 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 9 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Mrs L. Gladdish
Secretary

26-28 Conway Street
London
W1T 6BH

28th August 2002

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Together Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 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 of the state of the company's affairs as at 28 February 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

16 SEPTEMBER 2002

Profit and loss account

for the year ended 28 February 2002

	Note	2001/02 £000	2000/01 £000
Turnover	1	4,239	4,302
Cost of sales		(3,065)	(2,776)
Gross profit		1,174	1,526
Distribution costs		(559)	(664)
Administrative expenses		(448)	(434)
Operating profit		167	428
Interest receivable and similar income	5	9	29
Interest payable and similar charges	6	(64)	(62)
Profit on ordinary activities before taxation	2	112	395
Tax on profit on ordinary activities	7	(68)	(151)
Profit on ordinary activities after taxation		44	244
Dividends		-	-
Retained profit for the financial year		44	244
Retained profit brought forward		1,038	794
Retained profit carried forward		1,082	1,038

All of the above transactions relate to continuing activities.

A statement of total recognised gains and losses has not been included as part of these financial statements as the company has recognised no gains or losses other than those disclosed in the profit and loss account.

Balance sheet

at 28 February 2002

	Note	2002	2001
		£000	£000
Fixed assets			
Tangible assets	8	147	186
Current assets			
Debtors	9	3,371	3,485
Cash at bank and in hand		912	121
		<u>4,283</u>	<u>3,606</u>
Creditors: amounts falling due within one year	10	<u>(3,192)</u>	<u>(1,729)</u>
Net current assets		1,091	1,877
Total assets less current liabilities		1,238	2,063
Provisions for liabilities and charges	11	(56)	(925)
Net assets		1,182	1,138
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account		1,082	1,038
Shareholders' funds - equity	13	1,182	1,138

These financial statements were approved by the board of directors on 28 August 2002 and were signed on its behalf by:


G Rietz
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly owned subsidiary of Otto Versand (GmbH & Co), and its cash flows are included within the consolidated cash flow of that company.

Accounting policies

FRS 18 requires the directors to adopt the most appropriate accounting policies having regard to factors including normal industry practice and comparability with other entities in the same sector. The directors have considered the group's existing accounting policies and have concluded that no changes are required as a result of the adoption of FRS 18.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers and franchise income receivable during the year.

Leases

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Retirement benefits

FRS 17 on retirement benefits has become effective for the first time this year. There is no effect from the adoption of this new accounting standard as all of the company's pension arrangements are through defined contribution schemes.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold improvements	-	5 years
Plant and machinery	-	2 to 5 years
Motor vehicles	-	2 to 5 years
Fixtures, fittings, tools and equipment	-	2 to 5 years

Catalogue costs

Costs relating to the production of catalogues are carried forward to the financial year when the related sales arise. Costs carried forward are included in prepayments.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Where a forward foreign exchange contract has been entered into for the purpose of hedging against income in foreign currency, the rate specified in the contract has been used to value assets and liabilities at the balance sheet date.

Notes (continued)

2 Profit on ordinary activities before taxation

	2001/02 £000	2000/01 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration: - Audit	39	38
- Other services	33	28
Depreciation and other amounts written off tangible fixed assets	77	67
Rentals payable under operating leases		
- plant and machinery	26	29
- other	130	210
Net exchange loss/(gain)	8	(56)
	=====	=====

3 Remuneration of directors

	2001/02 £000	2000/01 £000
Directors' emoluments:		
As directors	434	424
	=====	=====

The emoluments of the highest paid director were £215,323 (2001: £204,423), and company pension contributions of £2,252 (2001: £nil) were made to a money purchase scheme on behalf of this director.

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2001/02	2000/01
Money purchase schemes	2	-
	=====	=====

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2001/02	2000/01
Sales	9	9
Administration	3	4
Design and sampling	38	39
	<hr/>	<hr/>
	50	52
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	
	2001/02	2000/01
Wages and salaries	1,430	1,338
Social security costs	87	69
Other pension costs	9	-
	<hr/>	<hr/>
	1,526	1,407
	<hr/>	<hr/>

5 Interest receivable and similar income

	£000	
	2001/02	2000/01
Bank interest receivable	9	29
	<hr/>	<hr/>

Notes (continued)

6 Interest payable and similar charges

	2001/02 £000	2000/01 £000
Amounts payable on bank overdrafts	64	62

7 Tax on profit on ordinary activities

	2001/02 £000	2000/01 £000
<i>Current taxation:</i>		
UK corporation tax on profits of the period	37	9
Adjustment in respect of prior periods	870	-
Overseas taxation	62	19
Relief for overseas taxation	(37)	(9)
Total current taxation	932	19
<i>Deferred taxation:</i>		
Origination and reversal of timing differences	36	119
Adjustments relating to prior years	(900)	13
Total deferred taxation	(864)	132
Tax on profit on ordinary activities	68	151

The adjustments to prior years corporation tax and deferred tax are primarily as a result of a change in the tax treatment of capitalised prepaid design costs.

The effective tax rate is calculated at 61% (2001: 38%) on profits before taxation.

	2001/02 £000	2000/01 £000
<i>Factors affecting current period tax charge:</i>		
Current tax reconciliation		
Profit on ordinary activities before tax	112	395
Current tax at 30% (2001: 30%)	33	119
<i>Effects of:</i>		
Expenses not deductible for tax purposes	12	2
Depreciation in excess of capital allowances	(8)	(10)
Prepaid design cost adjustment	-	(102)
Higher tax rates on overseas earnings	25	10
Adjustments to tax charge in respect of prior periods	870	-
Total current tax charge	932	19

Notes (continued)

8 Tangible fixed assets

	Short leasehold improvements £000	Plant and machinery and motor vehicles £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
At beginning of year	170	368	71	609
Additions	3	31	9	43
Disposals	-	(38)	(9)	(47)
At end of year	173	361	71	605
Depreciation and diminution in value				
At beginning of year	67	308	48	423
Charge for year	36	34	7	77
On disposals	-	(36)	(6)	(42)
At end of year	103	306	49	458
Net book value				
At 28 February 2002	70	55	22	147
At 28 February 2001	103	60	23	186

Notes (continued)

9 Debtors

	2002 £000	2001 £000
Due within one year:		
Trade debtors	228	168
Amounts owed by group undertakings	105	201
Other debtors	111	100
Prepayments and accrued income	2,927	3,016
	<hr/> 3,371 <hr/>	<hr/> 3,485 <hr/>

10 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank overdrafts	1,136	1,399
Trade creditors	82	44
Amounts owed to group undertakings	928	85
Other creditors including taxation and social security:		
Corporation tax	899	29
Other taxes and social security	23	22
Other creditors	13	21
Accruals and deferred income	111	129
	<hr/> 3,192 <hr/>	<hr/> 1,729 <hr/>

Notes (continued)

11 Provisions for liabilities and charges

	Deferred taxation			Total £000
	Other provisions £000	Accelerated capital allowances £000	Other timing Differences £000	
At 1 March 2001	61	(36)	900	925
(Release)/charge for the year in the profit and loss account	(5)	36	(900)	(869)
At 28 February 2002	56	-	-	56

Deferred taxation has been provided for in full for the potential liability arising on the short term timing differences.

12 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
1,000,000 ordinary class "A" shares of £1 each	1,000	1,000
1,000,000 ordinary class "B" shares of £1 each	1,000	1,000
	2,000	2,000
<i>Allotted, called up and fully paid</i>		
50,001 ordinary class "A" shares of £1 each	50	50
50,001 ordinary class "B" shares of £1 each	50	50
	100	100

The ordinary A shares and B shares rank *pari passu*.

Notes (continued)

13 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Opening shareholders' funds	1,138	894
Retained profit for the year	44	244
	<hr/> 1,182 <hr/>	<hr/> 1,138 <hr/>

14 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Plant and machinery £000	Other £000	Plant and machinery £000	Other £000
Operating leases which expire:				
Within one year	4	-	-	69
In the second to fifth years inclusive	42	198	27	62
	<hr/> 46 <hr/>	<hr/> 198 <hr/>	<hr/> 27 <hr/>	<hr/> 131 <hr/>

15 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £4,000 (2001: £nil).

Notes *(continued)*

16 Post balance sheet event

On 9 July 2002, Together Limited signed an agreement with Grattan plc and Freemans PLC (both fellow group companies) to pay Grattan plc for surrender of group relief for corporation tax. This amounts to two equal instalments of £270,196 and a final deferred consideration of £100,000 payable in February 2004.

The effect of this agreement has not been adjusted for in the financial statements.

17 Related party transactions

Under FRS8 the company is exempt from the requirement to disclose related party transactions with the Otto Versand (GmbH & Co) Group and its subsidiary undertakings, on the grounds that it is a wholly owned subsidiary undertaking of Otto Versand (GmbH & Co).

18 Ultimate parent undertaking

The company is a subsidiary undertaking of Otto Versand (GmbH & Co), which is the ultimate parent company incorporated in Germany.

The largest group in which the results of the company are consolidated is that headed by Otto Versand (GmbH & Co). The consolidated accounts of the company are available to the public and may be obtained from Wandsbeker Strasse 3-7, 22172 Hamburg, Germany. No other group accounts include the results of the company.