

# Proportion London Limited

## REPORT AND FINANCIAL STATEMENTS

31 December 2002



# Proportion London Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

PS Ferstendik  
K Fox

### SECRETARY

K Fox

### REGISTERED OFFICE

3 Blackhorse Lane  
London E17 6DS

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

### SOLICITORS

CMS Cameron McKenna  
Mitre House  
160 Aldersgate Street  
London EC1A 4DD

### BANKERS

National Westminster Bank plc  
Walthamstow Central  
204 High Street  
Walthamstow  
London E17 7LL

The Royal Bank of Scotland Commercial Services Ltd  
Smith House  
PO Box 50  
Elmwood Avenue  
Feltham  
Middlesex TW13 7QD

# Proportion London Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of Proportion London Limited for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the manufacture and distribution of display busts, mannequins and other display equipment.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors report a loss for the current year but expect to return to profit during 2003 having refocused the business activities.

No payment has been received from Mandora Leathercraft Limited for the benefit of group relieved tax losses transferred.

### DIVIDENDS

The directors do not recommend payment of a dividend due to the loss for the year (2001: £Nil).

### DIRECTORS

The following directors have held office since 1 January 2002:

PS Ferstendik

K Fox

SS Muller

(resigned 31 January 2002)

### DIRECTORS' INTERESTS IN SHARES

The directors held no interests in the shares of the company. The directors' interests in the holding company are disclosed in that company's financial statements.

### AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

K Fox  
Secretary

10 October 2003



# Proportion London Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROPORTION LONDON LIMITED

We have audited the financial statements on pages 5 to 12.

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 auditors' 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 opinion we have formed.

## **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 Accounting 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

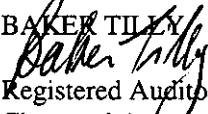
## **Basis of opinion**

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 judgments 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 at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

10 October 2003

**Proportion London Limited**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2002

	Notes	2002 £	2001 £
TURNOVER	1	2,744,252	3,115,005
Cost of sales		(1,477,928)	(1,878,216)
Gross profit		<u>1,266,324</u>	<u>1,236,789</u>
Other operating expenses (net)	2	(1,547,503)	(1,773,818)
		<u>(281,179)</u>	<u>(537,029)</u>
Other operating income	3	-	24,354
OPERATING LOSS		<u>(281,179)</u>	<u>(512,675)</u>
Interest receivable	4	204	1,717
Interest payable	5	(18,072)	(39,694)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>(299,047)</u>	<u>(550,652)</u>
Taxation	8	-	147,800
RETAINED LOSS FOR THE YEAR	16	<u>(299,047)</u>	<u>(402,852)</u>

The operating loss for the year arises from the company's continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 December 2002

	2002 £	2001 £
Loss for the financial year	(299,047)	(402,852)
Release of capital redemption reserve	159,167	-
Total recognised gains and losses relating to the year	<u>(139,880)</u>	<u>(402,852)</u>

# Proportion London Limited

## BALANCE SHEET

31 December 2002

	<i>Notes</i>	2002 £	2001 £
<b>CURRENT ASSETS</b>			
Stocks	9	184,593	170,993
Debtors	10	530,007	621,282
Cash at bank and in hand		3,724	4,250
		<u>718,324</u>	<u>796,525</u>
<b>CREDITORS: Amounts falling due within one year</b>	11	(689,563)	(846,658)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>28,761</u>	<u>(50,133)</u>
<b>CREDITORS: Amounts falling due after one year</b>	12	(527,551)	(149,610)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(498,790)</u>	<u>(199,743)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	833	833
Share premium account	14	43,109	43,109
Capital redemption reserve	15	-	159,167
Profit and loss account	16	(542,732)	(402,852)
<b>SHAREHOLDERS' FUNDS</b>	17	<u>(498,790)</u>	<u>(199,743)</u>

Approved by the board on 10 October 2003

K Fox



Director

# Proportion London Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on the going concern basis.

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

### GOING CONCERN

The company currently has an excess of liabilities over assets which continued during the period.

The directors have taken steps to:

- reduce costs
- improve the range and styles of the product offerings
- increase income

and expect the company to return to profit within the foreseeable future and remain competitive and profitable thereafter. In the meantime, the ultimate parent company is committed to continuing its financial support to the company.

These financial statements have therefore been prepared on a going concern basis.

### 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 profits 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.

### FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

### STOCK

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

### LEASES

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.



**Proportion London Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2002

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**1      TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

The company's turnover and loss before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

	2002 £	2001 £
Asia	62,834	64,477
Europe	625,345	1,145,041
United Kingdom	2,030,102	1,894,723
United States of America	25,971	10,764
	<u>2,744,252</u>	<u>3,115,005</u>

**2      OTHER OPERATING EXPENSES (NET)**

	2002 £	2001 £
Distribution costs	427,650	552,491
Administration expenses	1,119,853	1,221,327
	<u>1,547,503</u>	<u>1,773,818</u>

**3      OTHER OPERATING INCOME**

	2002 £	2001 £
Rent receivable	-	24,354
	<u>-</u>	<u>24,354</u>

**4      INTEREST RECEIVABLE**

	2002 £	2001 £
Bank interest	204	1,717
	<u>204</u>	<u>1,717</u>

**5      INTEREST PAYABLE**

	2002 £	2001 £
On bank loans and overdrafts	18,072	39,694
	<u>18,072</u>	<u>39,694</u>

**Proportion London Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2002

6	<b>LOSS ON ORDINARY ACTIVITIES</b>	<b>2002</b>	<b>2001</b>
		£	£
	Loss on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off intangible fixed asset	-	1,066
	Exchange losses/(gains)	(160)	7,795
	Operating lease rentals:		
	Plant and machinery	7,264	12,669
	Auditors' remuneration	18,250	13,500
		<u>          </u>	<u>          </u>

7	<b>EMPLOYEES</b>	<b>2002</b>	<b>2001</b>
		No.	No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Office and management	10	12
	Manufacturing	30	27
	Distribution	4	4
		<u>      </u>	<u>      </u>
		44	43
		<u>          </u>	<u>          </u>

		<b>2002</b>	<b>2001</b>
		£	£
	Staff costs for above persons:		
	Wages and salaries	1,001,949	1,127,283
	Social security costs	98,183	112,210
	Other pension costs	14,242	12,910
		<u>          </u>	<u>          </u>
		1,114,374	1,252,403
		<u>          </u>	<u>          </u>

In addition, £191,557 of payroll costs were recharged from Mandora Leathercraft Limited and £28,910 was capitalised.

	<b>2002</b>	<b>2001</b>
	£	£
<b>DIRECTORS' REMUNERATION</b>		
Emoluments (including benefits in kind)	88,750	94,615
	<u>          </u>	<u>          </u>

Payroll costs recharged from Mandora Leathercraft Limited include £88,750 for directors' remuneration.

**Proportion London Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2002

8	<b>TAXATION</b>	<b>2002</b>	<b>2001</b>
		£	£
	Current tax:		
	UK corporation tax on loss of the period	-	-
	Adjustments in respect of previous periods	-	(147,800)
	Total current tax	-	(147,800)
	Tax on loss on ordinary activities	-	(147,800)
	Factors affecting tax charge for period:	<b>2002</b>	<b>2001</b>
		£	£
	The tax assessed for the period is higher than the standard rate of corporation tax for small companies (20%) as explained below:		
	Loss on ordinary activities before tax	(299,047)	(550,652)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2001: 30%)	(89,714)	(165,196)
	Effects of:		
	Expenses not deductible for tax purposes	1,287	4,757
	Capital allowances less than/(in excess of) depreciation	(97)	(130)
	Loss for the period carried forward	93,818	4,640
	Utilisation of tax losses	-	144,033
	Adjustment to tax charge in respect of previous periods	-	(147,800)
	General provision utilisation	(5,294)	11,896
	Current tax charge for period	-	(147,800)
9	<b>STOCK</b>	<b>2002</b>	<b>2002</b>
		£	£
	Due within one year:		
	Raw materials and consumables	73,500	67,993
	Finished goods	65,148	86,727
	Work in progress	45,945	16,273
		184,593	170,993
10	<b>DEBTORS</b>	<b>2002</b>	<b>2001</b>
		£	£
	Due within one year:		
	Trade debtors	526,113	581,051
	Other debtors	3,894	40,231
		530,007	621,282

**Proportion London Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2002

11	CREDITORS: Amounts falling due within one year	2002 £	2001 £
	Bank loans and overdrafts	35,220	-
	Trade creditors	178,848	279,192
	Other taxation and social security	91,611	25,332
	Other creditors	264,895	270,876
	Accruals and deferred income	118,989	271,258
		<u>689,563</u>	<u>846,658</u>

Within other creditors is included balance due to factoring company of £262,865 (2001: £270,876), which is secured on the trade debtors.

12	CREDITORS: Amounts falling due after one year	2002 £	2001 £
	Amounts owed to parent undertaking	527,551	149,610

13	SHARE CAPITAL	2002 £	2001 £
	Authorised:		
	50,000 ordinary shares of £0.01 each	500	500
	150,000 ordinary A shares of £0.01 each	1,500	1,500
		<u>2,000</u>	<u>2,000</u>
	Allotted, issued and fully paid:		
	50,000 ordinary shares of £0.01 each	500	500
	33,333 ordinary A shares of £0.01 each	333	333
		<u>833</u>	<u>833</u>

14	SHARE PREMIUM ACCOUNT	2002 £	2001 £
	1 January 2002	43,109	43,109
	31 December 2002	<u>43,109</u>	<u>43,109</u>

15	CAPITAL REDEMPTION RESERVE	2002 £	2001 £
	1 January 2002	159,167	159,167
	Transfer to profit and loss account	(159,167)	-
	31 December 2002	<u>-</u>	<u>159,167</u>

**Proportion London Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2002

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16	PROFIT AND LOSS ACCOUNT	2002 £	2001 £
	1 January 2002	(402,852)	-
	Loss for the financial year	(299,047)	(402,852)
	Release of capital redemption reserve	159,167	-
	31 December 2002	<u>(542,732)</u>	<u>(402,852)</u>

17	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2002 £	2001 £
	Loss for the financial year	(299,047)	(402,852)
	Net reduction in shareholders' funds	<u>(299,047)</u>	<u>(402,852)</u>
	Opening shareholders' funds	(199,743)	203,109
		<u>(498,790)</u>	<u>(199,743)</u>

18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002 £	2001 £
Plant and machinery expiring in the second to fifth year	7,624	12,669
Land and buildings expiring after five years	81,700	134,000
	<u>89,324</u>	<u>146,669</u>

19 ULTIMATE CONTROL

In the directors' opinion the company's ultimate parent company is Mandora Group Limited, which also has a fixed and floating charge over the assets of the company. Copies of its accounts are available from the registered office. The controlling party is PS Ferstendik.

20 POST BALANCE SHEET EVENTS

With effect from 1 January 2003 the fixed assets owned by the company's immediate parent and used by the company for and in its business were transferred at net book value to the company and the shareholding and indebtedness to the immediate parent company was transferred to Mandora group Limited, the ultimate parent company.

# Proportion London Limited

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	2002 £	2001 £
<b>TURNOVER</b>		
Sales	2,744,252	3,115,005
	<hr/>	<hr/>
Opening stock and work in progress	170,993	195,003
Purchases	841,149	1,294,320
Production wages and salaries	661,305	540,611
Development costs	4,074	19,275
	<hr/>	<hr/>
	1,677,521	2,049,209
Closing stock and work in progress	(199,593)	(170,993)
	<hr/>	<hr/>
	1,477,928	1,878,216
	<hr/>	<hr/>
<b>GROSS PROFIT</b>	1,266,324	1,236,789
	<hr/>	<hr/>
Less: Expenses		
Distribution costs	427,650	552,491
Administrative expenses	1,119,853	1,221,327
Other income	-	(24,354)
	<hr/>	<hr/>
	1,547,503	1,749,464
	<hr/>	<hr/>
<b>NET LOSS</b>	(281,179)	(512,675)
	<hr/>	<hr/>
<b>INTEREST PAYABLE</b>		
On bank loans and overdrafts	(18,072)	(39,694)
	<hr/>	<hr/>
	(299,251)	(552,369)
	<hr/>	<hr/>
<b>INTEREST RECEIVABLE</b>		
Bank deposit interest	204	1,717
	<hr/>	<hr/>
<b>LOSS FOR THE YEAR BEFORE TAX</b>	(299,047)	(550,652)
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This page does not form part of the statutory financial statements.

# Proportion London Limited

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

ANALYSIS OF EXPENSES	2002 £	2001 £
<b>DISTRIBUTION COSTS</b>		
Wages and salaries	170,094	171,867
Carriage and delivery	106,875	124,625
Motor expenses	14,135	17,665
Packaging costs	31,312	55,116
Entertaining	2,810	4,383
Travel and subsistence	14,091	24,842
Advertising and promotion	43,413	118,840
Sales commissions	44,920	35,153
	<u>427,650</u>	<u>552,491</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Wages and salaries	448,504	587,826
Rent and rates	250,941	212,000
Light, heat and power	24,719	31,626
Telephone	18,614	23,090
Printing, postage and stationery	20,752	33,394
Insurance	41,907	28,674
Legal and professional fees	28,353	41,377
Auditors' remuneration	18,250	20,750
Hire of equipment	8,621	12,669
Repairs and renewals	15,621	18,000
Motor expenses	21,788	20,600
Travel costs	3,057	18,627
Cleaning and laundry	20,788	26,344
Bad and doubtful debts	18,750	58,727
Subscriptions	1,050	2,386
Canteen and staff welfare	8,662	8,920
Gain on foreign currency	(160)	7,795
Computer expenses	20,967	11,161
Staff training	680	105
Sundry expenses	7,890	13,252
Amortisation of intangible fixed assets	-	1,066
Bank Charges	13,432	22,939
Consultancy	1,667	19,999
Management charges	125,000	-
	<u>1,119,853</u>	<u>1,221,327</u>
<b>OTHER INCOME</b>		
Rents receivable	-	24,354

This page does not form part of the statutory financial statements