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Proportion London Limited
REPORT AND FINANCIAL STATEMENTS

31 December 2001



Proportion London Limited

DIRECTORS AND OFFICERS

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

The directors submit their report and the financial statements of Proportion London Limited for the year ended 31 December 2001.

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 are disappointed with the results for the year.

DIVIDENDS

The directors do not recommend a dividend due to the loss for the year. (2000 : £336,772).

DIRECTORS

The following directors have held office since 1 January 2001:

PS Ferstendik	appointed 22 January 2001
K Fox	appointed 22 January 2001
SS Muller	resigned 31 January 2002
APJ Walker	resigned 14 November 2001
C Brickman	resigned 11 January 2001
R Silver	resigned 22 January 2001
G Hippard	resigned 11 January 2001
DM Anderson	resigned 22 January 2001

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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



25 October 2002

Proportion London Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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.

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 Auditing 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 (if applicable, the Chairman's Statement, the Operating and Financial Review, specify any other). 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

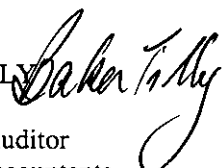
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY



Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

25 October 2002

Proportion London Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	Notes	2001 £	2000 £
TURNOVER	1	3,115,005	4,741,359
Cost of sales		(1,878,216)	(2,346,745)
Gross profit		<u>1,236,789</u>	<u>2,394,614</u>
Other operating expenses (net)	2	(1,773,818)	(1,912,067)
		<u>(537,029)</u>	<u>482,547</u>
Other operating income	3	24,354	750
OPERATING (LOSS)/PROFIT		<u>(512,675)</u>	<u>483,297</u>
Interest receivable	4	1,717	5,525
Interest payable	5	(39,694)	(15,637)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>(550,652)</u>	<u>473,185</u>
Taxation	8	147,800	(136,413)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(402,852)</u>	<u>336,772</u>
Dividends	9	-	(336,772)
RETAINED LOSS FOR THE YEAR	17	<u>(402,852)</u>	<u>-</u>

The operating (loss)/profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Proportion London Limited

BALANCE SHEET

31 December 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Intangible assets	10	-	1,066
		<u> </u>	<u> </u>
CURRENT ASSETS			
Stocks	11	170,993	195,003
Debtors	12	621,282	1,032,027
Cash at bank and in hand		4,250	13,829
		<u>796,525</u>	<u>1,240,859</u>
CREDITORS: Amounts falling due within one year	13	(996,268)	(1,038,816)
NET CURRENT (LIABILITIES)/ASSETS		<u>(199,743)</u>	<u>202,043</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(199,743)</u>	<u>203,109</u>
CAPITAL AND RESERVES			
Called up share capital	14	833	833
Share premium account	15	43,109	43,109
Capital redemption reserve	16	159,167	159,167
Profit and loss account	17	(402,852)	-
SHAREHOLDERS' FUNDS	18	<u>(199,743)</u>	<u>203,109</u>

Approved by the board on 25 October 2002

K Fox

Director



Proportion London Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

Due to the loss for the year the company currently has an excess of liabilities over assets. However, the directors believe that the company will be able to continue to trade in the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

GOODWILL

Purchased goodwill is amortised on a straight line basis over its estimated useful economic life of 10 years.

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

Assets held under finance leases or hire purchase agreements and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreement. The excess of the payments over the recorded obligations are treated as finance charges which are amortised over the term of each agreement to give a constant rate of charge on the remaining balance of the obligation.

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 2001

1 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2001 £	2000 £
Asia	64,477	64,298
Europe	1,145,041	872,402
United Kingdom	1,894,723	3,795,897
United States of America	10,764	8,762
	<u>3,115,005</u>	<u>4,741,359</u>

2 OTHER OPERATING EXPENSES (NET)

	2001 £	2000 £
Distribution costs	552,491	663,104
Administration expenses	1,221,327	1,248,963
	<u>1,773,818</u>	<u>1,912,067</u>

3 OTHER OPERATING INCOME

	2001 £	2000 £
Rent receivable	24,354	750

4 INTEREST RECEIVABLE

	2001 £	2000 £
Bank interest	1,717	5,525

5 INTEREST PAYABLE

	2001 £	2000 £
On bank loans and overdrafts	39,694	15,637

Proportion London Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2001

6	(LOSS)/PROFIT ON ORDINARY ACTIVITIES	2001 £	2000 £
	(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off intangible fixed assets:	1,066	3,140
	Exchange losses/(gains)	7,795	(1,893)
	Operating lease rentals:		
	Plant and machinery	12,669	9,793
	Auditors' remuneration	13,500	13,450
		<u> </u>	<u> </u>
7	EMPLOYEES	2001 No.	2000 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Office and management	12	9
	Manufacturing	27	53
	Distribution	4	2
		<u> </u>	<u> </u>
		43	64
		<u> </u>	<u> </u>
		2001 £	2000 £
	Staff costs for above persons:		
	Wages and salaries	1,127,283	1,621,473
	Social security costs	112,210	166,646
	Other pension costs	12,910	35,713
		<u> </u>	<u> </u>
		1,252,403	1,823,832
		<u> </u>	<u> </u>
		2001 £	2000 £
	DIRECTORS' REMUNERATION		
	Emoluments (including benefits in kind)	94,615	325,693
		<u> </u>	<u> </u>
	Highest paid director:		
	Emoluments (including benefits in kind)	81,549	110,095
		<u> </u>	<u> </u>

Proportion London Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2001

8	TAXATION	2001 £	2000 £
	Current tax:		
	UK corporation tax on profits of the period	-	147,800
	Adjustments in respect of previous periods	147,800	(11,387)
	Total current tax	<u>147,800</u>	<u>136,413</u>
9	DIVIDENDS	2001 £	2000 £
	Final proposed	-	336,772
10	INTANGIBLE FIXED ASSETS		Goodwill £
	Cost		
	1 January 2001 and 31 December 2001		31,400
	Amortisation		
	1 January 2001		30,334
	Charged in the year		1,066
	31 December 2001		<u>31,400</u>
	Net book value		
	31 December 2001		-
	31 December 2000		<u>1,066</u>
11	STOCK	2001 £	2000 £
	Due within one year:		
	Raw materials and consumables	11,287	18,443
	Finished goods	71,265	37,116
	Work in progress	88,441	139,444
		<u>170,993</u>	<u>195,003</u>

Proportion London Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

12	DEBTORS	2001 £	2000 £
	Due within one year:		
	Trade debtors	581,051	984,750
	Other debtors	40,231	47,277
		<u>621,282</u>	<u>1,032,027</u>

13	CREDITORS: Amounts falling due within one year	2001 £	2000 £
	Trade creditors	279,192	327,514
	Amounts owed to group undertakings	149,610	367,968
	Corporation tax	-	147,800
	Other taxation and social security	25,332	83,880
	Other creditors	270,876	13,660
	Accruals	271,258	97,994
		<u>996,268</u>	<u>1,038,816</u>

The other creditors consist of balance due to the factoring company and it is secured on the trade debtors.

14	SHARE CAPITAL	2001 £	2000 £
	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>

15	SHARE PREMIUM ACCOUNT	2001 £	2000 £
	1 January 2001	43,109	43,109
	31 December 2001	<u>43,109</u>	<u>43,109</u>

Proportion London Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2001

16	CAPITAL REDEMPTION RESERVE	2001 £	2000 £
	1 January 2001	159,167	159,167
	31 December 2001	<u>159,167</u>	<u>159,167</u>
17	PROFIT AND LOSS ACCOUNT	2001 £	2000 £
	1 January 2001	-	-
	Loss for the financial year	(402,852)	-
	31 December 2001	<u>(402,852)</u>	<u>-</u>
18	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2001 £	2000 £
	Profit for the financial year	(402,852)	336,772
	Dividends	-	(336,772)
	Net (reduction)/addition to shareholders' funds	<u>(402,852)</u>	<u>-</u>
	Opening shareholders' funds	203,109	203,109
		<u>(199,743)</u>	<u>203,109</u>
19	COMMITMENTS UNDER OPERATING LEASES		
	At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:		
		2001 £	2000 £
	Plant and machinery		
	expiring in the second to fifth year	12,669	67,334
	Land and buildings		
	expiring after five years	134,000	134,000
		<u>146,669</u>	<u>201,334</u>

20 ULTIMATE PARENT CONTROL

In the directors' opinion the company's ultimate parent company and controlling party is Mandora Group Limited. Copies of its accounts are available from the registered office.