

Proportion (Holdings) Limited

REPORT AND FINANCIAL STATEMENTS

31 December 2002



Proportion (Holdings) Limited

DIRECTORS AND OFFICERS

DIRECTORS

P 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

Proportion (Holdings) Limited

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a holding company.

REVIEW OF THE BUSINESS

Apart from recharging costs to its subsidiary undertaking, the company made a provision against the monies due from it following a slower return to profit than expected of the subsidiary. With effect from 1 January 2003, the company ceased trading and transferred its operating assets to Proportion London Limited and its investment in that company to Mandora Group Limited.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS

The following directors have held office since 1 January 2002:

P Ferstendik
K Fox

DIRECTORS' INTERESTS IN SHARES

The directors held no interests in the shares of the company during the year. The directors' interests in the shares of the parent 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 (Holdings) 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 (HOLDINGS) 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.

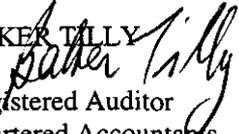
Basis of opinion

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.

BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

10 October 2003

Proportion (Holdings) Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Notes	2002 £	2001 £
TURNOVER	1	75,000	-
Other operating expenses (net)	2	(75,423)	(175,476)
OPERATING LOSS		<u>(423)</u>	<u>(175,476)</u>
Interest payable	3	(2,709)	(11,602)
Exceptional item	4	(527,551)	(200,000)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(530,683)</u>	<u>(387,078)</u>
Taxation	6	-	27,466
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(530,683)</u>	<u>(359,612)</u>
Dividends	7	-	725,340
RETAINED LOSS FOR THE YEAR	16	<u>(530,683)</u>	<u>365,728</u>

The operating loss 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 (Holdings) Limited

BALANCE SHEET

31 December 2002

	<i>Notes</i>	2002 £	2001 £
FIXED ASSETS			
Tangible fixed assets	8	262,494	273,803
Fixed asset investments	9	53,402	53,402
		<u>315,896</u>	<u>327,205</u>
CURRENT ASSETS			
Debtors	10	-	391,974
CREDITORS: Amounts falling due within one year	11	(3,560)	(17,718)
NET CURRENT ASSETS		<u>(3,560)</u>	<u>374,256</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		312,336	701,461
CREDITORS: Amounts falling due after more than one year	12	(145,120)	(3,562)
		<u>167,216</u>	<u>697,899</u>
CAPITAL AND RESERVES			
Called up share capital	14	10,362	10,362
Share premium account	15	81,479	81,479
Profit and loss account	16	75,375	606,058
SHAREHOLDERS' FUNDS	17	<u>167,216</u>	<u>697,899</u>

Approved by the board on 10 October 2003

K Fox Director



Proportion (Holdings) 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.

The company is exempt from the requirement to prepare group financial statements by virtue of section 248 of the Companies Act 1985. These accounts therefore present information about the company as an individual undertaking and not about its group.

DEPRECIATION

Depreciation is provided on all tangible fixed assets and at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Collection Development	5 years
Plant/showroom and office equipment	10 years
Motor vehicles	4 years
Production moulds	4 and 10 years
Computer equipment	4 years.

INVESTMENTS

Investments are included at cost less amounts written off.

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.

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.

Proportion (Holdings) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

6	TAXATION	2002 £	2001 £
	Current tax:		
	UK corporation tax on profits of the period	-	-
	Adjustments in respect of previous periods	-	(89)
	Total current tax	-	(89)
	Deferred taxation:		
	Origination and reversal of timing differences	-	(27,377)
	Total deferred tax	-	(27,377)
	Tax on loss on ordinary activities	-	(27,466)
		-	(27,466)
	Factors affecting tax charge for period:	2002 £	2001 £
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Loss on ordinary activities before tax	(530,683)	(387,078)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2001: 30%)	(159,205)	(116,123)
	Effects of:		
	Expenses not deductible for tax purposes/(income not taxable)	75,423	62,130
	Depreciation in excess of capital allowances	-	(5,622)
	Utilisation of tax losses	-	59,615
	Losses carried forward	83,782	-
	Tax charge for period	-	-
		-	-
7	DIVIDENDS	2002 £	2001 £
	Final proposed - £Nil (2001: £Nil per share)	-	(725,340)
		-	(725,340)

Proportion (Holdings) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

8 TANGIBLE FIXED ASSETS

	Collection Develop- ment £	Plant & equipment £	Motor vehicles £	Production moulds £	Computer equipment £	Total £
Cost						
1 January 2002	-	230,946	105,608	149,110	69,862	555,526
Additions	15,900	24,015	-	29,443	2,776	72,134
Disposals	-	-	(35,618)	-	(48,656)	(84,274)
Transfers	19,000	(11,000)	-	(8,000)	-	-
31 December 2002	<u>34,900</u>	<u>243,961</u>	<u>69,990</u>	<u>170,553</u>	<u>23,982</u>	<u>543,386</u>
Depreciation						
1 January 2002	-	100,403	61,113	65,405	54,802	281,723
Charged in year	6,980	22,889	17,922	15,284	5,428	68,503
Disposals	-	-	(20,678)	-	(48,656)	(69,334)
31 December 2002	<u>6,980</u>	<u>123,292</u>	<u>58,357</u>	<u>80,689</u>	<u>11,574</u>	<u>280,892</u>
Net book value						
31 December 2002	<u>27,920</u>	<u>120,669</u>	<u>11,633</u>	<u>89,864</u>	<u>12,408</u>	<u>262,494</u>
31 December 2001	-	130,543	44,495	83,705	15,060	273,803

Assets held under finance leases originally cost £22,750 (2001: £79,513) and have a net book value of £8,056 (2001: £37,412).

9 INVESTMENTS

	2002 £	2001 £
Investment in subsidiaries:		
Cost at 1 January 2002	253,402	253,402
Less provision	(200,000)	(200,000)
31 December 2002	<u>53,402</u>	<u>53,402</u>

Subsidiary undertakings held are as follows:

Name of company	Country of incorporation	Holding	Proportion of voting rights & shares held	Nature of business	Aggregate capital & reserves
Proportion London Limited	England	100%	100%	Manufacture & distribution of display equipment	(£404,690)

10 DEBTORS

	2002 £	2001 £
Due within one year:		
Due from subsidiary undertakings	-	389,686
Other debtors	-	2,288
	<u>-</u>	<u>391,974</u>

Proportion (Holdings) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

11	CREDITORS: Amounts falling due within one year	2002 £	2001 £
	Obligations under finance leases	3,560	17,718
		<u> </u>	<u> </u>
12	CREDITORS: Amounts falling due in more than one year	2002 £	2001 £
	Hire purchase within two to five years	-	3,562
	Amounts owed to parent undertakings	145,120	-
		<u> </u>	<u> </u>
		<u>145,120</u>	<u>3,562</u>
		<u> </u>	<u> </u>
	Obligations under finance leases are secured on related assets.		
13	SHARE CAPITAL	2002 £	2001 £
	Authorised:		
	54,400 ordinary shares of £0.10 each	5,440	5,440
	49,220 ordinary A shares of £0.10 each	4,922	4,922
		<u> </u>	<u> </u>
		10,362	10,362
		<u> </u>	<u> </u>
	Allotted, issued and fully paid:		
	54,400 ordinary shares of £0.10 each	5,440	5,440
	49,220 ordinary A shares of £0.10 each	4,922	4,922
		<u> </u>	<u> </u>
		10,362	10,362
		<u> </u>	<u> </u>
		<u>10,362</u>	<u>10,362</u>
		<u> </u>	<u> </u>
14	SHARE PREMIUM ACCOUNT	2002 £	2001 £
	1 January 2002	81,479	81,479
	31 December 2002	<u>81,479</u>	<u>81,479</u>
		<u> </u>	<u> </u>
15	PROFIT AND LOSS ACCOUNT	2002 £	2001 £
	1 January 2002	606,058	240,330
	(Loss)/profit for the financial year	(530,683)	365,728
		<u> </u>	<u> </u>
	31 December 2002	75,375	606,058
		<u> </u>	<u> </u>
		<u>75,375</u>	<u>606,058</u>
		<u> </u>	<u> </u>

Proportion (Holdings) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2002 £	2001 £
Loss for the financial year	(530,683)	(359,612)
Dividends	-	725,340
Net (reduction)/addition to shareholders' funds	<u>(530,683)</u>	<u>365,728</u>
Opening shareholders' funds	697,899	332,171
	<u>167,216</u>	<u>697,899</u>

17 ULTIMATE PARENT COMPANY

100% of the company's ordinary share capital is held by Mandora Group Limited, a company registered in England.

18 CONTINGENT LIABILITY

The Royal Bank of Scotland has a charge over the assets of the company with regard to outstanding loan notes provided to Mandora Group Limited for £114,196 (2001: £370,000) in connection with the purchase of Proportion (Holdings) Limited and Proportion London Limited by Mandora Group Limited on 22 January 2001.

19 POST BALANCE SHEET EVENTS

With effect from the 1 January 2003 the fixed assets which are used in and for the business of Proportion London Limited, its wholly owned subsidiary, were transferred at Net Book Value to that company, the investment in Proportion London Limited was transferred to Mandora Group Limited and the balance of recoverable reserves distributed to that company, leaving the company dormant. Consideration will be given to winding up the company.

Proportion (Holdings) Limited
DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	2002 £	2001 £
TURNOVER		
Management charges	75,000	-
	<hr/>	<hr/>
EXPENSES		
Depreciation	68,503	70,489
Management Fees	-	99,999
Factory Moving Expenses	-	16,718
Loss/(profit) on disposal of fixed assets	6,920	(11,730)
	<hr/>	<hr/>
NET LOSS	(423)	(175,476)
	<hr/>	<hr/>
INTEREST PAYABLE		
On bank loans	-	9,451
On finance leases	2,709	2,151
	<hr/>	<hr/>
	(2,709)	(11,602)
	<hr/>	<hr/>
LOSS FOR THE YEAR BEFORE TAX	(3,132)	(187,078)
	<hr/>	<hr/>
EXCEPTIONAL ITEM		
Provision against amount due from subsidiary	(527,551)	(200,000)
	<hr/>	<hr/>
	(530,683)	(387,078)
	<hr/> <hr/>	<hr/> <hr/>

This page does not form part of the statutory financial statements.