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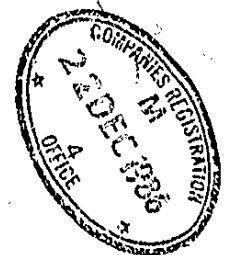
D. M. BAYLIN TRADING CO. LIMITED  
AND SUBSIDIARY COMPANY

BALANCE SHEET

AND

ACCOUNTS

30TH NOVEMBER 1985



D. M. BAYLIN TRADING CO. LIMITED  
AND SUBSIDIARY COMPANY

INDEX TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH NOVEMBER 1985

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D. M. BAYLIN TRADING CO. LIMITED  
AND SUBSIDIARY COMPANY

DIRECTORS: D. M. Baylin  
L. H. Baylin  
SECRETARY: L. H. Baylin  
REGISTERED OFFICE: Mortimer House, 37/41 Mortimer Street, London WIN 7RJ.  
COMPANY NUMBER: 995321

DIRECTORS REPORT

The directors present their Report and the audited Financial Statements of the Group for the year ended 30th November 1985.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW: The principal activity of the Group is the distribution of electronic consumer goods.  
Both the level of business and the year end financial position were satisfactory and the directors expect that the Group's level of activity will continue to improve during the coming year.

RESULTS AND DIVIDENDS: The Group profit for the year before taxation amounted to £200,656. The directors do not recommend the payment of a dividend in respect of the year ended 30th November 1985 and recommend that the retained profits be transferred to Reserves.

FIXED ASSETS: Changes in Fixed Assets are shown in Note 5 on page 9.

DIRECTORS: The Members of the Board who held office during the year, together with details of their interests in the shares of the Company were:-

Name of Director	At end of year		At beginning of year	
	Ordinary	Redeemable Preference	Ordinary	Redeemable Preference
D. M. Baylin	1,000	100,000	1,000	100,000
L. H. Baylin	1,000	100,000	1,000	100,000
G. Inglis	-	-	-	-

Mr. G. Inglis resigned on 31st March 1986.

TAX STATUS: In the opinion of the directors, the Company is a close Company within the meaning of S.282 Income and Corporation Taxes Act 1970.

AUDITORS: In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Messrs. Arram, Berlyn, Gardner & Co. as Auditors to the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

*L H Baylin*

L. H. BAYLIN  
SECRETARY

REPORT OF THE AUDITORS TO THE MEMBERS OF

D. M. BAYLIN TRADING CO. LIMITED

We have audited the Financial Statements on pages 3 to 11 in accordance with approved Auditing Standards, having regard to the matters referred to in the following paragraph.

In common with many businesses of similar size and organisation, the Company's system of control is dependent upon the close involvement of the directors, who are major shareholders. Where independent confirmation of the completeness of the accounting records was therefore not available, we have accepted assurances from the directors that all the Company's transactions have been reflected in the records.

Subject to the foregoing, in our opinion the Financial Statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the Company's and of the Group's affairs so far as concerns the Members of the Company at 30th November 1985 and of its profit and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

MORTIMER HOUSE,  
37/41 MORTIMER STREET,  
LONDON WIN 7RJ.

26TH NOVEMBER 1986

ARRAM, BERLYN, GARDNER & CO.  
CHARTERED ACCOUNTANTS

D. M. BAYLIN TRADING CO., LIMITED  
AND SUBSIDIARY COMPANY  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH NOVEMBER 1985

	Notes	£	1.10.83 - 30.11.84 £
<u>TURNOVER</u>	1b	3,979,419	3,317,000
Cost of Sales		3,080,234	2,711,136
		<hr/>	<hr/>
Gross Profit		899,185	605,864
Administrative Expenses		( 652,699)	( 455,015)
Other Operating Income		500	31,000
Income from Investments		12,443	(15,313)
Other Interest Receivable and Similar Income		7,183	2,432
Interest Payable and Similar Charges		( 65,956)	( 14,765)
		<hr/>	<hr/>
Profit on Ordinary Activities before taxation	3 *	200,656	154,203
Tax on Profit on Ordinary Activities	4	73,177	762
		<hr/>	<hr/>
<u>Retained Profit for the year</u>	12	£ 127,479	£ 153,441
		<hr/> <hr/>	<hr/> <hr/>

\* Dealt with as follows:-

Subsidiary

Company

£  
45,846  
154,810  


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£200,656  


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The attached Notes form an integral part of these Financial Statements.

AND SUBSIDIARY COMPANY

				1984	
	Notes	£	£	£	£
<u>FIXED ASSETS</u>					
Tangible Assets	5		60,482		55,252
Investments	6		75,000		75,000
			<u>135,482</u>		<u>130,252</u>
<u>CURRENT ASSETS</u>					
Stocks	7	663,186		726,496	
Debtors	8	1,187,700		957,264	
Investments	9	1,137		7,906	
Cash at Bank and in Hand		139,705		22,700	
		<u>1,991,728</u>		<u>1,714,366</u>	
<u>CREDITORS</u> (amounts due within one year) <sup>10</sup>		<u>1,346,554</u>		<u>1,185,395</u>	
<u>NET CURRENT ASSETS</u>			645,174		528,971
<u>NET ASSETS</u>			<u>£780,656</u>		<u>£659,223</u>
<u>CAPITAL AND RESERVES</u>					
Called up Share Capital	11		202,000		202,000
Profit and Loss Account	12		578,656		457,223
			<u>£780,656</u>		<u>£659,223</u>

The Financial Statements on pages 3 to 11 were approved at a Directors Meeting held on 26th November 1986 and signed on behalf of the Board by:-

L. H. Bayless: )  
 ..... )  
 ..... ) Directors  
 ..... )  
 ..... )  
 ..... )

D. M. BAYLIN TRADING CO., LIMITED

BALANCE SHEET AS AT 30TH NOVEMBER 1985

	<u>Notes</u>	<u>£</u>	<u>£</u>	<u>1984</u>	<u>£</u>
<u>FIXED ASSETS</u>					
Tangible Assets	5		60,482		55,252
Investments	6		75,000		75,000
			<u>135,482</u>		<u>130,252</u>
<u>CURRENT ASSETS</u>					
Stocks	7	663,186		726,496	
Debtors	8	1,169,100		957,264	
Investments	9	1,137		7,906	
Cash at Bank and in Hand		139,654		22,700	
		<u>1,973,077</u>		<u>1,714,366</u>	
<u>CREDITORS</u> (amounts due within one year) <sup>10</sup>		<u>1,355,655</u>		<u>1,185,395</u>	
<u>NET CURRENT ASSETS</u>			617,422		528,971
<u>NET ASSETS</u>			<u>£752,904</u>		<u>£659,223</u>
<u>CAPITAL AND RESERVES</u>					
Called up Share Capital	11		202,000		202,000
Profit and Loss Account	12		550,904		457,223
			<u>£752,904</u>		<u>£659,223</u>

The attached Notes form an integral part of these Financial Statements.

The Financial Statements on pages 3 to 11 were approved at a Directors Meeting held on 26th November 1986 and signed on behalf of the Board by:-

..... )  
 ..... ) Directors  
 ..... J. H. Baylin (s.d.)

D. M. BAYLIN TRADING CO., LIMITED

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30TH NOVEMBER 1985

			<u>1.10.83 - 30.11.84</u>	
	<u>Notes</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>SOURCE OF FUNDS</u>				
Profit before taxation .		200,656		154,203
<u>Items not involving the movement of funds</u>				
Depreciation	5	20,164	16,709	
Foreign Currency Translation	12	( 6,048)	-	
Profit on sale of Fixed Assets		-	( 3,452)	13,257
<u>Funds Generated from Operations</u>		<u>214,772</u>		<u>167,460</u>
<u>Funds from other Sources</u>				
Sale of Fixed Assets		-		15,950
		<u>214,772</u>		<u>183,410</u>
<u>APPLICATION OF FUNDS</u>				
Taxation Paid		217	-	
Purchase of Fixed Assets	5	<u>25,394</u>	<u>123,721</u>	<u>123,721</u>
		<u>£189,161</u>		<u>£ 59,689</u>
<u>CHANGES IN WORKING CAPITAL</u>				
(Decrease)/Increase in Stock		( 63,310)		457,024
Increase in Debtors and Prepayments		230,436		483,886
Decrease/(Increase) in Creditors		479,725		(935,731)
<u>Movement in Net Liquid Funds</u>				
(Decrease)/Increase in Bank and Cash Balances		(450,921)		77,260
Decrease in Short-Term Investments		( 6,769)		( 22,750)
		<u>£189,161</u>		<u>£ 59,689</u>

The attached Notes form an integral part of these Financial Statements.

D.M. BAYLIN TRADING CO. LIMITED  
AND SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH NOVEMBER 1985

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Group's Accounts:-

(a) Basis of Accounting

The Accounts have been prepared in accordance with the historical cost convention.

(b) Turnover

Turnover comprises invoiced sales and services less returns and VAT.

(c) Tangible Fixed Assets and Depreciation

(i) Fixed Assets are capitalised at cost.

(ii) Fixed Assets are depreciated over their estimated useful lives as follows:-

<u>Assets</u>	<u>Rate p.a.</u>	<u>Basis</u>
Fixtures, Fittings and Office Equipment	25%	Reducing Balance
Motor Vehicles	25%	Reducing Balance

(d) Stock

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

(e) Deferred Taxation

The policy of providing for deferred taxation only to the extent that it is expected to fall due for payment in the foreseeable future has been adopted. As a result of this policy, no provision has been made in these Accounts for deferred taxation.

(f) Basis of Consolidation

The profit of the Group comprises the results of D. M. Baylin Trading Co. Limited and its subsidiary, Baylin International Limited. The Consolidated Accounts have been prepared in accordance with SSAP 14.

(g) Currency Translation

The Accounts of the subsidiary have been translated as follows:-

(i) Revenue items have been translated at an average exchange rate for the year. The exchange difference on retranslation of the retained profits at closing rate has been transferred to Reserves.

(ii) Assets and liabilities have been translated at the rate of exchange ruling at the Balance Sheet date.

D. M. BAYLIN TRADING CO. LIMITED

AND SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH NOVEMBER 1985

(continued)

2. SEGMENT INFORMATION

	<u>Group Turnover</u>		<u>Company Turnover</u>	
<u>Geographical Market</u>	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
United Kingdom	3,542,255	3,317,000	3,542,255	3,317,000
Overseas	437,164	-	-	-
	<u>£3,979,419</u>	<u>£3,317,000</u>	<u>£3,542,255</u>	<u>£3,317,000</u>

3. PROFIT ON ORDINARY ACTIVITIES

<u>BEFORE TAXATION</u>	<u>Notes</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
After Charging:-					
Directors Emoluments	13	148,800	127,000	148,800	127,000
Depreciation	5	20,164	16,709	20,164	16,709
Auditors Remuneration		7,654	6,000	7,000	6,000
Interest payable on bank and other borrowings repayable within five years		<u>49,727</u>	<u>14,765</u>	<u>49,727</u>	<u>14,765</u>
After Crediting:-					
Profit on sale of Fixed Assets		-	3,452	-	3,452
Income from Listed Investments		<u>726</u>	<u>109</u>	<u>726</u>	<u>109</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1985</u>	<u>1984</u>
UK Corporation Tax at appropriate rates (1984 30%)	73,690	730
Tax on UK dividends received	217	32
Overprovision in previous years	( 730)	-
	<u>£73,177</u>	<u>£ 762</u>

The tax charge on the Company's Ordinary Activities has been reduced as a result of available losses brought forward.

D. M. BAYLIN TRADING CO. LIMITED

AND SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH NOVEMBER 1985

(continued)

5. TANGIBLE FIXED ASSETS

	<u>Fixtures, Fittings and Office Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>Company</u>			
<u>Cost</u>			
At 1st December 1984	47,899	71,903	119,802
Additions	13,894	11,500	25,394
<u>At 30th November 1985</u>	<u>£61,793</u>	<u>£83,403</u>	<u>£145,196</u>
<u>Depreciation</u>			
At 1st December 1984	34,257	30,293	64,550
Provision for the year	6,885	13,279	20,164
<u>At 30th November 1985</u>	<u>£41,142</u>	<u>£43,572</u>	<u>£ 84,714</u>
<u>Net Book Value</u>			
At 1st December 1984	£13,642	£41,610	£ 55,252
<u>At 30th November 1985</u>	<u>£20,651</u>	<u>£39,831</u>	<u>£ 60,482</u>

Note: The Company's subsidiary held no tangible fixed assets.

6. FIXED ASSET INVESTMENTS

Interest in Freehold Property

(a) Cost

At 1st December 1984 and 30th November 1985 £75,000

This relates to a 12½% interest in a freehold property, Wakes Hall, Chigwell, Essex in which D. M. Baylin and L. H. Baylin reside. Mr. and Mrs. Baylin are the beneficial owners of the remaining 87½% of the property.

(b) The Company held 2 shares of HK \$ 1.00 each as at 30th November 1985 (1984 nil) in the following wholly owned subsidiary company:-

	<u>Nature of Business</u>	<u>Country of Registration</u>	<u>Shares held Class Percentage</u>
Baylin International Limited	Distribution of electronic consumer goods	Hong Kong	Ordinary 100%

D. M. BAYLIN TRADING CO., LIMITED

AND SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH NOVEMBER 1985

(continued)

7. <u>STOCKS</u>	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
Finished goods and goods for resale	£ 663,186	£726,496	£ 663,186	£726,496
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
8. <u>DEBTORS</u>				
Trade Debtors	1,134,514	898,155	1,134,514	898,155
Prepayments and Accrued Income	20,326	9,248	20,124	9,248
Other Debtors	32,860	49,861	14,462	49,861
	<u>£1,187,700</u>	<u>£957,264</u>	<u>£1,169,100</u>	<u>£957,264</u>
9. <u>INVESTMENTS</u>				
Shares in Quoted Companies listed on a recognised Stock Exchange	£ 1,137	£ 7,906	£ 1,137	£ 7,906
As at 30th November 1985 the market value of these shares was £1,148 (1984 £8,313).				
10. <u>CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)</u>	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
Bank Loans and Overdrafts	567,926	-	567,926	-
Trade Creditors	411,459	766,365	411,459	766,365
Amounts owed to Group companies	-	-	22,309	-
Other Creditors	104,153	167,293	103,672	167,293
Corporation tax payable 1st Sept 1986	73,690	730	61,642	730
Taxes (other than corporation tax) and Social Security	155,128	228,729	155,128	228,729
Accruals and Deferred Income	34,198	22,278	33,519	22,278
	<u>£1,346,554</u>	<u>£1,185,395</u>	<u>£1,355,655</u>	<u>£1,185,395</u>
11. <u>CALLED UP SHARE CAPITAL</u>			<u>1985</u>	<u>1984</u>
<u>Authorised</u>				
2,000 Ordinary Shares of £1 each			2,000	2,000
500,000 Redeemable Preference Shares of £1 each			500,000	500,000
			<u>£502,000</u>	<u>£502,000</u>
<u>Allotted, Issued and Fully Paid</u>				
2,000 Ordinary Shares of £1 each			2,000	2,000
200,000 Redeemable Preference Shares of £1 each			200,000	200,000
			<u>£202,000</u>	<u>£202,000</u>

D. M. BAYLIN TRADING CO. LIMITED

AND SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH NOVEMBER 1985

(continued)

12. RESERVES

At 1st December 1984	£
Profit for the year	457,225
	127,479
Profit and Loss Reserves	
Loss arising on restating subsidiary company's retained profit	584,704
	( 6,048)
At 30th November 1985	£578,656

13. INFORMATION REGARDING DIRECTORS

(a) Remuneration

Directors emoluments amounted to:

	<u>1985</u>	<u>1984</u>
	£	£
Remuneration of Executives	128,800	126,000
Pension Scheme Premiums	20,000	1,000
	<u>£148,800</u>	<u>£127,000</u>

Directors remuneration, excluding pension contributions was as follows:-

Chairman	<u>£ 59,200</u>	<u>£ 70,000</u>
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Other directors remuneration was within the following bands:-

£ 5,001 - £10,000	1	1
£45,001 - £50,000	2	1

(b) Financial Transactions

Certain directors Loan Accounts were overdrawn during the period, particulars of which are as follows:-

<u>Name</u>	<u>Balance at Year end</u>	
	<u>1985</u>	<u>1984</u>
D. M. and L. H. Baylin	<u>£11,108</u>	<u>£10,620</u>

The loan is interest free and repayable on demand.

14. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

(a) An unlimited guarantee has been given in respect of bank borrowings by the company, which carries out warranty claims in respect of watches sold by D. M. Baylin Trading Co. Limited. As at 30th November 1985 this amounted to £NIL.

(b) Other contingent liabilities not provided for:

Forward Exchange Contracts and Documentary Credits amounting to £1,532,209 (1984 £635,450) which are expected to be fulfilled in the normal course of trade.