Mappin & Webb Limited

Directors' report and financial statements

Registered number 53237

29 March 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements of the company for year ended 29 March 2003.

Principal activities

The principal activities of the company are those of retail jewellers and silversmiths and the retailing of gifts and watches. In addition to the company's outlets in the United Kingdom, the company has wholesale distribution to the Middle East and Japan.

Results and proposed dividends

The audited financial statements for the year ended 29 March 2003 are set out on pages 5 to 16. The company's loss for the period after taxation was £6,919,000 *(2002:profit of £3,000)*.

The directors do not recommend the payment of an ordinary dividend.

Holding company

The company is a wholly owned subsidiary of Mappin & Webb Holdings Limited. The ultimate parent company is The MW Group Limited.

Directors and directors' interests

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

JM Pilkington	(Resigned 28 February 2003)
PE Rivers	
G Berkmen	(Appointed 28 February 2003 – resigned 9 June 2003)
AS Brown	(Appointed 28 February 2003)
C McCloskey	(Appointed 28 February 2003)

The interests of PE Rivers, G Berkmen, AS Brown and C McCloskey, who were directors of The MW Group Limited as at 29 March 2003, in the shares of group undertakings are disclosed in the group accounts.

N D Evans and C Cooper were appointed to the board on 27 August 2003.

Creditor payment policy

The company's policy on payment of its trade creditors is as follows:

- the terms of payment are agreed at the start of business with individual suppliers to ensure that they are aware of the terms of payment; and
- payments are made on the basis of the agreed terms, contractual and other legal obligations.

The average days creditors outstanding at the period end was 29 days *(2002:22 days)*.

Directors' report *(continued)*

Disabled persons

It is the policy of the company to support the employment of disabled persons wherever practicable and to ensure that, as far as possible, they share in the training, career development and promotion opportunities available to all employees.

Staff information and consultation

Staff are kept fully informed of matters of interest through a staff magazine, notice boards and staff handbook. A two-way process of informing and consulting staff operates through the line management structure.

Auditors

In accordance with Section 384 of the Companies Act 1985, 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

PE Rivers
Director

170 Regent Street
London
W1B 5BQ

26 January 2004

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 of the company 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.

kpmg

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Mappin & Webb Limited

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

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 auditor's 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 opinions we have formed.

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 affairs of the company as at 29 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

26 January 2004

Profit and loss account

for the year ended 29 March 2003

	Notes	2003	2002
		£000	£000
Turnover		**65,276**	65,732
Cost of sales		**(41,695)**	(39,203)
Gross profit		**23,581**	26,529
Administrative expenses		**(29,292)**	(25,195)
Operating (loss)/profit on ordinary activities before interest		**(5,711)**	1,334
Interest receivable and similar income	*5*	**-**	5
Interest payable and similar charges	*6*	**(1,380)**	(1,336)
(Loss)/profit on ordinary activities before taxation	*2*	**(7,091)**	3
Tax on loss on ordinary activities	*7*	**172**	-
(Loss)/profit on ordinary activities after taxation		**(6,919)**	3
Retained (loss)/profit for the period		**(6,919)**	3

All of the company's operations are classed as continuing.

A reconciliation of movement in shareholders' funds appears as note 16 to the accounts.

There are no recognised gains or losses in either period other than as stated in the profit and loss account.

Balance sheet

at 29 March 2003

	Note	2003		2002	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		5,704		8,470
Investments	9		2,400		2,400
Current assets					
Stocks	10	27,606		30,396	
Debtors	11	7,676		7,084	
Cash at bank and in hand		457		20	
		35,739		37,500	
Creditors: amounts falling due within one year	12	(31,482)		(30,826)	
Net current (liabilities)/assets			4,257		6,674
Total assets less current liabilities			12,361		17,544
Creditors: amounts falling due after more than one year	13		(18,957)		(17,221)
Net (liabilities)/assets			(6,596)		323
Capital and reserves					
Called up share capital	14		6,300		6,300
Revaluation reserve	15		1,319		1,319
Profit and loss account	15		(14,215)		(7,296)
Total equity shareholders' (deficit)/funds	16		(6,596)		323

These financial statements were approved by the board of directors on 26 January 2004 and were signed on its behalf by:

A S Brown
Director

Registered number 53237

Note of historical cost profits and losses

for the year ended 29 March 2003

	2003 £000	2002 £000
Reported (loss)/profit on ordinary activities before taxation	**(7,091)**	3
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**48**	48
Historical cost (loss)/profit on ordinary activities before taxation	**(7,043)**	51
Historical cost retained (loss)/profit for the period	**(6,871)**	51

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. However, during the year certain changes were made to the expected useful lives of certain assets, and as a consequence certain assets were written off during the year.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in compliance with the Companies Act 1985 and under the historical cost accounting rules modified to include the revaluation of certain land and buildings.

The company has net liabilities of £6,596,000 at the balance sheet date. The directors have drawn up the accounts on the going concern basis as the directors have received assurance from The MW Group Limited, the company's ultimate parent, that it will provide all necessary financial support to enable the company to meet its liabilities as they fall due for a period of 12 months from the date of approval of these accounts.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by The MW Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of The MW Group Limited are available to the public.

The company has adopted a normal retail reporting basis to the Saturday nearest 31 March each year.

Turnover

Turnover represents invoiced sales (exclusive of VAT) including pawnbroking interest to third parties primarily arising in the United Kingdom.

Fixed assets and depreciation

Tangible fixed assets are stated at cost and are depreciated at the following annual rates, in order to write off the cost of the assets over their estimated useful lives.

Building and improvements	-	3-5% per annum
Fixtures and fittings	-	8-25% per annum

Leasehold properties and improvements are amortised over the period of the lease or the estimated useful life if lower.

Leases

Rentals payable under operating leases are written off to the profit and loss account on a straight line basis over the lease term.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Trading results are expressed in sterling at the average of the rates ruling during the year and include exchange differences realised in the normal course of trade. Assets and liabilities in foreign currencies are expressed in sterling at rates of exchange ruling at balance sheet dates and resultant unrealised exchange differences are dealt with through reserves or through the profit and loss account where appropriate.

Deferred taxation

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 FRS19.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 (Loss)/profit on ordinary activities before taxation

	2003	2002
	£000	£000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets	**3,175**	1,182
Impairment losses	**1,387**	-
Rentals payable under operating lease - land and buildings	**8,807**	8,492
- hire of plant and machinery	**126**	70
Auditors' remuneration – audit	**49**	37
- taxation services	**74**	57

Certain general administration costs of other group undertakings including audit fees were borne by the company during the year.

Notes *(continued)*

3 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments for qualifying services:		
As directors	**431**	252
Company contributions to personal pension scheme	**34**	29

The emoluments, excluding pension contributions, of the highest paid director were £294,000 *(2002: £144,000)*, including payments of £153,000 upon termination of employment.

Five directors were members of personal pension schemes *(2002: two)*.

4 Staff numbers and costs

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

	Number of employees	
	2003	2002
Management and administration	**45**	50
Retail operations	**304**	316
	349	366

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	**7,215**	7,910
Social security costs	**609**	737
Other pension costs	**212**	194
	8,036	8,841

Notes *(continued)*

5 Interest receivable and similar income

	2003 £000	2002 £000
Interest on bank deposit and other short term deposits	-	5

6 Interest payable and similar charges

	2003 £000	2002 £000
Amounts payable on bank loans and overdrafts	1,380	1,336

7 Tax on loss on ordinary activities

	2003	2002
Analysis of credit in period	£000	£000
Current tax:		
Adjustments in respect of previous years	(195)	-
	(195)	-
Foreign tax (including amount in respect of prior years)	23	-
Tax on loss on ordinary activities	(172)	-

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	(7,091)	3
Current tax at 30% (2002 30%)	(2,127)	1
Expenses not deductible for tax purposes	74	96
General stock provision not taxable	192	-
Depreciation for the period being greater than capital allowance	1,371	(120)
Provisions utilised	-	(59)
Tax losses for the year not utilised	490	1
Tax losses surrendered to other group companies	-	81
Adjustments to tax charge in respect of previous periods	(172)	-
	(172)	-

Tax losses amounting to £8,168,000 (2002: £6,412,000) are available to relieve future profits of the group.

The potential amount of unprovided deferred taxation at the rate of 30% (2002: 30%) for accelerated capital allowances is an asset of £496,000 (2002: £620,000) and for tax losses carried forward an asset of £2,450,000 (2002: £1,924,000).

Notes *(continued)*

8 Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 31 March 2002	2,922	11,716	14,638
Additions	73	1,206	1,279
Inter-group transfers	(110)	1,872	1,762
Disposals	(319)	(5,290)	(5,609)
At 29 March 2003	2,566	9,504	12,070
Depreciation			
At 31 March 2002	1,253	4,915	6,168
Charge for the year	126	3,049	3,175
Inter-group transfers	(63)	1,308	1,245
Disposals	(319)	(5,290)	(5,609)
Impairment losses	18	1,369	1,387
At 29 March 2003	1,015	5,351	6,366
Net book value			
At 29 March 2003	**1,551**	**4,153**	**5,704**
At 30 March 2002	1,669	6,801	8,470

In calculating the impairment loss a discount rate of 10% was applied to the cash flows.

The change during the year of the estimated useful economic lives of fixtures and fittings resulted in an additional depreciation charge of £1,699,000.

The company's long leasehold property was valued by Messrs Richard Ellis, independent Chartered Surveyors, at open market value on the basis of existing use in March 1998. This valuation was incorporated in the company's accounts as at 28 March 1998. The revaluation attributable to the building gave rise to an additional depreciation charge of £48,000 *(2002: £48,000)* in the profit and loss account. No provision has been made in the accounts for capital gains tax as there is no intention to dispose of the property in the foreseeable future.

All land and buildings are comprised of short leasehold properties.

Original cost and depreciation based on cost of land and buildings:

	2003			2002		
	Cost £000	**Depreciation for year £000**	**Accumulated depreciation £000**	Cost £000	Depreciation for year £000	Accumulated depreciation £000
Land and buildings	**255**	**20**	**218**	255	20	198

Notes *(continued)*

9 Investments

Shares in group undertakings

	2003	2002
	£000	£000
Cost		
At beginning of period	**2,400**	-
Additions during the year	**-**	2,400
At end of period	**2,400**	2,400

As at 29 March 2003, the company owns ordinary shares in the following companies:

	% Owned	**Country of Incorporation**	**Principal Activity**
Watches of Switzerland Limited	100%	United Kingdom	Dormant
Mappin & Webb (CI) Limited	100%	United Kingdom	Dormant
Jewellers & Silversmiths Company (1994) Limited	100%	Guernsey	Dormant

10 Stocks

	2003	2002
	£000	£000
Finished goods and goods for resale	**27,606**	30,396

11 Debtors: amounts falling due within one year

	2003	2002
	£000	£000
Trade debtors	**771**	788
Amounts owed by group undertakings	**4,413**	4,564
Other debtors	**2,255**	333
Prepayments and accrued income	**237**	1,399
	7,676	7,084

Amounts owed by group undertakings are interest free and have no fixed date for repayment.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank Loan & Overdraft	-	1,152
Trade creditors	4,882	3,763
Amounts owed to group undertakings	22,533	23,714
Social security and other taxes	1,204	477
Other creditors, accruals and deferred income	2,863	1,720
	31,482	30,826

13 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Bank loan	18,957	17,221

The bank loan is secured by fixed and floating charges over all the assets of the company and all other group companies. The interest rate is LIBOR plus 2.25% and is due for repayment in between two and five years. After the year-end, the company became in breach of its banking covenants, a situation which has subsequently been remedied.

14 Called up share capital

	2003 £000	2002 £000
Authorised, allotted and fully paid		
630,000 *(2002: 630,000)* Ordinary shares of £10 each	6,300	6,300

15 Reserves

	Revaluation account £000	Profit and Loss £000	Total £000
At beginning of period	1,319	(7,296)	(5,977)
(Loss) for the year	-	(6,919)	(6,919)
At end of period	1,319	(14,215)	(12,896)

Notes *(continued)*

16 Reconciliation of movement in shareholders' funds

	2003 £000	2002 £000
(Loss)/profit for the period	(6,919)	3
Shares issued in the period	-	2,400
Opening shareholders' funds	323	(2,080)
Closing shareholders' funds	**(6,596)**	323

17 Commitments

Operating Leases

At 29 March 2003 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2003 £000	2002 £000
Land and buildings		
- within 1 year	1,583	153
- within 2-5 years	2,866	2,818
- over 5 years	4,264	5,773
	8,713	8,744
Plant and machinery		
- within 1 year	27	56
- within 2-5 years	63	16
	90	72
	8,803	8,816

Guarantees

The company has guaranteed, and the assets of the company provide security for, certain group borrowings. A guarantee of £100,000 *(2002: £100,000)* has been supplied by our bankers to H.M. Customs and Excise for deferring payments of sums due in respect of Duties and VAT on importation of goods.

Capital

Capital commitments not provided for amounted to £Nil *(2002: £1,150,000)*.

18 Pension scheme

Certain employees are eligible to participate in pension scheme arrangements under the MW Group Personal Pension Plan. The pension cost for the company for the financial year ending 30 March 2003 was £ 212,000 *(2002: £194,000)*.

19 Ultimate parent company

The company is a wholly-owned subsidiary of Mappin & Webb Holdings Limited, a subsidiary of The MW Group Limited, the ultimate parent company. The smallest and largest groups in which the results of the company are consolidated is that headed by The MW Group Limited. The consolidated accounts of this group are available to the public from Companies House.