

Mappin & Webb Limited

Directors' report and financial statements

52 weeks ended 27 March 1999

Registered number 53237



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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements of the company for the 52 weeks ended 27 March 1999.

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.

On 29 March 1998, Carrington & Co. Limited, a fellow subsidiary undertaking of The MW Group Limited, transferred its trade, assets and liabilities to the company.

On 27 October 1998, the company acquired the trade, assets and liabilities relating to the Birmingham based pawnbroking and retail business of TM Sutton Limited, a fellow subsidiary undertaking of The MW Group Limited.

Year 2000

The Directors believe that the century date change is an important business issue and have taken steps to safeguard business operations by evaluating all key systems for millennium compliance. A strategy for year 2000 compliance has been developed and is currently being implemented.

The review of key systems includes an audit of in-house hardware and operating and applications software. Any deficiencies found are being prioritised and scheduled for upgrade/replacement where appropriate. Present timescales indicate that all necessary work and changes will be implemented in adequate time.

Other date-sensitive equipment and installations are also being compliance checked and necessary action being taken to address any problems arising.

The company may also be adversely affected by the inability of third-parties to manage the Year 2000 problem. To address this key suppliers and customers are being contacted to assess their status.

Whilst it is impossible to guarantee that the business will not be affected by the Year 2000 issue, the Directors are confident that the current strategy should both safeguard against any potential problems in key systems and ensure that the business is ready for the next millennium.

The costs of implementing the above strategy are not significant.

Introduction of the euro

Apart from positioning the company to handle the introduction of the euro at the appropriate time, the Directors will ensure that business impacts and opportunities are also addressed.

Holding company

The company is a wholly owned subsidiary of Mappin & Webb Holdings Limited.

On 24 December 1998, The MW Group Limited acquired 100% of Mappin & Webb Holdings Limited from Asprey & Garrard Limited.

Directors' report (continued)

Directors and directors' interests

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

JM Pilkington	
M Fisher	(appointed 23 December 1998)
TM Gregg	(appointed 20 May 1999)
PS Clayman	(resigned 21 December 1998)
IX Dahl	(resigned 23 December 1998)
DS Lowden	(resigned 23 December 1998)

The interests of JM Pilkington and M Fisher who were directors of The MW Group Limited as at 27 March 1999 in the shares of group undertakings are disclosed in the group accounts.

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 33 days (1998: 35 days).

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.

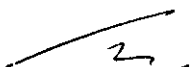
Staff information and consultation

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 as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



TM Gregg
Director

170 Regent Street
London
W1R 6BQ

30 September 1999

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.



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Auditors' report to the members of Mappin & Webb Limited

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

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom. 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 the company's affairs as at 27 March 1999 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG'.

KPMG
Chartered Accountants
Registered Auditors

30 September 1999

Profit and loss account

for the 52 weeks ended 27 March 1999

	Notes	1999 £000	1998 £000
Turnover	<i>1</i>	35,222	37,421
Cost of sales - <i>including exceptional costs of £895,000 (1998: £nil)</i>	<i>5</i>	(22,815)	(23,090)
Gross profit		<u>12,407</u>	<u>14,331</u>
Administrative expenses - <i>including exceptional costs of £1,689,000 (1998: £nil)</i>	<i>5</i>	(16,999)	(18,061)
Operating loss		<u>(4,592)</u>	<u>(3,730)</u>
Interest receivable and similar income	<i>6</i>	41	14
Loss on ordinary activities before taxation	<i>2-4</i>	<u>(4,551)</u>	<u>(3,716)</u>
Tax on loss on ordinary activities	<i>7</i>	-	-
Loss on ordinary activities after taxation		<u>(4,551)</u>	<u>(3,716)</u>
Retained loss for the period		<u>(4,551)</u>	<u>(3,716)</u>

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

A reconciliation of movement in shareholders' funds appears as note 14 to the accounts.

Balance sheet

at 27 March 1999

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	8	5,308	6,042
Current assets			
Stocks	9	18,589	18,907
Debtors	10	5,726	4,015
Cash at bank and in hand		271	156
		<u>24,586</u>	<u>23,078</u>
Creditors: amounts falling due within one year	11	<u>(31,262)</u>	<u>(29,337)</u>
Net current liabilities		<u>(6,676)</u>	<u>(6,259)</u>
Net liabilities		<u>(1,368)</u>	<u>(217)</u>
Capital and reserves			
Called up share capital	12	3,900	500
Revaluation reserve	13	1,415	1,415
Profit and loss account	13	(6,683)	(2,132)
Total equity shareholders' funds	14	<u>(1,368)</u>	<u>(217)</u>

These financial statements were approved by the board of directors on 30 September 1999 and were signed on its behalf by:


TM Gregg
Director

Statement of total recognised gains and losses

for the 52 weeks ended 27 March 1999

	1999 £000	1998 £000
Loss for the financial year	(4,551)	(3,716)
Unrealised surplus on revaluation of properties	-	332
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	(4,551)	(3,384)
Currency translation differences on foreign currency net investments	-	148
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	<u>(4,551)</u>	<u>(3,236)</u>

Note of historical cost profits and losses

for the 52 weeks ended 27 March 1999

	1999 £000	1998 £000
Reported loss on ordinary activities before taxation	(4,551)	(3,716)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	48	48
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	<u>(4,503)</u>	<u>(3,668)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the period and the preceding period, are set out below.

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 £1,368,000 at the balance sheet date. However, the directors have drawn up the accounts on the going concern basis as the directors have received assurance from The MW Group, 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.

The company has changed the format of the profit and loss account to more accurately reflect how the directors monitor the results.

Turnover

Turnover represents 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.

Notes (continued)

1 Accounting policies (continued)

Leases

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

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

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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 expected cost of pensions in respect of defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme.

2 Loss on ordinary activities before taxation

	1999	1998
	£000	£000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation and amounts written off tangible fixed assets	726	652
Operating lease rental		
Land and buildings	2,674	2,164
Plant and machinery	45	38
Loss on disposal of fixed assets	633	11
Auditors' remuneration - audit fees	23	33
Group management charges	-	1,521
	<hr/>	<hr/>

Notes (continued)

3 Remuneration of directors

	1999 £000	1998 £000
Directors' emoluments for quantifying services:		
As directors	167	96
	<u>167</u>	<u>96</u>

The emoluments, excluding pension contributions, of the highest paid director were £123,000 (1998: £94,000).

Two directors were members of defined benefit pension schemes.

4 Staff numbers and costs

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

	Number of employees	
	1999	1998
Management and administration	38	36
Retail operations	227	232
	<u>265</u>	<u>268</u>

The aggregate payroll costs of these persons were as follows:

	1999 £000	1998 £000
Wages and salaries	4,639	4,952
Social security costs	366	377
Other pension costs	482	489
	<u>5,487</u>	<u>5,818</u>

Notes (continued)

5 Exceptional items

	1999 £000	1998 £000
<i>Cost of sales</i>		
Stock provision	895	-
	<u> </u>	<u> </u>
<i>Administrative expenses</i>		
Restructuring costs	475	-
Fixed asset disposals & impairment	324	-
Closure of Prague	890	-
	<u> </u>	<u> </u>
	1,689	-
	<u> </u>	<u> </u>

Following the change of ownership, the directors have reassessed the level of stock holdings appropriate for the company resulting in a specific provision being made on stock which is old or outside the core product lines going forward.

Restructuring costs consisting of insurance duplication, recruitment and redundancy and technology costs arose due to the acquisition of the company by The MW Group on 24 December 1998.

A detailed inventory of fixed assets as part of the change in ownership resulted in a one time charge for items which no longer have any value to the company.

The decision to close the Prague store resulted in the write down of fixed assets to estimated residual value and the establishment of a provision for the remaining property costs.

6 Interest receivable and similar income

	1999 £000	1998 £000
Interest on bank deposit and other short term deposits	41	14
	<u> </u>	<u> </u>

7 Tax on loss on ordinary activities

	1999 £000	1998 £000
UK corporation tax at 31% on the loss for the year on ordinary activities	-	-
	<u> </u>	<u> </u>

The potential amount of unprovided deferred taxation at the rate of 31% for accelerated capital allowances is £nil (1998: £152,000) and for losses carried forward is £950,000 (1998: £nil).

Notes (continued)

8 Tangible fixed assets

	Land and buildings	Fixtures and fittings	Total
	£000	£000	£000
Cost			
At 28 March 1998	2,753	8,163	10,916
Additions	-	627	627
Disposals	(159)	(3,189)	(3,348)
	<hr/>	<hr/>	<hr/>
At 27 March 1999	2,594	5,601	8,195
	<hr/>	<hr/>	<hr/>
Depreciation			
At 28 March 1998	650	4,224	4,874
Charge for the year	102	543	645
Impairment	-	81	81
Disposals	(137)	(2,576)	(2,713)
	<hr/>	<hr/>	<hr/>
At 27 March 1999	615	2,272	2,887
	<hr/>	<hr/>	<hr/>
Net book value			
At 27 March 1999	1,979	3,329	5,308
	<hr/>	<hr/>	<hr/>
At 28 March 1998	2,103	3,939	6,042
	<hr/>	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets (continued)

The company's long leasehold property was valued by Messrs Richard Ellis, 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 (1998:£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.

<i>Land and building comprises:</i>	1999 £000	1998 £000
Long leasehold	106	106
Short leasehold	2,488	2,647
	<u>2,594</u>	<u>2,753</u>

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

	1999		1998	
	Cost £000	Accumulated depreciation £000	Cost £000	Accumulated depreciation £000
Land and buildings	<u>255</u>	<u>168</u>	<u>255</u>	<u>120</u>

9 Stocks

	1999 £000	1998 £000
Finished goods and goods for resale	<u>18,589</u>	<u>18,907</u>

10 Debtors: amounts falling due within one year

	1999 £000	1998 £000
Trade debtors	1,028	2,567
Amounts owed by group undertakings	4,097	914
Other debtors	362	329
Prepayments and accrued income	239	205
	<u>5,726</u>	<u>4,015</u>

Notes (continued)

11 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank overdraft	180	500
Trade creditors	2,004	2,183
Amounts owed to group undertakings	26,929	25,414
Social security and other taxes	309	97
Accruals and deferred income	1,840	1,143
	<u>31,262</u>	<u>29,337</u>

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

12 Called up share capital

	1999 £000	1998 £000
<i>Authorised, allotted and fully paid</i>		
390,000 (1998: 50,000) Ordinary shares of £10 each	3,900	500
	<u>3,900</u>	<u>500</u>

On 23 December 1998 the company increased its authorised share capital by 340,000 shares, all of which were issued at par value to existing shareholders.

13 Reserves

	Revaluation account £000	Profit and loss £000	Total £000
At beginning of period	1,415	(2,132)	(717)
Loss for the year	-	(4,551)	(4,551)
	<u>1,415</u>	<u>(6,683)</u>	<u>(5,268)</u>
At end of period	1,415	(6,683)	(5,268)

Notes (continued)

14 Reconciliation of movement in shareholders' funds

	1999 £000	1998 £000
Loss for the period	(4,551)	(3,716)
Other recognised gains and losses relating to the period (net)	-	332
	<hr/>	<hr/>
	(4,551)	(3,384)
Issue of shares	3,400	-
Contributions from parent company	-	3,635
Currency translation differences on foreign currency net investments	-	148
	<hr/>	<hr/>
Net movement in shareholders' funds	(1,151)	399
Opening shareholders' funds	(217)	(616)
	<hr/>	<hr/>
Closing shareholders' funds	(1,368)	(217)
	<hr/>	<hr/>

15 Acquisitions

On 29 March 1998, the trade and certain assets and liabilities of Carrington & Co. Limited were acquired by the company at the book value of net assets of £141,000 with consideration settled through the respective intercompany accounts.

On 27 October 1998, the trade and certain assets and liabilities of the Birmingham based pawnbroking and retail business of TM Sutton Limited were acquired by the company at the book value of net assets of £614,000 with consideration settled through the respective intercompany accounts.

Notes (continued)

16 Commitments

Operating leases

At 27 March 1999 the company had annual commitments under non-cancellable operating leases expiring as follows:

	1999 £000	1998 £000
<i>Land and buildings</i>		
- within 2-5 years	645	589
- over 5 years	2,149	1,985
	<hr/>	<hr/>
<i>Plant and machinery</i>	2,794	2,574
- within 2-5 years	26	45
	<hr/>	<hr/>
	2,820	2,619
	<hr/> <hr/>	<hr/> <hr/>

Guarantees

The company has guaranteed, and the assets of the company provide security for, certain group borrowings.

A guarantee of £200,000 (1998: £50,000) 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. The guarantee has subsequently been reduced to £100,000.

17 Pension scheme

During the year to 27 March 1999 the company participated in the Asprey Group Staff Pension Scheme which provides benefits based on final pensionable salary. The Scheme is funded with the assets being held by the Trustees separately from the assets of the company. The pension costs are assessed by a qualified actuary, and are charged to the profit and loss account so as to spread those costs over employees' remaining working lives with the company.

The pension cost for the company for the financial year ending 27 March 1999 was £482,000 (1998: £489,000).

With effect from 1 April 1999 the company entered into new pension scheme arrangements under The MW Group Personal Pension Plan.

18 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.