Mappin & Webb Limited

Directors' report and financial statements

Registered number 53237

31 March 2001

Contents

Directors' report

The directors present their annual report and the audited financial statements of the company for year ended 31 March 2001.

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 31 March 2001 are set out on pages 5 to 15. The company's loss for the period after taxation was £922,000 *(2000:profit of £210,000).*

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

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. The ultimate parent company is The MW Group Limited.

Post Balance Sheet Event

On 5 June 2001 there was a group reorganisation. Further details are given in note 18.

Directors and directors' interests

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

JM Pilkington	
M Fisher	(resigned 11 February 2001)
PE Rivers	(appointed 1 December 2000)

The interests of JM Pilkington and PE Rivers who were directors of The MW Group Limited as at 31 March 2001 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 25 days *(2000:60 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 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 6BQ

20 July 2001

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

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Mappin & Webb Limited

We have audited the financial statements on pages 5 to 15.

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. 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 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 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

20 July 2001

Profit and loss account

for the year ended 31 March 2001

	Notes	2001 £000	2000 £000
Turnover		**35,730**	36,994
Cost of sales		**(20,003)**	(22,581)
Gross profit		**15,727**	14,413
Administrative expenses		**(16,575)**	(13,899)
Operating (loss) profit		**(848)**	514
Loss on disposal of business		**-**	(279)
(Loss) profit on ordinary activities before interest		**(848)**	235
Interest receivable and similar income	*5*	**13**	14
Interest payable and similar charges	*6*	**(87)**	(39)
(Loss) profit on ordinary activities before taxation	*2*	**(922)**	210
Tax on (loss) profit on ordinary activities	*7*	**-**	-
(Loss) profit on ordinary activities after taxation		**(922)**	210
Retained (loss) profit for the period		**(922)**	210

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

A reconciliation of movement in shareholders' funds appears as note 14 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 31 March 2001

	Note	2001 £000	2001 £000	2000 £000	2000 £000
Fixed assets					
Tangible assets	*8*		**7,324**		6,023
Current assets					
Stocks	*9*	**18,316**		17,787	
Debtors	*10*	**4,872**		5,511	
Cash at bank and in hand		**10**		16	
		23,198		23,314	
Creditors: amounts falling due within one year	*11*	**(32,602)**		(30,495)	
Net current liabilities			**(9,404)**		(7,181)
Net liabilities			**(2,080)**		(1,158)
Capital and reserves					
Called up share capital	*12*		**3,900**		3,900
Revaluation reserve	*13*		**1,319**		1,319
Profit and loss account	*13*		**(7,299)**		(6,377)
Total equity shareholders' funds	*14*		**(2,080)**		(1,158)

These financial statements were approved by the board of directors on 20 July 2001 and were signed on its behalf by:

JM Pilkington
Director

Note of historical cost profits and losses

for the year ended 31 March 2001

	2001 £000	2000 £000
Reported (loss) profit on ordinary activities before taxation	**(922)**	210
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	**(874)**	258

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 £2,080,000 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 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 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

Contributions on behalf of certain employees and directors into a defined contribution pension scheme are charged to the profit and loss account as they are incurred.

2 (Loss) profit on ordinary activities before taxation

	2001	2000
	£000	£000
(Loss) profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets	**908**	820
Operating lease rental		
Land and buildings	**5,299**	4,994
Restructuring costs	**-**	160
Auditors' remuneration – audit fees	**50**	25
Closure of Prague store -release of provision	**(167)**	-

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

Notes *(continued)*

3 Remuneration of directors

	2001 £000	2000 £000
Directors' emoluments for qualifying services:		
As directors	**293**	405

The emoluments, excluding pension contributions, of the highest paid director were £130,000 *(2000: £130,000).*

Three 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 period, analysed by category, was as follows:

	Number of employees	
	2001	2000
Management and administration	62	59
Retail operations	215	210
	277	269

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	5,558	4,976
Social security costs	552	525
Other pension costs	162	226
	6,272	5,727

Notes *(continued)*

5 Interest receivable and similar income

	2001 £000	2000 £000
Interest on bank deposit and other short term deposits	13	14

6 Interest payable and similar charges

	2001 £000	2000 £000
Bank interest	87	39

7 Tax on (loss) profit on ordinary activities

	2001 £000	2000 £000
UK corporation tax at 30% *(2000:30%)* on the (loss) profit for the year on ordinary activities	-	-

The potential amount of unprovided deferred taxation at the rate of 30 % *(2000:30%)* for accelerated capital allowances is £192,000 *(2000: £268,000)* and for losses carried forward is £1,500,000 *(2000: £1,500,000).*

Notes *(continued)*

8 Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 26 March 2000	3,017	6,930	9,947
Additions	-	2,209	2,209
Disposals - fully depreciated	(95)	(157)	(252)
At 31 March 2001	2,922	8,982	11,904
Depreciation			
At 26 March 2000	1,092	2,832	3,924
Charge for the year	128	780	908
Disposals - fully depreciated	(95)	(157)	(252)
At 31 March 2001	1,125	3,455	4,580
Net book value			
At 31 March 2001	**1,797**	**5,527**	**7,324**
At 25 March 2000	1,925	4,098	6,023

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 *(2000:£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.

Land and building comprises:	**2001 £000**	2000 £000
Long leasehold	**482**	529
Short leasehold	**2,440**	2,488
	2,992	3,017

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

	2001		2000	
	Cost £000	**Accumulated depreciation £000**	Cost £000	Accumulated depreciation £000
Land and buildings	**255**	**178**	255	178

Notes *(continued)*

9 Stocks

	2001 £000	2000 £000
Finished goods and goods for resale	**18,316**	17,787

10 Debtors: amounts falling due within one year

	2001 £000	2000 £000
Trade debtors	**476**	1,241
Amounts owed to group undertakings	**2,994**	3,300
Other debtors	**203**	119
Prepayments and accrued income	**1,199**	851
	4,872	5,511

11 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank overdraft	**3,285**	757
Trade creditors	**2,217**	3,838
Amounts owed to group undertakings	**26,542**	24,319
Social security and other taxes	**(401)**	(113)
Other creditors	**116**	429
Accruals and deferred income	**843**	1,265
	32,602	30,495

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

12 Called up share capital

	2001 £000	2000 £000
Authorised, allotted and fully paid		
390,000 *(1999: 390,000)* Ordinary shares of £10 each	**3,900**	3,900

On 5 June 2001, the company increased its authorised share capital and issued 240,000 ordinary shares to its parent company in consideration for the purchase of the entire ordinary share capital of Watches of Switzerland Limited and Mappin & Webb (CI) Limited.

Notes *(continued)*

13 Reserves

	Revaluation account £000	Profit and Loss £000	Total £000
At beginning of period	1,319	(6,377)	(5,058)
Loss for the year	-	(922)	(922)
At end of period	**1,319**	**(7,299)**	**(5,980)**

14 Reconciliation of movement in shareholders' funds

	2001 £000	2000 £000
Profit (loss) for the period	**(922)**	210
Opening shareholders' funds	**(1,158)**	(1,368)
Closing shareholders' funds	**(2,080)**	(1,158)

Notes *(continued)*

15 Commitments

Operating leases

At 31 March 2001 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2001 £000	2000 £000
Land and buildings		
- within 1 year	**1,508**	80
- within 2-5 years	**1,713**	3,210
- over 5 years	**2,496**	2,907
	5,717	6,197
Plant and machinery		
- within 2-5 years	**-**	-
	5,717	6,197

Guarantees

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

A guarantee of £50,000 *(2000: £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.

16 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 31 March 2001 was £162,000 *(2000:£226,000).*

17 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.

18 Post balance sheet event

On 5 June 2001 there was a reorganisation within the group whereby the following events occurred:

The company acquired the entire ordinary share capital investments in Watches of Switzerland Limited and Mappin & Webb (CI) Limited of 1,000,000 shares and 1 share respectively from Mappin & Webb Holdings Limited. The consideration for which was the issue of 240,000 ordinary shares of £10.00 each in Mappin & Webb Limited, credited as fully paid.
The business of Watches of Switzerland and Mappin & Webb (CI) Limited, including the assets and liabilities but excluding freehold and leasehold properties of the companies, were transferred to Mappin & Webb Limited with effect from 1 April 2001.
Mappin & Webb Limited appointed Watches of Switzerland Limited as its manager and agent to carry on and conduct the transferred business of Watches of Switzerland Limited on behalf of Mappin & Webb Limited.