

ARTHUR  
ANDERSEN

## T M Sutton Limited

Accounts for the 52 weeks ended 28 March 1998  
together with directors' and auditors' reports

Registered number: 283556



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## Company information

<b>Directors:</b>	Ian Xavier Dahl (Chairman) Judith Mary Pilkington David Soutar Lowden
<b>Secretary:</b>	Michael John Reid 23 Albemarle Street London W1X 4AS
<b>Company number:</b>	283556
<b>Registered office:</b>	23 Albemarle Street London W1X 4AS
<b>Auditors:</b>	Arthur Andersen Chartered Accountants 1 Surrey Street London WC2R 2PS

## Directors' report

For the 52 weeks ended 28 March 1998

The directors present their annual report and the audited accounts for the 52 weeks ended 28 March 1998.

### Review of activities

The results for the period are set out in the profit and loss account on page 6.

The principal activities of the company are that of retail jewellers, pawnbrokers and silversmiths.

On 29 September 1997, the trade and certain of the assets and liabilities of Nathan & Co. (Birmingham) Limited, the immediate parent company of the company, and E.A. Barker Limited, a fellow subsidiary undertaking, were acquired by the company. The consideration paid was the book value of the net assets acquired (see note 13).

### Going Concern Uncertainty

The company has amounts payable to group undertakings of £5,560,800 and has no confirmation that these amounts will not be called for immediate repayment. Furthermore the company has amounts receivable from group undertakings of £167,973 and has not been able to conclude that these amounts will be recoverable. As a result of this there is some uncertainty as to whether the company is able to continue as a going concern for the foreseeable future.

The directors of the company's intermediate parent company, Asprey & Garrard Limited, are currently in negotiation with a management buy out team led by J.M. Pilkington for the sale of the Mappin & Webb Holdings Limited Group and the Watches of Switzerland Limited Group ("the new Group"). The transaction is expected to be completed on 22 December 1998. This expected transaction is structured so that at completion the net intercompany indebtedness between the company and other undertakings in the Asprey Holdings (UK) Limited Group will be repaid. Equity funding is to be provided by EAC Manager Limited and debt finance by Bank Boston, which together with other facilities will satisfy the purchase consideration, settle intercompany indebtedness and provide the new Group with sufficient working capital for its future needs.

On the basis of the anticipated transaction the directors consider it appropriate to prepare the financial statements on a going concern basis. In the event that the expected transaction is not successfully completed there can be no assurance that the company will be able to continue in existence. The financial statements do not include any adjustments that would result from the non-completion of the transaction.

### Dividends

The directors recommend the payment of a final dividend of £1,008,370 (1997: £1,082,970).

### Directors

The following persons served as directors during the period:

Mr I.X. Dahl

Mr D.A.R. Adams (resigned 18 April 1997)

Mr P.S. Clayman (resigned 21 December 1998)

Mr D.S. Lowden (appointed 1 September 1997)

Mrs J.M. Pilkington

Mr K D Clark (resigned 30 January 1998)

## Directors' report (continued)

### Directors' interests

The interests of Messrs. I.X. Dahl and D.S. Lowden who were directors of Asprey Holdings (UK) Limited, formerly Amedeo Crown (UK) plc, as at 28 March 1998 in the shares and debentures of group undertakings are disclosed in that company's accounts. As at 28 March 1998, none of the other directors of the company had any interest in shares in or debentures of any group undertakings.

During the financial year no rights were granted to, nor were any rights exercised by, any of the directors to subscribe for shares in or debentures of any group undertaking.

### Holding company

The company is a wholly-owned subsidiary of Nathan & Co. (Birmingham) Limited, which is a wholly-owned indirect subsidiary of Asprey & Garrard Limited (formerly Asprey plc). The ultimate holding company is Amedeo Crown Limited which is registered in Jersey, a company which represents the interests of HRH Prince Jefri Bolkiah of Brunei.

### Post balance sheet events

On 19 June 1998, the company transferred the trade, assets and liabilities relating to the Birmingham based pawnbroking and retail business of the company, to Mappin & Webb Limited, a subsidiary undertaking of Mappin & Webb Holdings Limited (see note 17).

### Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

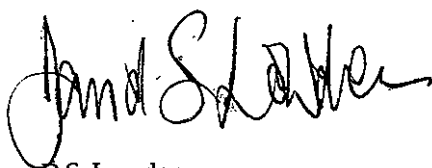
In preparing those accounts the directors are required to:

- 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 accounts.
- Prepare the accounts on the going concern basis unless it is inappropriate to assume that the company will continue in business.

## Directors' report (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with 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.

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'D.S. Lowden', written over the printed name and title.

D.S. Lowden  
Director

Registered office:  
23 Albemarle Street  
London  
W1X 4AS

22 December 1998

## Auditors' report

London

To the Shareholders of T M Sutton Limited:

We have audited the accounts on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

### Respective responsibilities of directors and auditors

As described on pages 3 and 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

### Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1b) of the accounts concerning the ability of the company to continue as a going concern and the anticipated sale and re-financing of the company, and the impact of these uncertainties on the going concern basis of preparation of the accounts. In view of the significance of these uncertainties we consider that they should be brought to your attention, but our opinion is not qualified in this respect.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 28 March 1998 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen*

Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street  
London  
WC2R 2PS

22 December 1998

## Profit and loss account

For the 52 weeks ended 28 March 1998

	Notes	52 weeks ended 28 March 1998 £	52 weeks ended 29 March 1997 £
<b>Turnover</b>	1c		
Continuing operations		1,802,288	1,961,261
Acquisitions		737,420	-
		<u>2,539,708</u>	<u>1,961,261</u>
Change in stocks of finished goods and work in progress		856,310	306,336
Finished goods for resale		(1,674,586)	(719,252)
Other external charges		(19,712)	(10,748)
		<u>(837,988)</u>	<u>(423,664)</u>
Staff costs	2	(336,092)	(242,619)
Depreciation		(27,518)	(17,880)
Other operating charges		(329,740)	(194,128)
		<u>1,008,370</u>	<u>1,082,970</u>
<b>Profit on ordinary activities before taxation</b>	3		
Tax on profit on ordinary activities	4	-	-
		<u>1,008,370</u>	<u>1,082,970</u>
<b>Profit on ordinary activities after taxation</b>			
Dividends paid and proposed	5	(1,008,370)	(1,082,970)
		<u>-</u>	<u>-</u>
<b>Transfer to reserves</b>	11		

In the 52 weeks ended 28 March 1998, operating profit of £1,008,370 (1997 - £1,082,970) comprised continuing operations of £922,359 (1997 - £1,082,970) and acquisitions of £86,011 (1997 - £nil).

A statement of the movement on reserves appears as note 11 to the accounts.

The company had no recognised gains or losses in either period other than the profit for the period.

The accompanying notes on pages 8 to 14 are an integral part of these accounts.



# Balance sheet

At 28 March 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	6	156,379	85,228
<b>Current assets</b>			
Stocks	7	1,635,165	778,855
Debtors	8	4,190,983	3,951,532
Cash at bank and in hand		46,798	160,760
		5,872,946	4,891,147
<b>Creditors: Amounts falling due within one year</b>	9	(5,689,768)	(4,636,818)
<b>Net current assets</b>		183,178	254,329
<b>Net assets</b>		339,557	339,557
<b>Equity capital and reserves</b>			
Called-up share capital	10	70,003	70,003
Profit and loss account	11	269,554	269,554
	12	339,557	339,557

Signed on behalf of the Board

D.S. Lowden

Director

J.M. Pilkington

Director

22 December 1998

The accompanying notes on pages 8 to 14 are an integral part of these accounts.

## Notes to accounts

For the 52 weeks ended 8 March 1998

### 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.

#### *a) Basis of accounts*

The accounts, which have been drawn up under the provisions of the Companies Act 1985, are prepared under the historical cost convention and in accordance with applicable accounting standards. The company is exempt under the provisions of FRS1 (revised) from the requirement to prepare a cashflow statement on the basis that it is a wholly-owned subsidiary undertaking of Asprey & Garrard Limited whose consolidated accounts are available to the public (note 16).

The company has taken advantage of the exemption conferred by FRS8 not to disclose details of transactions with companies in the same group on the basis that it is a wholly-owned subsidiary undertaking of Asprey & Garrard Limited, a company whose consolidated accounts are available to the public.

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

#### *b) Going concern basis of preparation*

The company has amounts payable to group undertakings of £5,560,800 and has no confirmation that these amounts will not be called for immediate repayment. Furthermore the company has amounts receivable from group undertakings of £167,973 and has not been able to conclude that these amounts will be recoverable. As a result of this there is some uncertainty as to whether the company is able to continue as a going concern for the foreseeable future.

The directors of the company's intermediate parent company, Asprey & Garrard Limited, are currently in negotiation with a management buy out team led by J.M. Pilkington for the sale of the Mappin & Webb Holdings Limited Group and the Watches of Switzerland Limited Group ("the new Group"). The transaction is expected to be completed on 22 December 1998. This expected transaction is structured so that at completion the net intercompany indebtedness between the company and other undertakings in the Asprey Holdings (UK) Limited Group will be repaid. Equity funding is to be provided by EAC Manager Limited and debt finance by Bank Boston, which together with other facilities will satisfy the purchase consideration, settle intercompany indebtedness and provide the new Group with sufficient working capital for its future needs.

On the basis of the anticipated transaction the directors consider it appropriate to prepare the financial statements on a going concern basis. In the event that the expected transaction is not successfully completed there can be no assurance that the company will be able to continue in existence. The financial statements do not include any adjustments that would result from the non-completion of the transaction.

#### *c) Turnover*

Turnover represents sales, including pawnbroking interest, to third parties and is exclusive of VAT.

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### d) Fixed assets and depreciation

Tangible fixed assets comprising plant, machinery, fixtures, fittings, tools and equipment are stated at cost and depreciated at the annual rates of between 8% and 25%, in order to write off the cost of the assets over their estimated useful lives.

#### e) Leasing charges

Rentals payable under operating leases are written off to the profit and loss account as incurred.

#### f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation, using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced. The rates used are those anticipated for the years in which the liability is expected to arise.

#### g) Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of stocks comprises the purchase price of the stocks and all other directly attributable costs. Costs of work in progress and finished goods include an appropriate proportion of labour and production overheads.

#### h) Pensions

The expected regular cost of providing benefits accrued in the year 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. The defined benefit schemes are externally funded with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

### 2 Staff costs

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

	52 weeks ended 28 March 1998	52 weeks ended 29 March 1997
Administration	5	5
Production and sales staff	13	8
Total employees	<u>18</u>	<u>13</u>

## Notes to accounts (continued)

### 2 Staff costs (continued)

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 28 March £	52 weeks ended 29 March £
Wages and salaries	283,421	191,222
Social security costs	22,076	16,507
Other pension costs	30,595	34,890
	<u>336,092</u>	<u>242,619</u>

The directors of the company received no remuneration for services performed for the company during the period (1997 - £Nil).

### 3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	52 weeks ended 28 March 1998 £	52 weeks ended 29 March 1997 £
Depreciation and amounts written off tangible fixed assets	27,518	17,880
Operating leases - land & buildings	95,000	43,838
Auditors' remuneration - audit	12,500	7,000
	<u>135,018</u>	<u>68,718</u>

Certain general and administrative costs of the company are borne by other group undertakings for which no charge is made to the company.

### 4 Tax on profit on ordinary activities

	52 weeks ended 28 March 1998 £	52 weeks ended 29 March 1997 £
UK Corporation tax at 31% (1997 - 33%)	-	-
	<u>-</u>	<u>-</u>

Taxable profits in 1997 and 1998 are covered by group relief from a fellow group undertaking, for which no payments are due from the company.

## Notes to accounts (continued)

### 4. Tax on profit on ordinary activities (continued)

The potential amount of unprovided deferred taxation for accelerated capital allowances at the rate of 31 % is £nil (1997: £8,898).

### 5 Dividends

The directors have recommended the payment of a dividend of £14.40 (1997: £15.47) per ordinary share.

### 6 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 29 March 1997	51,678	188,817	240,495
Acquisition of subsidiary undertakings	-	78,495	78,495
Additions	-	20,174	20,174
At 28 March 1998	51,678	287,486	339,164
<b>Accumulated depreciation</b>			
At 29 March 1997	49,490	105,777	155,267
Provision for the period	2,188	25,330	27,518
At 28 March 1998	51,678	131,107	182,785
<b>Net book value</b>			
At 28 March 1998	-	156,379	156,379
At 29 March 1997	2,188	83,040	85,228

### 7 Stocks

	1998 £	1997 £
Finished goods and goods for resale	1,635,165	778,855

### 8 Debtors: amounts falling due within one year

	1998 £	1997 £
Trade debtors	3,982,842	3,849,287
Amounts owed by group undertakings	167,973	28,088
Prepayments and accrued income	40,168	74,157
	4,190,983	3,951,532

## Notes to accounts (continued)

### 9 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	25,018	25,346
Amounts owed to group undertakings	5,560,800	4,547,615
Social security	10,841	15,226
Accruals and deferred income	93,109	48,631
	<u>5,689,768</u>	<u>4,636,818</u>

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

### 10 Called up equity share capital

	1998 £	1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	<u>70,100</u>	<u>70,100</u>
<i>Allotted and fully paid</i>		
Ordinary shares of £1 each	<u>70,003</u>	<u>70,003</u>

### 11 Reserves

	1998 £	1997 £
<i>Profit and Loss account</i>		
Reserves as at 30 March 1997	269,554	269,554
Profit for the period	1,008,370	1,082,970
Dividends	(1,008,370)	(1,082,970)
Reserves at 28 March 1998	<u>269,554</u>	<u>269,554</u>

### 12 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the period	1,008,370	1,082,970
Dividends	(1,008,370)	(1,082,970)
Opening shareholders' funds	<u>339,557</u>	<u>339,557</u>
Closing shareholders' funds	<u>339,557</u>	<u>339,557</u>

## Notes to accounts (continued)

### 13 Acquisitions

On 29 September 1997, the trade and certain of the assets and liabilities of E.A. Barker Limited and Nathan & Co. (Birmingham) Limited were acquired by the company at net book value with the consideration settled through the respective intercompany accounts. Details of the book value of the assets and liabilities acquired are as follows:

	E.A. Barker Limited	Nathan & Co (Birmingham) Limited	Total
	£	£	£
Tangible fixed assets	40,592	37,903	78,495
Stocks	547,903	675,808	1,223,711
Debtors and prepayments	391,683	1,238,260	1,629,943
Cash at bank and in hand	12,334	13,179	25,513
Creditors	(930,375)	(2,133,123)	(3,063,498)
Net assets (liabilities) acquired	<u>62,137</u>	<u>(167,973)</u>	<u>(105,836)</u>

E.A. Barker Limited earned a profit after taxation of £46,815 in the period from 30 March 1997 to 29 September 1997 (£77,276 in the 52 weeks ended 29 March 1997).

Nathan & Co (Birmingham) Limited earned a profit after taxation of £11,051 in the period from 30 March 1997 to 29 September 1997 (£1,218,488 in the 52 weeks ended 29 March 1997).

The summarised profit and loss accounts for the period from 30 March 1997 to 29 September 1997 are as follows:

	E.A. Barker Limited	Nathan & Co (Birmingham) Limited
	£	£
Turnover	293,320	307,885
Changes in stocks of finished goods and work in progress	36,718	18,338
Finished goods for resale	(168,661)	(185,897)
Other external charges	(5,191)	(5,925)
	(137,134)	(173,484)
Staff costs	(57,034)	(67,575)
Depreciation	(2,965)	(3,353)
Other operating charges	(49,372)	(52,422)
Profit for the financial period	<u>46,815</u>	<u>11,051</u>

Neither company had any recognised gains or losses in the period other than the profit for the period.

## Notes to accounts (continued)

### 14 Financial commitments

#### a) Lease commitments

At 28 March 1998 the company had annual commitments under non-cancellable operating leases for land and buildings expiring as follows:

	1998 £	1997 £
Land and buildings Expiring within 1 year	<u>97,000</u>	<u>42,000</u>

#### b) Guarantees

The company has guaranteed certain group borrowings.

### 15 Pension fund costs

During the period 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.

The pension cost for the company for the financial year ending 28 March 1998 was a credit of £30,595 (1997: £34,890). There is a provision for pension costs of £26,000 (1997: £15,000) in the company's balance sheet as at 28 March 1998 arising from the accumulated difference between the contributions paid to the Scheme and the corresponding pension costs.

Further information on the Asprey Group Staff Pension Scheme is contained in the Asprey & Garrard Limited accounts.

### 16 Ultimate holding company

The company is a wholly-owned subsidiary of Nathan & Co. Limited. The ultimate holding company is Amedeo Crown Limited, a company registered in Jersey which represents the interests of His Royal Highness Prince Jefri Bolkiah of Brunei.

The smallest and largest groups in which the results of the company are consolidated are those headed by Asprey & Garrard Limited and Asprey Holdings (UK) Limited. The consolidated accounts of these groups are available to the public from Companies House.

### 17 Post balance sheet events

On 19 June 1998, the company transferred the trade, assets and liabilities relating to the Birmingham based pawnbroking and retail business of the company, to Mappin & Webb Limited, a subsidiary undertaking of Mappin & Webb Holdings Limited. The consideration paid was the book value of these net assets at the date of transfer.