

HOULDEN JEWELLERS LIMITED

Report and Accounts

28 February 2002



# Houlden Jewellers Limited

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## NOTICE OF MEETING

NOTICE is hereby given that the twenty-fifth annual general meeting of Houlden Jewellers Limited will be held at Sleafy Hall, Hexham on 24 June 2002 at 2:30 pm to transact the following business:

1. To receive and adopt the directors' report and the audited accounts for the year ended 28 February 2002.
2. To re-elect P J Lunn and J S Pyke who are retiring by rotation.
3. To re-appoint the auditors.
4. To authorise the directors to fix the remuneration of the auditors.

On behalf of the board

W S Laing  
Director

31 May 2002

Rowan House  
70 Buchanan Street  
Glasgow  
G1 3JC

### NOTE

Any member of the company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.

# Houlden Jewellers Limited

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## DIRECTORS AND ADVISERS

### **DIRECTORS**

W S Laing (Chairman and Managing Director)  
P J Lunn  
A R Rudell  
J S Pyke  
J Pragnell  
E S Poyser

### **SECRETARY**

H F Haddow

### **AUDITORS**

Ernst & Young LLP  
George House  
50 George Square  
Glasgow  
G2 1RR

### **BANKERS**

Bank of Scotland  
110 Queen Street  
Glasgow  
G2 5EJ

### **SOLICITORS**

Morison Bishop  
2 Blythswood Square  
Glasgow  
G2 4AD

### **REGISTERED OFFICE**

Rowan House  
70 Buchanan Street  
Glasgow  
G1 3JE

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 28 February 2002.

**RESULTS AND DIVIDENDS**

In accordance with paragraph 5(c) of the membership agreement, all profit after taxation is rebated to members. The rebate for the year amounts to £86,215.

The directors recommend that no dividend be paid.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the company is that of importers and wholesalers of jewellery, watches, giftware and marketing services.

The results for 2002 have been satisfactory with the company achieving an excellent increase in turnover and maintaining expenses within budget.

As always at this time, thanks are due to our hard working staff, committee members and directors for their efforts on behalf of the company. They have all contributed to ensure that Houlden Jewellers Limited remains the finest independent quality jewellery group in the United Kingdom.

**DIRECTORS AND THEIR INTERESTS**

All of the directors listed on page 1 with the exception of Mr E S Poyser held office throughout the year ended 28 February 2002. Mr Poyser was elected at the last Annual General Meeting on 25 June 2002, at which time Mr R E M Blacklock resigned.

According to the Articles of Association, Mr P J Lunn and Mr J S Pyke retire by rotation under regulation 89 and being eligible offer themselves for re-election.

According to the register maintained as required under Section 325 of the Companies Act 1985, the directors' interests in the ordinary £1 shares of the company were as follows:

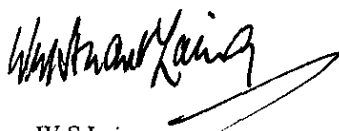
|            | 28 February 2002 | 1 March 2001 |
|------------|------------------|--------------|
| W S Laing  | 50               | 50           |
| P J Lunn   | 50               | 50           |
| A R Rudell | 50               | 50           |

All of the directors at 28 February 2002 are directors and shareholders in private companies who held 1 ordinary share in the company at both 1 March 2001 and 28 February 2002.

**AUDITORS**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



W S Laing  
Director

31 May 2002

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

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 the profit or loss of the company 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;
- prepare the accounts 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 accounts comply with the Companies Act. 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HOUDEN JEWELLERS LIMITED**

We have audited the company's financial statements for the year ended 28 February 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

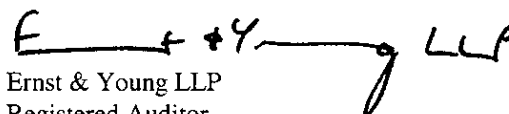
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 28 February 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
Glasgow

31 May 2002

# Houlden Jewellers Limited

## PROFIT AND LOSS ACCOUNT for the year ended 28 February 2002

|                                                   | <i>Note</i> | <i>2002</i><br>£ | <i>2001</i><br>£ |
|---------------------------------------------------|-------------|------------------|------------------|
| <b>TURNOVER</b>                                   | 2           | 23,807,179       | 21,123,044       |
| Cost of sales                                     |             | 23,586,817       | (20,926,231)     |
| <b>GROSS PROFIT</b>                               |             | 220,362          | 196,813          |
| Administrative expenses                           | 3           | (324,688)        | (343,754)        |
| Other operating income                            | 5           | 166,688          | 168,000          |
| <b>OPERATING PROFIT</b>                           |             | 62,362           | 21,059           |
| Interest received                                 | 6           | 35,106           | 17,800           |
| Interest payable                                  | 7           | (10,626)         | (11,107)         |
| <b>PROFIT BEFORE TAXATION AND MEMBERS REBATES</b> |             | 86,842           | 27,752           |
| Rebates to members                                | 15/18       | (86,215)         | (27,752)         |
| <b>PROFIT BEFORE TAXATION</b>                     |             | 627              | -                |
| Taxation charge                                   | 9           | (627)            | -                |
| <b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>     |             | -                | -                |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no other recognised gains or losses attributable to shareholders of the company in the year ended 28 February 2002 (2001 - none).

# Houlden Jewellers Limited

## BALANCE SHEET at 28 February 2002

|                                                                 | Note | 2002<br>£          | 2001<br>£          |
|-----------------------------------------------------------------|------|--------------------|--------------------|
| <b>FIXED ASSETS</b>                                             |      |                    |                    |
| Tangible assets                                                 | 10   | 31,744             | 43,982             |
| Investments                                                     | 11   | 102                | 102                |
|                                                                 |      | <u>31,846</u>      | <u>44,084</u>      |
| <b>CURRENT ASSETS</b>                                           |      |                    |                    |
| Stocks                                                          | 12   | 36,083             | 28,401             |
| Debtors                                                         | 13   | 2,835,716          | 2,223,530          |
| Cash at bank and in hand                                        |      | 354,539            | 217,533            |
|                                                                 |      | <u>3,226,338</u>   | <u>2,469,464</u>   |
| <b>CREDITORS - amounts falling due within one year</b>          | 14   | <u>(2,949,983)</u> | <u>(2,195,522)</u> |
| <b>NET CURRENT ASSETS</b>                                       |      | <u>276,355</u>     | <u>273,942</u>     |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                    |      | <u>308,201</u>     | <u>318,026</u>     |
| <b>CREDITORS - amounts falling due after more than one year</b> |      |                    |                    |
| Members' loans                                                  | 15   | 305,708            | 311,079            |
| <b>ACCRUALS AND DEFERRED INCOME</b>                             |      |                    |                    |
| Marketing club                                                  | 16   | 2,309              | 6,763              |
| <b>CAPITAL AND RESERVES</b>                                     |      |                    |                    |
| Called up share capital                                         | 17   | 183                | 183                |
| Profit and loss account                                         | 18   | 1                  | 1                  |
|                                                                 |      | <u>308,201</u>     | <u>318,026</u>     |



W S Laing  
Director

31 May 2002

NOTES ON THE ACCOUNTS  
at 28 February 2002

1 ACCOUNTING POLICIES

*Accounting convention*

The accounts are prepared under the historical cost convention.

The company is exempt from the requirement to prepare group accounts by virtue of the exemptions conferred by Section 248 of the Companies Act 1985.

*Depreciation of tangible fixed assets*

The cost of tangible fixed assets is written off over their expected useful lives as follows:

|                  |   |                                 |
|------------------|---|---------------------------------|
| Office equipment | - | 20% on a reducing balance basis |
| Motor vehicles   | - | 25% on a straight-line basis    |
| Computers        | - | 25% on a straight-line basis    |

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

*Stocks*

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

*Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

*Pensions*

The company operates a defined contribution pension scheme. Contributions are charged to profit and loss account as they become payable in accordance with the rules of the scheme.

*Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

# Houlden Jewellers Limited

## NOTES ON THE ACCOUNTS

at 28 February 2002

### 1 ACCOUNTING POLICIES (continued)

#### *Leasing and hire purchase commitments*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The corresponding lease or hire purchase obligations is included in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals payable under operating leases are charged to income on a straight-line basis over the lease term.

#### *Cash flow statement*

In view of the exemptions allowed under FRS1 the directors have decided not to prepare a cash flow statement.

### 2 TURNOVER

Turnover comprises the invoice value of goods and services supplied by the company to its members exclusive of VAT.

Turnover is attributable to one single continuing activity, namely that of importers and wholesalers of jewellery, watches, giftware and marketing services. All of the turnover is derived within the United Kingdom except for sales of £3,411,085 (2001 - £2,879,181) to other EU countries.

### 3 ADMINISTRATIVE EXPENSES

These expenses include:

|                                                         | 2002   | 2001   |
|---------------------------------------------------------|--------|--------|
|                                                         | £      | £      |
| Depreciation of tangible fixed assets                   |        |        |
| - owned                                                 | 14,608 | 17,884 |
| - held under finance leases and hire purchase contracts | -      | 3,596  |
| Operating lease rentals                                 |        |        |
| - land and buildings                                    | 8,018  | 9,715  |
| - equipment                                             | 3,263  | 2,813  |
| Auditors' remuneration                                  |        |        |
| - audit services                                        | 6,250  | 5,750  |

### 4 DIRECTORS' REMUNERATION

|            | 2002   | 2001   |
|------------|--------|--------|
|            | £      | £      |
| Emoluments | 44,750 | 45,000 |

No directors were members of money purchase pension schemes.

### 5 OTHER OPERATING INCOME

|                              | 2002    | 2001    |
|------------------------------|---------|---------|
|                              | £       | £       |
| Management fees from members | 166,688 | 168,000 |

# Houlden Jewellers Limited

## NOTES ON THE ACCOUNTS at 28 February 2002

### 6 INTEREST RECEIVED

|                         | 2002          | 2001          |
|-------------------------|---------------|---------------|
|                         | £             | £             |
| Bank interest received  | 30,005        | 16,995        |
| Other interest received | 5,101         | 805           |
|                         | <u>35,106</u> | <u>17,800</u> |

### 7 INTEREST PAYABLE

|                        | 2002          | 2001          |
|------------------------|---------------|---------------|
|                        | £             | £             |
| Bank interest          | 10,626        | 10,034        |
| Hire purchase interest | -             | 1,073         |
|                        | <u>10,626</u> | <u>11,107</u> |

### 8 STAFF COSTS AND NUMBERS

|                       | 2002           | 2001           |
|-----------------------|----------------|----------------|
|                       | £              | £              |
| Wages and salaries    | 146,448        | 174,016        |
| Social security costs | 13,390         | 14,754         |
| Other pension costs   | 5,795          | 6,706          |
|                       | <u>165,633</u> | <u>195,476</u> |

The average number of persons employed by the company during the year, including directors, was 14 (2001 - 13). All employees are involved in the administration of the company.

### 9 TAXATION CHARGE

The charge for taxation is made up as follows:

|                                      | 2002       | 2001     |
|--------------------------------------|------------|----------|
|                                      | £          | £        |
| UK Corporation tax                   | 2,600      | -        |
| Less overprovision in previous years | (1,973)    | -        |
|                                      | <u>627</u> | <u>-</u> |

# Houlden Jewellers Limited

## NOTES ON THE ACCOUNTS at 28 February 2002

### 9 TAXATION CHARGE (continued)

|                                                       | 2002<br>£ | 2001<br>£ |
|-------------------------------------------------------|-----------|-----------|
| <i>Analysis of tax charge in the year;</i>            |           |           |
| The charge based on the loss for the year comprises:  |           |           |
| Profit for the year                                   | 2,600     | -         |
| Adjustment in respect of previous period              | (1,973)   | -         |
| Total current tax                                     | 627       | -         |
|                                                       | £         | £         |
| <i>Factors affecting the tax charge for the year:</i> |           |           |
| Profit on ordinary activities before tax              | 627       | -         |
| Profit on ordinary activities before tax at 20%       | 125       | -         |
| Effects of:                                           |           |           |
| Expenses not deductible for tax purposes              | 808       | 869       |
| Small company marginal relief                         | (627)     | -         |
| Movement on deferred tax asset not recognised         | 321       | (869)     |
|                                                       | 627       | -         |

No provision has been made for deferred tax. There is an asset at 20% of £2,353 (2001 - £2,353) which has not been recognised in view of utilisation in the foreseeable future.

### 10 TANGIBLE FIXED ASSETS

|                     | Computer<br>equipment<br>£ | Office<br>equipment<br>£ | Total<br>£ |
|---------------------|----------------------------|--------------------------|------------|
| Cost                |                            |                          |            |
| As at 1 March 2001  | 82,131                     | 5,502                    | 87,633     |
| Additions           | 2,091                      | 279                      | 2,370      |
| At 28 February 2002 | 84,222                     | 5,781                    | 90,003     |
| Depreciation        |                            |                          |            |
| As at 1 March 2001  | 42,015                     | 1,636                    | 43,651     |
| Charge for year     | 13,779                     | 829                      | 14,608     |
| At 28 February 2002 | 55,794                     | 2,465                    | 58,259     |
| Net book amounts    |                            |                          |            |
| At 28 February 2002 | 28,428                     | 3,316                    | 31,744     |
| Net book amounts    |                            |                          |            |
| At 29 February 2001 | 40,116                     | 3,866                    | 43,982     |

# Houlden Jewellers Limited

## NOTES ON THE ACCOUNTS at 28 February 2002

### 11 INVESTMENTS

*Investments in  
subsidiary undertakings*  
£

Cost and net book amount:  
At 1 March 2001 and 28 February 2002 102

|                             | <i>Country of<br/>registration</i> | <i>Holding</i>  | <i>Proportion<br/>of voting<br/>rights</i> | <i>Nature of<br/>business</i> |
|-----------------------------|------------------------------------|-----------------|--------------------------------------------|-------------------------------|
| Jewellers Heritage Ltd      | Scotland                           | Ordinary shares | 100%                                       | Non-trading                   |
| Jewellers of Excellence Ltd | Scotland                           | Ordinary shares | 100%                                       | Non-trading                   |

### 12 STOCKS

|           | <i>2002</i><br>£ | <i>2001</i><br>£ |
|-----------|------------------|------------------|
| Jewellery | 36,083           | 28,401           |

In the opinion of the directors, the replacement cost of stock is not materially different from its valuation as stated above.

### 13 DEBTORS

|                                       | <i>2002</i><br>£ | <i>2001</i><br>£ |
|---------------------------------------|------------------|------------------|
| Due within one year:                  |                  |                  |
| Trade debtors                         | 2,703,995        | 2,101,490        |
| Amounts due from subsidiary companies | 342              | 342              |
| Value added tax                       | 77,325           | 56,962           |
| Prepayments and accrued income        | 19,242           | 40,922           |
| Other debtors                         | 34,812           | 23,814           |
|                                       | <u>2,835,716</u> | <u>2,223,530</u> |

# Houlden Jewellers Limited

## NOTES ON THE ACCOUNTS at 28 February 2002

### 14 CREDITORS - amounts falling due within one year

|                              | Notes | 2002<br>£        | 2001<br>£        |
|------------------------------|-------|------------------|------------------|
| Bank overdraft (see below)   |       | -                | 375,924          |
| Trade creditors              |       | 2,715,252        | 1,727,535        |
| Members loan accounts        | 15    | 94,086           | 26,473           |
| Other creditors and accruals |       | 140,018          | 65,590           |
| Corporation tax              |       | 627              | -                |
|                              |       | <u>2,949,983</u> | <u>2,195,522</u> |

The company has granted to its bankers, the Bank of Scotland, a floating charge over all the assets of the company. In addition the bank holds guarantees from members and directors.

### 15 MEMBERS' LOANS

|                           | 2002<br>£      | 2001<br>£      |
|---------------------------|----------------|----------------|
| Balance at 1 March        | 337,552        | 378,908        |
| Rebate for year           | 86,215         | 27,752         |
|                           | <u>423,767</u> | <u>406,660</u> |
| Additional loan received  | 2,500          | -              |
| Repaid to members         | (26,473)       | (69,108)       |
|                           | <u>399,794</u> | <u>337,552</u> |
| Balance at 28 February    | 94,086         | 26,473         |
| Repayable within one year |                |                |
|                           | <u>305,708</u> | <u>311,079</u> |

### 16 MARKETING CLUB

|                                                            | 2002<br>£     | 2001<br>£     |
|------------------------------------------------------------|---------------|---------------|
| <b>INCOME</b>                                              |               |               |
| Balance at 1 March                                         | 6,763         | 18,085        |
| Fees received from members                                 | 6,750         | -             |
|                                                            | <u>13,513</u> | <u>18,085</u> |
| <b>EXPENDITURE</b>                                         |               |               |
| Marketing consultants - committee work                     | 10,481        | 10,320        |
| Sundry expenses                                            | 723           | 1,002         |
|                                                            | <u>11,204</u> | <u>11,322</u> |
| <b>CARRIED FORWARD AGAINST FUTURE MARKETING CLUB COSTS</b> | <u>2,309</u>  | <u>6,763</u>  |

# Houlden Jewellers Limited

## NOTES ON THE ACCOUNTS at 28 February 2002

### 17 CALLED UP SHARE CAPITAL

|                            | 2002  | Authorised<br>2001 | Allotted, called up<br>and fully paid<br>2002 | 2001 |
|----------------------------|-------|--------------------|-----------------------------------------------|------|
|                            | No.   | No.                | £                                             | £    |
| Ordinary shares of £1 each | 1,000 | 1,000              | 183                                           | 183  |

During the year no shares were issued to new members (2001 - none).

### 18 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENTS ON RESERVES

|                                | Share<br>capital<br>£ | Profit<br>and loss<br>account<br>£ | Total<br>£ |
|--------------------------------|-----------------------|------------------------------------|------------|
| At 29 February 2000            | 183                   | 1                                  | 184        |
| Profit for year after taxation | -                     | 27,752                             | 27,752     |
| Rebated to members             | -                     | (27,752)                           | (27,752)   |
| At 1 March 2001                | 183                   | 1                                  | 184        |
| Profit for year after taxation | -                     | 86,215                             | 86,215     |
| Rebated to members             | -                     | (86,215)                           | (86,215)   |
| At 28 February 2002            | 183                   | 1                                  | 184        |

### 19 COMMITMENTS

#### *Pension commitments*

The company operates a defined contribution pension scheme for one of its senior employees, together with a stakeholder pension scheme for all other employees. The assets of the schemes are held separately from those of the company in independently administered funds. Contributions of £Nil (2001 - £Nil) had been paid in advance at 28 February 2002.

#### *Other financial commitments*

The commitment to pay rentals under non-cancellable operating leases on the forthcoming financial year is as follows:

|                            | Land and buildings<br>2002 | 2001  | Equipment<br>2002 | 2001  |
|----------------------------|----------------------------|-------|-------------------|-------|
|                            | £                          | £     | £                 | £     |
| Leases expiring:           |                            |       |                   |       |
| Between two and five years | -                          | -     | 5,558             | 4,810 |
| Over five years            | 5,706                      | 9,716 | -                 | -     |

### 20 POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

# Houlden Jewellers Limited

## NOTES ON THE ACCOUNTS at 28 February 2002

### 21 RELATED PARTIES

- (a) All the turnover of the company is generated from its members.
- (b) Included in administration expenses are amounts invoiced to the company for the provision of goods and services, on an arms length basis by the member companies of the following directors:

|           | 2002   | 2001   |
|-----------|--------|--------|
|           | £      | £      |
| W S Laing | 35,883 | 35,173 |

- (c) A company in which Mr P J Lunn is a shareholder has, in the normal course of business, supplied goods to the value of £334,048 (2001 - £366,269) to the company.