

DAVID MORRIS STORES LIMITED
ABBREVIATED FINANCIAL STATEMENTS
31 JANUARY 2007

FILING COPY



DAVID MORRIS STORES LIMITED
ABBREVIATED FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2007

Contents	Pages
Officers and professional advisers	1
The directors' report	2 to 4
Independent auditors' report to the company	5
Abbreviated profit and loss account	6
Abbreviated balance sheet	7
Notes to the abbreviated financial statements	8 to 14

DAVID MORRIS STORES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	D G Coleridge R K Simonds
Company secretary	R K Simonds
Registered office	24-25 New Bond Street London W1S 2RR
Auditors	Blick Rothenberg Chartered Accountants and Registered Auditors 12 York Gate Regent's Park London, NW1 4QS

DAVID MORRIS STORES LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 JANUARY 2007

The directors present their report and the audited financial statements of the company for the year ended 31 January 2007

Principal activity

The principal activity of the company during the year was that of a watch and jewellery retailer

Review of the business and future developments

On 13 June 2006 the shares of the company were acquired by Coleridge and Murphy (C&M) Limited from David Morris International Limited

The results for the year and the financial position at the year end are considered satisfactory by the directors who expect growth in the foreseeable future

The performance of the retail outlets was largely pleasing. During the year the company opened a new concession in Manchester. Where performance was disappointing, remedial action has been taken, including remerchandising and management changes.

Key performance indicators

The key performance indicators the company uses to assess performance are sales growth, EBITDA and stock levels.

Growth within current retail outlets and the opening of a new retail outlet in the autumn of 2006 generated increased sales. This largely fed through to EBITDA, although 2006/07 includes significant costs that were incurred during the change of ownership and the refinancing of the company.

Principal risks and uncertainties

The company operates in a competitive retail environment and like other retailers is exposed to consumer trends and spending levels, the latter is influenced by macro-economic factors, such as interest rate changes. A significant proportion of the company's business is in central London and any factors that affect shoppers coming to this area can affect sales.

The company operates retail outlets within department stores and its ongoing trade is dependent on these contracts being maintained by the host stores. Key contracts were renewed during this accounting year. The ability of the host stores to generate footfall is important in creating sales activity.

The company is licensed by many of the key brands within the watch and jewellery market to retail their products. The continuance of these licences is important to ensure the breadth and depth of the product range.

The company has banking covenants in relation to its borrowing. These are reviewed quarterly for compliance purposes.

Results and dividends

The results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend a dividend.

It is proposed to transfer the retained profit for the year of £268,580 to reserves.

DAVID MORRIS STORES LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 JANUARY 2007

Directors and their interests

The directors who served the company during the year were as follows

R K Simonds	
D G Coleridge	(Appointed 12 June 2006)
S P Bodle	(Resigned 12 June 2006)
S Morris	(Resigned 12 June 2006)
D Morris	(Resigned 12 June 2006)
C W Freedman	(Resigned 12 June 2006)

None of the directors had an interest in the share capital of the company at the beginning or end of the year. D G Coleridge's interests in the share capital of the parent company are disclosed in the directors' report of that company. R K Simonds held 30,000 ordinary shares in the parent company at the year end.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 for the year then ended.

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, and
- 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. The directors 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.

Statement of disclosure of information to auditors

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

DAVID MORRIS STORES LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 JANUARY 2007

Auditors

A resolution to reappoint Blick Rothenberg as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Signed on behalf of the directors



R K Simonds
Director

20/4/2007

DAVID MORRIS STORES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE COMPANY

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 6 to 14, together with the financial statements of David Morris Stores Limited for the year ended 31 January 2007 prepared under Section 226 of the Companies Act 1985

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.

12 York Gate
Regent's Park
London, NW1 4QS

20 April 2007



BLICK ROTHENBERG
Chartered Accountants and
Registered Auditors

DAVID MORRIS STORES LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 JANUARY 2007

	Note	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Gross profit		3,358,545	4,998,349
Administrative expenses		(3,535,475)	(3,309,275)
Other operating income		764,447	-
Operating profit	2	587,517	1,689,074
Interest payable and similar charges	5	(234,675)	(460,973)
Profit on ordinary activities before taxation		352,842	1,228,101
Tax on profit on ordinary activities	6	(84,262)	(338,494)
Profit for the financial year		268,580	889,607

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

DAVID MORRIS STORES LIMITED

ABBREVIATED BALANCE SHEET

31 JANUARY 2007

	Note	£	2007 £	£	2006 £
Fixed assets					
Tangible assets	7		355,000		284,754
Current assets					
Stocks	8	6,089,568		6,124,620	
Debtors	9	1,721,700		1,196,113	
Cash at bank and in hand		85,007		142,273	
		7,896,275		7,463,006	
Creditors: Amounts falling due within one year	11	(3,946,400)		(5,857,981)	
Net current assets			3,949,875		1,605,025
Total assets less current liabilities			4,304,875		1,889,779
Creditors: Amounts falling due after more than one year	12		(2,946,688)		(999,172)
			<u>1,358,187</u>		<u>890,607</u>
Capital and reserves					
Called-up share capital	15		200,000		1,000
Profit and loss account	16		1,158,187		889,607
Shareholders' funds	17		<u>1,358,187</u>		<u>890,607</u>

These abbreviated financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985

These abbreviated accounts were approved by the board of directors on 20/4/2007 and are signed on its behalf by



R K Simonds
Director

DAVID MORRIS STORES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2007

1. Accounting policies

1.1 Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Turnover

Turnover represents amounts receivable for goods, net of VAT and trade discounts

1.3 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixtures and fittings	- 10 - 33% straight line
Equipment	- 25% straight line

Fixtures and fittings held at concessions in third party retail outlets are depreciated over three years or the minimum contract period

1.4 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

1.5 Leases

Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term

1.6 Pensions

Pension costs represent contributions to a personal pension scheme. Contributions are charged to the profit and loss account as they become payable

1.7 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account

1.9 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

DAVID MORRIS STORES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2007

2. Operating profit

Operating profit is stated after charging

	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Depreciation of tangible fixed assets	174,869	198,000
Auditors' remuneration - audit services	<u>25,000</u>	<u>15,000</u>

3. Particulars of employees

The average number of staff, including the directors, employed by the company during the financial year was

	Year to 31 Jan 07 Number	Period from 18 Aug 04 to 31 Jan 06 Number
Selling	66	71
Administration	<u>10</u>	<u>11</u>
	<u>76</u>	<u>82</u>

The aggregate payroll costs of the above were

	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Wages and salaries	1,913,420	2,185,087
Social security costs	197,896	263,296
Other pension costs	<u>59,508</u>	<u>57,485</u>
	<u>2,170,824</u>	<u>2,505,868</u>

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Emoluments	256,948	213,957
Value of company pension contributions to money purchase schemes	<u>11,453</u>	<u>15,338</u>
	<u>268,401</u>	<u>229,295</u>

DAVID MORRIS STORES LIMITED
NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 2007

4. Directors' emoluments (continued)

Emoluments of highest paid director:

	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Total emoluments	<u>104,468</u>	<u>229,295</u>

The number of directors who were accruing benefits under company pension schemes was as follows

	Year to 31 Jan 07 Number	Period from 18 Aug 04 to 31 Jan 06 Number
Money purchase schemes	<u>2</u>	<u>1</u>

5. Interest payable and similar charges

	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Interest payable on bank loans and overdrafts	81,008	—
Other similar charges	<u>153,667</u>	<u>460,973</u>
	<u>234,675</u>	<u>460,973</u>

6. Taxation on ordinary activities

	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Current tax		
In respect of the year		
UK corporation tax based on the results for the year at 29% (2006 30%)	<u>86,647</u>	<u>379,834</u>
Total current tax	86,647	379,834
Decrease in deferred tax provision (note 10)		
Depreciation in excess of capital allowances	<u>(2,385)</u>	<u>(41,340)</u>
Tax on profit on ordinary activities	<u>84,262</u>	<u>338,494</u>

DAVID MORRIS STORES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2007

6. Taxation on ordinary activities *(continued)*

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 29% (2006 30%)

	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Profit on ordinary activities before taxation	<u>352,842</u>	<u>1,228,101</u>
Profit on ordinary activities by rate of tax	102,324	368,430
Depreciation in excess of capital allowances	2,306	9,649
Expenses disallowed for tax purposes	9,030	1,755
Group relief	(27,013)	—
Total current tax	<u>86,647</u>	<u>379,834</u>

7 Tangible fixed assets

	Fixtures & fittings £	Equipment £	Total £
Cost			
At 1 February 2006	399,658	83,096	482,754
Additions	<u>180,387</u>	<u>64,728</u>	<u>245,115</u>
At 31 January 2007	<u>580,045</u>	<u>147,824</u>	<u>727,869</u>
Depreciation			
At 1 February 2006	176,935	21,065	198,000
Charge for the year	<u>147,119</u>	<u>27,750</u>	<u>174,869</u>
At 31 January 2007	<u>324,054</u>	<u>48,815</u>	<u>372,869</u>
Net book value			
At 31 January 2007	<u>255,991</u>	<u>99,009</u>	<u>355,000</u>
At 31 January 2006	<u>222,723</u>	<u>62,031</u>	<u>284,754</u>

8. Stocks

	2007 £	2006 £
Finished goods and goods for resale	<u>6,089,568</u>	<u>6,124,620</u>

DAVID MORRIS STORES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2007

9. Debtors

	2007 £	2006 £
Trade debtors	1,268,304	898,727
Other debtors	409,671	256,046
Deferred taxation (note 10)	43,725	41,340
	<u>1,721,700</u>	<u>1,196,113</u>

10. Deferred taxation

The deferred tax included in the Balance sheet is as follows

	Year to 31 Jan 07 £	Period from 18 Aug 04 to 31 Jan 06 £
Included in debtors (note 9)	<u>43,725</u>	<u>41,340</u>

Year to
31 Jan 07
£

The movement in the deferred taxation account during the year was

Balance brought forward	(41,340)
Provision for year	<u>(2,385)</u>
Balance carried forward	<u>(43,725)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2007 £	2006 £
Depreciation in excess of capital allowances	43,725	41,340
	<u>43,725</u>	<u>41,340</u>

DAVID MORRIS STORES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2007

11. Creditors: Amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	1,767,153	–
Trade creditors	1,139,275	719,374
Amounts owed to group undertakings	316,666	4,070,054
Corporation tax	36,397	379,834
Other taxation and social security	484,940	431,182
Other creditors	201,969	257,537
	<u>3,946,400</u>	<u>5,857,981</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company

12. Creditors: Amounts falling due after more than one year

	2007 £	2006 £
Other loans	–	999,172
Amounts owed to group undertakings	2,946,688	–
	<u>2,946,688</u>	<u>999,172</u>

Other loans were secured by a fixed and floating charge over the assets of the company

13. Commitments under operating leases

At 31 January 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Items other than land and buildings	
	2007 £	2006 £
Operating leases which expire		
Within one year	559,000	290,000
Within two to five years	376,000	3,358,000
	<u>935,000</u>	<u>3,648,000</u>

14. Contingencies

During the year, the company entered into a cross-guarantee arrangement with Coleridge and Murphy (C&M) Limited whereby each company guaranteed the bank facilities of the other company. At the year end the indebtedness to the bank by that company amounted to £1,583,333

DAVID MORRIS STORES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 JANUARY 2007

15. Share capital

	2007		2006	
	Number	£	Number	£
Authorised share capital:				
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid:				
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>1,000</u>	<u>1,000</u>
Equity shares				
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>1,000</u>	<u>1,000</u>

On 13 June 2006 the company increased its authorised share capital by 199,000 ordinary shares of £1 each. On the same day the company issued 199,000 ordinary shares of £1 each at par, in order to increase working capital.

16. Reserves

	Profit and loss account £
Balance brought forward	889,607
Profit for the year	<u>268,580</u>
Balance carried forward	<u>1,158,187</u>

17 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	268,580	889,607
New ordinary share capital subscribed	<u>199,000</u>	<u>1,000</u>
Net addition to shareholders' funds	467,580	890,607
Opening shareholders' funds	<u>890,607</u>	<u>—</u>
Closing shareholders' funds	<u>1,358,187</u>	<u>890,607</u>

18. Parent undertaking

The parent undertaking is Coleridge and Murphy (C&M) Limited, a company incorporated in England. Group financial statements are prepared and are available to the public from Companies House, Crown Way, Cardiff, CF4 3UZ.