

## Chairman's statement

### Results

It gives me considerable satisfaction to be able to report a further strong advance in results during 2001/02 despite a very challenging trading environment in the United States, the Group's main market.

Profit before tax increased by 12.3% to £182.8 million (2000/01: £162.8 million). Earnings per share rose by 7.6% to 7.1p from 6.6p, the tax rate having increased from 32.0% to 34.5%. Total sales grew by 13.8% to £1,578.1 million (2000/01: £1,387.3 million), the like for like increase being 3.1%. At constant exchange rates profit before tax increased by 9.6% and sales by 11.0%. 2001/02 was a 53 week year and all figures are presented on that basis; the additional week added £3.6 million to profit before tax (see Financial review on page 23 for further details).

Group operating profit rose to £200.7 million from £178.7 million, an increase of 12.3%. The operating margin was broadly similar to that of last year at 12.7% (2000/01: 12.9%) and the return on capital employed was 23.3% (2000/01: 25.2%).

Net debt fell by £27.4 million to £201.7 million at the year end (27 January 2001: £229.1 million). £108 million was invested in fixed and working capital. Interest charges rose to £17.9 million (2000/01: £15.9 million), principally due to the full year funding of the Marks & Morgan acquisition which took place in July 2000. Interest cover (operating profit divided by net interest cost) was very comfortable at 11.2 times.

In the US recessionary trading conditions prevailed for most of the year, and the tragic events of 11 September also affected sentiment. However the business responded robustly to the challenging environment with a range of management initiatives and it significantly outperformed the US jewellery sector throughout the year. Operating profit rose by 9.8% to £145.1 million (2000/01: £132.2 million), with like for like sales increasing by 0.6%.

The UK division had an excellent year with operating profit up by 21.4% to £60.7 million (2000/01: £50.0 million). Although the business faced demanding comparatives, like for like sales rose by 9.4%, a performance in the upper quartile of a buoyant UK retail market.

### Dividend

The Board is pleased to recommend a final dividend of 1.50p per share, an increase of 11.1% (2000/01: 1.35p). An interim dividend of 0.289p per share was paid in November 2001, making a total dividend for the year of 1.789p per share, up 10.1% from last year (2000/01: 1.625p).

### People

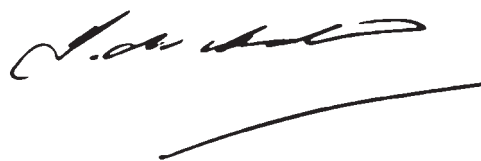
The continued advance in Group results reflects the high quality and professionalism of our management and staff on both sides of the Atlantic. I thank all of them for their dedication and hard work during the past year.

David Wellings, who is the senior independent non-executive director and Chairman of the Remuneration and Nomination Committee, is standing down at the annual general meeting. David joined the Group in August 1992 and has played a very significant role in the successful transformation of the business during the past ten years. On behalf of the Board I thank him for his invaluable contribution and wish him a long and happy retirement.

### Current trading

Since the start of the current year the US business has performed well, benefiting from increased marketing activity and the timing of Easter. There are some signs of a recovery in economic activity although the timing and extent remain uncertain.

In the UK the division has had a good start to the year. Consumer spending remains buoyant but the pace of growth is expected to moderate.



**James McAdam**  
Chairman  
10 April 2002