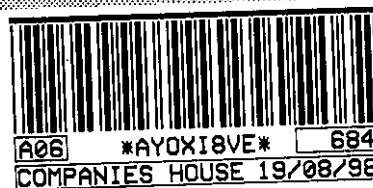


GOLDSMITHS SERVICES LIMITED

REPORT AND ACCOUNTS

31 January 1998

Registered No: 616650



DIRECTORS' REPORT

Directors: J S Piasecki (Chairman)
P R Goad (resigned 4 April 1997)
R Philpott (appointed 1 August 1997)
S C Sargent
J E West

Secretary: G Oliff

Registered Office: Goldsmiths House, Elland Road, Braunstone, Leicester LE3 1TT

The Directors submit their report and the audited accounts for the year ended 31 January 1998.

PRINCIPAL ACTIVITIES

The activities of the company consist of jewellery and watch repairs.

FUTURE DEVELOPMENT

It is intended to develop the business to service the repair needs of jewellery retailers throughout the UK.

RESULTS AND DIVIDENDS

The profit for the year amounts to £3,445 (1997: loss £12) and is dealt with as shown in the profit and loss account.

The directors do not recommend a dividend (1997: £Nil).

DIRECTORS

The directors of the company who served during the period were those listed above.

DIRECTORS' INTERESTS

According to the register maintained as required under the Companies Act 1985 none of the directors as at 31 January 1998 had any interest in the share capital of the company during the year.

Mr J S Piasecki, Mr S C Sargent, and Mr J E West were also directors of Goldsmiths Group Plc as at 31 January 1998 and their interests in the share capital of that company are shown in its accounts.

DIRECTORS' AND OFFICERS' INSURANCE

During the year the Company maintained directors' and officers' liability insurance.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

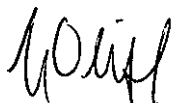
The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. It is also the Directors' responsibility to maintain adequate accounting records which enable them to ensure the accounts comply with the Companies Act 1985, to safeguard the assets of the Company and to take reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements, and that applicable accounting standards have been followed.

AUDITORS

A resolution proposing the re-appointment of Ernst & Young as auditors of the company will be put to the members at the annual general meeting.

By order of the board.



G Oliff
Secretary

14 August 1998

REPORT OF THE AUDITORS

to the members of Goldsmiths Services Limited

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

As described on page 2 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.

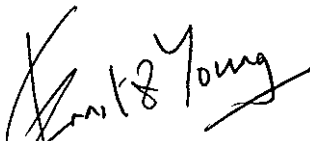
Basis of opinion

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.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 January 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Registered Auditor

Leicester

14 August 1998

GOLDSMITHS SERVICES LIMITED**PROFIT AND LOSS ACCOUNT**

for the year ended 31 January 1998

	Notes	1998 £	1997 £
TURNOVER	2	888,392	704,421
Cost of sales		(620,630)	(455,765)
		<hr/>	<hr/>
GROSS PROFIT		267,762	248,656
Administrative expenses		(261,617)	(256,616)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	6,145	(7,960)
Taxation	5	(2,700)	7,948
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		3,445	(12)
Proposed final dividend		-	-
		<hr/>	<hr/>
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u>3,445</u>	<u>(12)</u>

GOLDSMITHS SERVICES LIMITED

BALANCE SHEET

at 31 January 1998

	Notes	31 January 1998 £	1 February 1997 £
FIXED ASSETS			
Tangible assets	6	<u>60,848</u>	<u>63,942</u>
CURRENT ASSETS			
Stocks	7	84,423	32,224
Debtors	8	11,108	30,940
Cash		23,482	11,717
		<u>119,013</u>	<u>74,881</u>
CREDITORS - Amounts falling due within one year	9	<u>(166,341)</u>	<u>(128,765)</u>
NET CURRENT LIABILITIES		<u>(47,328)</u>	<u>(53,884)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,520	10,058
Provisions for liabilities and charges	10	<u>(1,140)</u>	<u>(1,123)</u>
NET ASSETS		<u>12,380</u>	<u>8,935</u>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	12,280	8,835
SHAREHOLDERS' FUNDS		<u>12,380</u>	<u>8,935</u>

S C Sargent
Director
14 August 1998



GOLDSMITHS SERVICES LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

for the year ended 31 January 1998

	1998 £	1997 £
Profit/(loss) after taxation	3,445	(12)
Total recognised gains/(losses)	<u>3,445</u>	<u>(12)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 January 1998

	1998 £	1997 £
Profit/(loss) after taxation	3,445	(12)
Dividends	-	-
Net addition to/(reduction in) shareholders' funds	<u>3,445</u>	<u>(12)</u>
Opening shareholders' funds	8,935	8,947
Closing shareholders' funds	<u>12,380</u>	<u>8,935</u>

NOTES TO THE ACCOUNTS

at 31 January 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

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

Short leasehold land and buildings	-	evenly over the period of the lease
Fixtures, fittings and equipment	-	evenly over five years

Stocks

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

Deferred taxation

Provision is made for deferred taxation using the liability method on all timing differences to the extent that it is probable that such taxation will become payable.

Pensions

The Group, of which the Company is a member, operates a defined benefit pension scheme in which certain employees of the Company are eligible to participate.

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

2. TURNOVER

Turnover all of which arises in the UK, comprises the invoice value of goods and services supplied exclusive of VAT.

NOTES TO THE ACCOUNTS

at 31 January 1998

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

is stated after charging:

	1998	1997
	£	£
Depreciation	<u>19,345</u>	<u>10,967</u>

4. DIRECTORS AND EMPLOYEES

a) Directors	1998	1997
	£	£
Emoluments	-	6,754
Contributions paid to defined contributions pension schemes	-	1,060
Compensation for loss of office	-	21,960
	<u> </u>	<u> </u>
	<u> </u>	<u>29,774</u>

The pension contributions in 1997 were in respect of two directors.

b) Employees	£	£
Staff costs:		
Wages and salaries	361,792	330,425
Social security costs	30,851	28,244
Pension costs	7,598	7,905
	<u> </u>	<u> </u>
	<u>400,241</u>	<u>366,574</u>

c) The average number of employees, including directors, during the period was as follows:

	No.	No.
Management & Administration	14	13
Production	16	15
	<u> </u>	<u> </u>
	<u>30</u>	<u>28</u>

NOTES TO THE ACCOUNTS

at 31 January 1998

5. TAXATION

	1998	1997
The charge/(credit) for the year end comprises:	£	£
Corporation tax	2,683	(10,216)
Adjustment relating to prior years	-	1,145
Deferred taxation (Note 10)	17	1,123
	<u>2,700</u>	<u>(7,948)</u>

6. TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost:			
At 1 February 1997	16,250	96,748	112,998
Additions	-	16,251	16,251
	<u>16,250</u>	<u>112,999</u>	<u>129,249</u>
At 31 January 1998	16,250	112,999	129,249
Depreciation:			
At 1 February 1997	9,499	39,557	49,056
Charge for year	1,652	17,693	19,345
	<u>11,151</u>	<u>57,250</u>	<u>68,401</u>
At 31 January 1998	11,151	57,250	68,401
Net book value:			
At 1 February 1997	<u>6,751</u>	<u>57,191</u>	<u>63,942</u>
At 31 January 1998	<u>5,099</u>	<u>55,749</u>	<u>60,848</u>

NOTES TO THE ACCOUNTS

at 31 January 1998

7. STOCKS

	1998	1997
	£	£
Raw materials and consumables	<u>84,423</u>	<u>32,224</u>

8. DEBTORS

	1998	1997
	£	£
Trade debtors	449	2,640
Amounts owed by fellow subsidiary undertakings	-	18,967
VAT	9,138	7,632
Prepayments	1,521	1,701
	<u>11,108</u>	<u>30,940</u>

9. TRADE AND OTHER CREDITORS

	1998	1997
	£	£
Trade creditors	22,229	29,336
Amounts owed to fellow subsidiary undertakings	116,911	-
Amounts owed to parent undertakings	-	86,408
Corporation tax	2,683	-
Accruals and deferred income	24,518	13,021
	<u>166,341</u>	<u>128,765</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Tax

The amounts provided for deferred taxation, which represent full provision, are as follows:-

	1998	1997
	£	£
Accelerated capital allowances	<u>1,140</u>	<u>1,123</u>

11. CALLED-UP SHARE CAPITAL

At 31 January 1998 and 1 February 1997 the share capital of the company was:

Authorised, allotted, issued and fully paid	
100 Ordinary shares of £1 each	<u>£100</u>

NOTES TO THE ACCOUNTS

at 31 January 1998

12. RESERVES

	Profit and Loss Account £
At 1 February 1997	8,835
Retained profit for the year	<u>3,445</u>
At 31 January 1998	<u>12,280</u>

13. HOLDING COMPANY

The company's immediate parent undertaking is Goldsmiths (Jewellers) Limited.

The controlling party and ultimate parent undertaking is Goldsmiths Group Plc. Copies of the accounts of Goldsmiths Group Plc can be obtained from Goldsmiths House, Elland Road, Braunstone, Leicester, LE3 1TT. Those are the only group accounts prepared that include the company.

14. PENSIONS

The Group, of which the Company is a member, operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the Group in independently managed funds.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent triennial valuation was at 5 April 1996. It was assumed for the purposes of this valuation that the investment returns would exceed salary increases by 2% per annum and that present and future pensions would increase at the rate of 4.5% per annum.

The valuation showed that the market value of the scheme's assets was £4,366,000 representing a funding level of 110% on a discontinuance basis. The actuarial value of these assets represents a funding level of 93% of the benefits that had accrued to members of the scheme after allowing for the expected future increases in earnings. This deficit has arisen because of unfavourable investment returns and the Company resumed contributions to the scheme in August 1993 at a higher rate than would be necessary to fund future benefits. The contribution rate has not changed as a result of the 1996 valuation.

The total pension charge for the period was £7,598 (1997: £7,905).

15. CASH FLOW STATEMENT

The company is a wholly-owned subsidiary of Goldsmiths Group Plc which has published a group cash flow statement in accordance with Financial Reporting Standard No. 1 (Revised). Accordingly, a cash flow statement is not presented in these accounts.

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of Goldsmiths Group Plc or investees of the group.