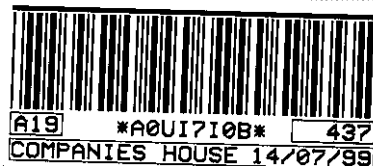


GOLDSMITHS SERVICES LIMITED

REPORT AND ACCOUNTS

30 January 1999

Registered No: 616650



GOLDSMITHS SERVICES LIMITED

DIRECTORS' REPORT

Directors: J S Piasecki (Chairman)
R Philpott
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 30 January 1999.

PRINCIPAL ACTIVITIES

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

EVENTS SINCE THE BALANCE SHEET DATE

Since the year end an unconditional offer has been made by Mildghosts Limited for the shares of the holding company, Goldsmiths Group Plc.

FUTURE DEVELOPMENT

On 30 January 1999 all of the trade and net assets of the business were transferred to Northern Goldsmiths Limited, a fellow subsidiary of the group, at book values.

RESULTS AND DIVIDENDS

The profit for the year amounts to £30,647 (1998: £3,445) and is dealt with as shown in the profit and loss account.

The directors recommend a dividend of £42,927 (1998: £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 30 January 1999 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 30 January 1999 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.

YEAR 2000

As with all organisations, Goldsmiths Group is concerned to ensure that its operations are not adversely affected by system problems attending the change of century and a review of systems was undertaken in 1996 to determine, in conjunction with suppliers, what difficulties we would encounter.

We have actioned the necessary changes highlighted by our review. However, in common with other businesses we are reliant upon third parties to ensure that their own systems are Year 2000 compliant.

It is not possible to quantify the specific cost of our Year 2000 work, as many of the changes being implemented would otherwise have been made in the normal course of business, or contain an element of business enhancement.

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

2 July 1999

GOLDSMITHS SERVICES LIMITED

REPORT OF THE AUDITORS

to the members of Goldsmiths Services Limited

We have audited the accounts on pages 4 to 12 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.

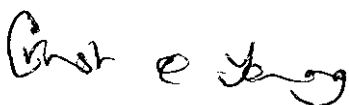
Basis of opinion

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 30 January 1999 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

2 July 1999

GOLDSMITHS SERVICES LIMITED**PROFIT AND LOSS ACCOUNT**

for the year ended 30 January 1999

	Note	1999 £	1998 £
TURNOVER	2	1,215,609	888,392
Cost of sales		(875,392)	(620,630)
GROSS PROFIT		340,217	267,762
Administrative expenses		(300,009)	(261,617)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	40,208	6,145
Taxation	5	(9,561)	(2,700)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		30,647	3,445
Proposed final dividend		(42,927)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		<u>(12,280)</u>	<u>3,445</u>

GOLDSMITHS SERVICES LIMITED**BALANCE SHEET**

at 30 January 1999

	Note	1999 30 Jan £	1998 31 Jan £
FIXED ASSETS			
Tangible assets	6	-	60,848
CURRENT ASSETS			
Stocks	7	-	84,423
Debtors	8	100	11,108
Cash		-	23,482
		<u>100</u>	<u>119,013</u>
CREDITORS - Amounts falling due within one year	9	-	(166,341)
NET CURRENT ASSETS/(LIABILITIES)		<u>100</u>	<u>(47,328)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>100</u>	<u>13,520</u>
Provisions for liabilities and charges	10	-	(1,140)
NET ASSETS		<u><u>100</u></u>	<u><u>12,380</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	-	12,280
SHAREHOLDERS' FUNDS		<u><u>100</u></u>	<u><u>12,380</u></u>

S C Sargent
Director
2 July 1999



GOLDSMITHS SERVICES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 January 1999

	1999	1998
	£	£
Profit after taxation	30,647	3,445
Total recognised gains	<u>30,647</u>	<u>3,445</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 30 January 1999

	1999	1998
	£	£
Profit after taxation	30,647	3,445
Dividends	(42,927)	-
Net (reduction in)/addition to shareholders' funds	<u>(12,280)</u>	<u>3,445</u>
Opening shareholders' funds	12,380	8,935
Closing shareholders' funds	<u>100</u>	<u>12,380</u>

NOTES TO THE ACCOUNTS

at 30 January 1999

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.

GOLDSMITHS SERVICES LIMITED

NOTES TO THE ACCOUNTS

at 30 January 1999

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION
is stated after charging:

	1999 £	1998 £
Depreciation	20,100	19,345
Operating lease rentals – property	<u>32,650</u>	<u>32,400</u>

4. DIRECTORS AND EMPLOYEES

a) Directors

There were no directors' emoluments during the period.

	1999 £	1998 £
b) Employees		
Staff costs:		
Wages and salaries	411,564	361,792
Social security costs	32,483	30,851
Pension costs	8,007	7,598
	<u>452,054</u>	<u>400,241</u>

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

	1999 No.	1998 No.
Management & Administration	20	14
Services	14	16
	<u>34</u>	<u>30</u>

GOLDSMITHS SERVICES LIMITED

NOTES TO THE ACCOUNTS

at 30 January 1999

5. TAXATION	1999	1998
The charge based on the profit for the period comprises:	£	£
Corporation tax	10,053	2,683
Adjustment relating to prior years	(37)	-
Deferred taxation (Note 10)	(455)	17
	<u>9,561</u>	<u>2,700</u>

6. TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost:			
At 1 February 1998	16,250	112,999	129,249
Additions	-	9,180	9,180
Transfer to fellow subsidiary	(16,250)	(122,179)	(138,429)
	<u>-</u>	<u>-</u>	<u>-</u>
At 30 January 1999	-	-	-
Depreciation:			
At 1 February 1998	11,151	57,250	68,401
Charge for year	1,652	18,448	20,100
Transfer to fellow subsidiary	(12,803)	(75,698)	(88,501)
	<u>-</u>	<u>-</u>	<u>-</u>
At 30 January 1999	-	-	-
Net book value:			
At 1 February 1998	<u>5,099</u>	<u>55,749</u>	<u>60,848</u>
At 30 January 1999	<u>-</u>	<u>-</u>	<u>-</u>

GOLDSMITHS SERVICES LIMITED

NOTES TO THE ACCOUNTS

at 30 January 1999

7. STOCKS

	1999 £	1998 £
Raw materials and consumables	<u>-</u>	<u>84,423</u>

8. DEBTORS

	1999 £	1998 £
Trade debtors	-	449
Amounts owed by fellow subsidiary undertakings	100	-
VAT	-	9,138
Prepayments	-	1,521
	<u>100</u>	<u>11,108</u>

9. TRADE AND OTHER CREDITORS

	1999 £	1998 £
Trade creditors	-	22,229
Amounts owed to fellow subsidiary undertakings	-	116,911
Corporation tax	-	2,683
Accruals and deferred income	-	24,518
	<u>-</u>	<u>166,341</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Tax

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

	1999 £	1998 £
Accelerated capital allowances	648	1,140
Transfer to fellow subsidiary	<u>(648)</u>	<u>-</u>
	<u>-</u>	<u>1,140</u>

11. CALLED-UP SHARE CAPITAL

At 30 January 1999 and 31 January 1998 the share capital of the company was:

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

NOTES TO THE ACCOUNTS

at 30 January 1999

12. RESERVES

	Profit and Loss Account
	£
At 1 February 1998	12,280
Retained loss for the year	<u>(12,280)</u>
At 30 January 1999	<u>-</u>

13. HOLDING COMPANY AND CONTROLLING PARTY

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

At the balance sheet date the controlling party and ultimate parent undertaking was 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 £8,007 (1998: £7,598).

NOTES TO THE ACCOUNTS

at 30 January 1999

15. CASH FLOW STATEMENT

As at the year end the company was 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.