

LESLIE DAVIS LIMITED
Directors' report and financial statements

29 January 2000

Company No: 3769521



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Leslie Davis Limited

Directors' report and financial statements

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Leslie Davis Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 January 2000.

Business review

The principal activity of the company is the retailing of jewellery and watches.

The company was incorporated on 13 May 1999 under the name of L Davies Limited. On 17 June 1999 the company changed its name to Leslie Davis Limited. The company acquired the goodwill and assets of the Leslie Davis business on 27 July 1999, together with the benefit of the trade of the business with effect from 31 January 1999. Support services are provided by another group company.

A dividend of £700,000 has been paid on the ordinary shares.

Directors and directors' interests

The directors appointed on the company's incorporation and who served during the period were:

W G Boyd
S L Cashman

None of the directors had any beneficial interest in the share capital of the company during the period.

Details of the interests of Mr W G Boyd in the share capital of Signet Group plc, the ultimate holding company, at 29 January 2000 are included in that company's financial statements.

The interests of Mr S L Cashman in the share capital of the ultimate holding company are set out below:

At 30 Jan 1999	Granted in year	At 29 Jan 2000	Exercise price (pence)	Date at which exercisable	Expiry date
88,889	-	88,889	33.75	2000	2007
69,364	-	69,364	43.25	2001	2008
45,588	-	45,588	21.25	2002	2002
-	60,302	60,302	49.75	2002	2009

Leslie Davis Limited

Directors' report *(continued)*

On 5 May 2000 share options at a price of 57 pence per share were granted in accordance with and subject to the rules of the 1993 Executive Share Option Scheme over the following 0.5p ordinary shares in Signet Group plc:

W G Boyd	611,842
S L Cashman	35,088

In general, options granted pursuant to the 1993 Scheme are exercisable at any time during the period commencing on the third anniversary of the date of grant and ending on the tenth anniversary of the date of grant. Options may normally only be exercised if certain conditions, imposed by the Remuneration Committee of the Board at the time of grant of the options, have been satisfied.

For the options granted in October 1997, April 1998, April 1999 and May 2000, the options may not be exercised unless during any three year period since the financial year prior to the grant of the option, the company's earnings per share has increased by at least 10% above the rate of inflation.

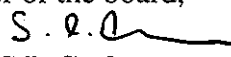
The middle market price of the ultimate holding company's 0.5p ordinary shares on the London Stock Exchange was 58p on 29 January 2000. During the 52 weeks ended 29 January 2000, the middle market prices of such shares on the London Stock Exchange ranged between a low of 38.75p and a high of 70.25p.

Supplier payment policy

The number of days purchases outstanding at 29 January 2000 was 16.

Year 2000

The directors are aware of the risks and uncertainties associated with the Year 2000 problem. No significant problems have been incurred.

By order of the board,

S L Cashman

Zenith House
The Hyde
London, NW9 6EW

18 July 2000

Leslie Davis Limited

Statement of directors' responsibilities

The directors are required to prepare financial statements for each financial period which give, in accordance with the Companies Act 1985, a true and fair view of the state of affairs of the company as at the end of that financial period and of the profit or loss of the company for that period. 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, in their opinion, 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 a going concern basis unless in their view, based on the information then available to them, that basis of preparation would be inappropriate.

The directors are responsible for ensuring that the company complies with the requirements of the Companies Act 1985 as to keeping adequate 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Leslie Davis Limited

Auditors' report to the members of Leslie Davis Limited

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

Basis of audit 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 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 the company's affairs as at 29 January 2000 and of its profit for the period from incorporation to 29 January 2000 and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit plc
Chartered Accountants,
Registered Auditor
London

20 July 2000

Leslie Davis Limited

Profit and Loss Account

From incorporation to 29 January 2000

	Note	From incorporation to 29 January 2000 £000
Turnover	2	12,275
Cost of sales		<u>(10,560)</u>
Gross profit		1,715
Administrative expenses		(654)
Other income	5	<u>636</u>
Operating profit	3	1,697
Net interest receivable and similar income	7	<u>1</u>
Profit on ordinary activities before taxation		1,698
Tax on profit on ordinary activities	8	<u>(609)</u>
Profit on ordinary activities after taxation		1,089
Dividends	9	<u>(700)</u>
Retained profit for the financial period		<u><u>389</u></u>

The company had no recognised gains and losses other than those included above.

The results shown above are in respect of continuing operations.

Leslie Davis Limited

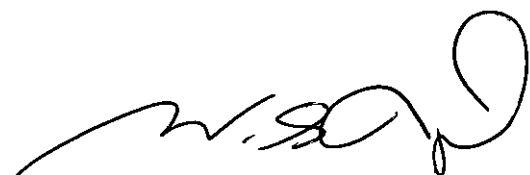
Balance sheet

at 29 January 2000

	Note	2000 £000	£000
Fixed assets			
Goodwill	10		8,184
Current assets			
Stocks	11	6,423	
Debtors	12	6,059	
Cash at bank and in hand		5	
		<u>12,487</u>	
Creditors: amounts falling due within one year	13	<u>(5,774)</u>	
Net current assets			<u>6,713</u>
Total assets less current liabilities			14,897
Provisions for liabilities and charges	14		<u>(45)</u>
Net assets			<u>14,852</u>
Capital and reserves			
Called up share capital	15		14,463
Profit and loss account			<u>389</u>
Shareholders' funds			<u>14,852</u>

The notes on pages 7 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on (✓) July 2000 and were signed on its behalf by:



W G Boyd

Director

Leslie Davis Limited

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Goodwill

Purchased goodwill is amortised on a straight line basis over 33 years, representing its estimated useful economic life.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Rental charges payable under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company participates in a defined benefit pension scheme, which provides benefits based on members' salaries at retirement. The assets are held by the Trustees of the scheme and are completely separate from the company. The expected cost of pensions in respect of the company's pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

Leslie Davis Limited

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of attributable overheads.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Cost of sales

Cost of sales includes the cost of goods and shop costs.

2. Analysis of turnover and profit on ordinary activities before taxation

All turnover and profits before taxation are derived from the company's continuing principal activity as a retailer of jewellery, watches and fancy goods in the United Kingdom.

3. Profit on ordinary activities before taxation

	2000
	£000
Profit on ordinary activities before taxation is stated after charging:	
Depreciation and amortisation	253
Rentals payable under operating leases:	
Land and buildings	2,372
Plant, machinery and motor vehicles	<u>18</u>

4. Remuneration of directors

None of the directors received any remuneration during the period.

5. Other income

Other income represents the benefit of trade acquired prior to the incorporation of the company.

Leslie Davis Limited

Notes (continued)

6. Staff numbers and costs

Legally the company has no employees with all those who work within the business are legally employed by Signet Trading Ltd, a fellow group undertaking. All employment costs of Signet Trading Ltd in respect to these persons who work within the business of Leslie Davis Limited are recharged by Signet Trading Ltd to Leslie Davis Limited. The weekly average numbers of persons who work within the business and the cost to the company of these persons, analysed by category are as follows:

	2000 Number of employees
Management	18
Distribution and sales	118
	<u>136</u>

The aggregate payroll costs of these persons were as follows:

	2000 £000
Wages and salaries	2,134
Social security costs	166
	<u>2,300</u>

7. Interest receivable and similar income

	2000 £000
Other interest receivable	<u>1</u>

8. Taxation

	2000 £000
UK corporation tax at 30.2% on the profit for the period on ordinary activities	<u>609</u>

Leslie Davis Limited

Notes (continued)

9. Dividends

A dividend of £700,000 has been paid on the ordinary shares.

10. Goodwill

	£000
Purchased during the period	8,437
Amortisation for the period	<u>(253)</u>
Net book value at 29 January 2000	<u>8,184</u>

Details of the assets acquired and the consideration given for the purchase of the Leslie Davis business are as follows:

	£000
Current assets	6,026
Fair value adjustments	-
Goodwill	<u>8,437</u>
Total costs	<u>14,463</u>
Consideration - share capital issued (see note 15)	<u>14,463</u>

11. Stocks

Stocks constitute goods held for resale.

12. Debtors

	2000 £000
Amounts due from parent and fellow subsidiary undertakings	5,666
Prepayments and accrued income	<u>393</u>
	<u>6,059</u>

Leslie Davis Limited

Notes (*continued*)

13. Creditors: amounts falling due within one year

	2000 £000
Trade Creditors	721
Amounts owed to parent and fellow subsidiary undertakings	4,159
Corporation tax	609
Accruals and deferred income	285
	<u>5,774</u>

14. Provisions for liabilities and charges

	Onerous leases £000
Acquired during the period	-
Charge for the period	45
At 29 January 2000	<u>45</u>

15. Called up share capital

	2000 £
<i>Authorised:</i>	
14,463,595 ordinary shares of £1 each	<u>14,463,595</u>
<i>Allotted, called up and fully paid:</i>	
14,462,596 ordinary shares of £1 each	
Issued on incorporation	1
Issued to acquire the business of Leslie Davis (see note 9)	14,462,595
Balance at 29 January 2000	<u>14,462,596</u>

Leslie Davis Limited

Notes (continued)

16. Commitments

Annual commitments under non-cancellable operating leases of land and buildings are as follows:

	£000
Operating leases which expire:	
Within one year	-
In the second to fifth years inclusive	162
After more than five years	1,663
	<u>1,825</u>

17. Pension scheme

The company participates in a defined benefit pension scheme, the Signet Group Pension Scheme.

The assets of the Scheme, which is a funded scheme, are held in a separate trustee administered fund which is independently managed. The Law Debenture Trust Corporation plc was appointed to the Scheme during 1993 as an independent trustee in addition to the existing individual trustees. Contributions to the Scheme, which are assessed in accordance with the advice of independent qualified actuaries primarily using the projected unit method of valuation, are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives within the company.

The most recent actuarial valuation of the Signet Group Pension Scheme was as at 5 April 1997 and its results form the basis of SSAP24 accounting in 1999/00. The principal actuarial assumptions adopted in the valuation were that, over the long-term, the investment rate of return would be 9% per annum and that this would exceed future pensionable earnings increases by 1.5% per annum and that increases to present and future pensions in payment in excess of the guaranteed minimum pension by 5% per annum. It was also assumed that dividend increases on the equity portfolio would average 4.5% per annum. The actuarial value of the assets was sufficient to cover 143% of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions. The market value of the Scheme's assets at 5 April 1997 was approximately £93.8 million. In view of the surplus over scheme liabilities resulting from this valuation and amounting to approximately £25.1 million, the Scheme's actuary has recommended that the company continues to pay no contribution to the Scheme until the position is reviewed at the next actuarial valuation. In December 1997 the Trustees, following consultation with the Company, announced a 5% enhancement of accrued benefits which is in addition to the enhancement in accrued benefits announced in November 1996. As a result, the trustees, following consultation with the Scheme actuary, have been advised that the surplus in the Scheme is now within the statutory prescribed limit on the basis that the suspension of employer contributions is maintained.

Leslie Davis Limited

Notes (*continued*)

In accordance with SSAP24, previous valuation surpluses arising from the Scheme have been included in the balance sheet as a prepayment and amortised to the profit and loss account. At 29 January 2000 the resulting prepayment amounted to £19.1 million. The additional surplus of £6.0 million revealed by the results of the April 1997 actuarial valuation, subject to any benefit improvements, would normally be credited to the profit and loss account over 13 years, being the estimated remaining service lives of the current members of the scheme as calculated in accordance with the guidelines of the Institute of Actuaries. While the application of SSAP 24 to this surplus would give rise to a credit to the profit and loss account in the year, pending the outcome of the Government's current review for the provision of pensions, the Board does not consider it appropriate to increase the pension prepayments held on the balance sheet. Accordingly, no benefit has been taken in the period ended 29 January 2000.

The pension charge for the period amounted to £nil (1999: £nil).

18. Related party transactions

Under FRS8 there were no related party transactions that require disclosure in these accounts.

19. Ultimate holding company

The ultimate holding company is Signet Group plc, a company registered in England and Wales. The financial statements of Signet Group plc which consolidate the results of Leslie Davis Limited are available to the public and may be obtained from Zenith House, The Hyde, London NW9 6EW.