

Company Registration No. 753013 (England and Wales)

MOUSSAIEFF JEWELLERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001



MOUSSAIEFF JEWELLERS LIMITED

COMPANY INFORMATION

Directors	A Moussaieff S Moussaieff
Secretary	S Moussaieff
Company number	753013
Registered office	2nd Floor 32 Wigmore Street London W1U 2RP
Auditors	Harold Everett Wreford 32 Wigmore Street London W1U 2RP
Bankers	Barclays Bank Plc

MOUSSAIEFF JEWELLERS LIMITED

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MOUSSAIEFF JEWELLERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2001

The directors present their report and financial statements for the year ended 31 March 2001.

Principal activities and review of the business

The principal activity of the company during the year continued to be the retail and wholesale of jewellery and there were no plans for any significant changes.

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

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 April 2000:

A Moussaieff
S Moussaieff

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2001	1 April 2000
A Moussaieff	5,000	5,000
S Moussaieff	5,000	5,000

Charitable contributions

During the year the company made charitable donations of £900 (2000 : £710).

Taxation status

The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Harold Everett Wreford be reappointed as auditors of the company will be put to the Annual General Meeting.

MOUSSAIEFF JEWELLERS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

Directors' responsibilities

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 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 reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They 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.

By order of the board



.....
A Moussaieff

Director

22 August 2001

MOUSSAIEFF JEWELLERS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF MOUSSAIEFF JEWELLERS LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Harold Everett Wreford

Harold Everett Wreford

Chartered Accountants
Registered Auditor

24 August 2001

32 Wigmore Street
London
W1U 2RP

MOUSSAIEFF JEWELLERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2001

	Notes	2001 £	2000 £
Turnover	2	46,003,535	36,176,445
Cost of sales		(36,456,089)	(28,309,863)
Gross profit		9,547,446	7,866,582
Administrative expenses		(4,114,366)	(4,138,995)
Other operating income		405,445	240,195
Operating profit	3	5,838,525	3,967,782
Other interest receivable and similar income		1,349,695	752,638
Interest payable and similar charges	4	(1,627,643)	(1,130,548)
Profit on ordinary activities before taxation		5,560,577	3,589,872
Tax on profit on ordinary activities	5	(1,689,797)	(1,139,618)
Profit on ordinary activities after taxation	14	3,870,780	2,450,254

The profit and loss account has been prepared on the basis that all operations are continuing operations.


There are no recognised gains and losses other than those passing through the profit and loss account.

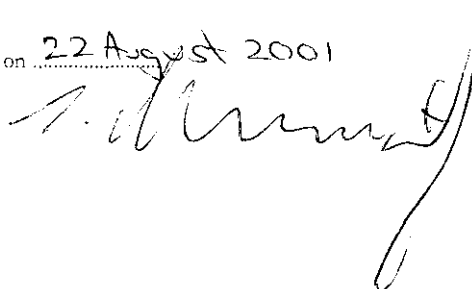
MOUSSAIEFF JEWELLERS LIMITED

BALANCE SHEET AS AT 31 MARCH 2001

	Notes	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	6		149,027		115,477
Investments	7		6		6
			<u>149,033</u>		<u>115,483</u>
Current assets					
Stocks	8	56,476,340		55,439,578	
Debtors	9	21,356,043		17,201,183	
Cash at bank and in hand		40,898		30,713	
		<u>77,873,281</u>		<u>72,671,474</u>	
Creditors: amounts falling due within one year	10	(19,061,365)		(17,096,788)	
Net current assets			<u>58,811,916</u>		<u>55,574,686</u>
Total assets less current liabilities			<u>58,960,949</u>		<u>55,690,169</u>
Creditors: amounts falling due after more than one year	11		(10,500,000)		(11,100,000)
			<u>48,460,949</u>		<u>44,590,169</u>
Capital and reserves					
Called up share capital	13		10,000		10,000
Profit and loss account	14		48,450,949		44,580,169
Shareholders' funds - equity interests	15		<u>48,460,949</u>		<u>44,590,169</u>

The financial statements were approved by the Board on 22 August 2001


A Moussaieff
Director



MOUSSAIEFF JEWELLERS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2001

	2001 £	2000 £
Net cash inflow/(outflow) from operating activities	2,725,056	(5,212,788)
Returns on investments and servicing of finance		
Interest received	400,000	727,997
Interest paid	(1,637,638)	(1,053,949)
Net cash outflow for returns on investments and servicing of finance	(1,237,638)	(325,952)
Taxation	(1,252,162)	(3,126,253)
Capital expenditure		
Payments to acquire tangible assets	(65,023)	(6,818)
Receipts from sales of tangible assets	-	651
Net cash outflow for capital expenditure	(65,023)	(6,167)
Net cash inflow/(outflow) before management of liquid resources and financing	170,233	(8,671,160)
Financing		
New long term bank loan	-	12,000,000
Other new short term loans	-	600,000
Repayment of long term bank loan	(600,000)	(900,000)
Net cash (outflow)/inflow from financing	(600,000)	11,700,000
(Decrease)/increase in cash in the year	(429,767)	3,028,840

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2001

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		2001	2000	
			£	£	
	Operating profit		5,838,525	3,967,782	
	Depreciation of tangible assets		31,473	22,442	
	Loss on disposal of tangible assets		-	2,104	
	Increase in stocks		(1,036,762)	(3,637,971)	
	Increase in debtors		(3,205,165)	(158,683)	
	Increase/(decrease) in creditors within one year		1,096,985	(5,408,462)	
	Net cash inflow/(outflow) from operating activities		<u>2,725,056</u>	<u>(5,212,788)</u>	
2	Analysis of net debt	1 April 2000	Cash flow	Other non-cash changes	31 March 2001
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	30,713	10,185	-	40,898
	Bank overdrafts	(10,712,765)	(439,952)	-	(11,152,717)
		<u>(10,682,052)</u>	<u>(429,767)</u>	<u>-</u>	<u>(11,111,819)</u>
	Debt:				
	Debts falling due within one year	(600,000)	-	-	(600,000)
	Debts falling due after one year	(11,100,000)	600,000	-	(10,500,000)
		<u>(11,700,000)</u>	<u>600,000</u>	<u>-</u>	<u>(11,100,000)</u>
	Net debt	<u>(22,382,052)</u>	<u>170,233</u>	<u>-</u>	<u>(22,211,819)</u>
3	Reconciliation of net cash flow to movement in net debt		2001	2000	
			£	£	
	(Decrease)/increase in cash in the year		(429,767)	3,028,835	
	Cash outflow/(inflow) from decrease/(increase) in debt		600,000	(11,700,000)	
	Movement in net debt in the year		<u>170,233</u>	<u>(8,671,165)</u>	
	Opening net debt		(22,382,052)	(13,710,887)	
	Closing net debt		<u>(22,211,819)</u>	<u>(22,382,052)</u>	

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

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

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Improvements to premises	10% Reducing balance.
Fixtures, fittings & equipment	20% Reducing balance.
Motor vehicles	20% Reducing balance.

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

1.8 Pensions

The costs of providing pension benefits are charged to the profit and loss account as they are incurred.

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the contract is covered by a forward exchange contract. All differences are taken to profit and loss account.

1.11 Debtors

Known bad debts are written off and provision is made for any considered to be doubtful.

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

2 Turnover

	Turnover	
	2001	2000
	£	£
Geographical market		
United Kingdom	1,684,595	1,658,888
Rest of the World	44,318,940	34,517,557
	<u>46,003,535</u>	<u>36,176,445</u>

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and services provided as a principal. An analysis of turnover by geographical market is provided above.

3 Operating profit

	2001	2000
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	31,473	22,442
Operating lease rentals	828,036	576,129
Auditors' remuneration	33,500	33,500
Remuneration of auditors for non-audit work	20,790	30,054
	<u>913,799</u>	<u>662,125</u>

4 Interest payable

	2001	2000
	£	£
On bank loans and overdrafts	458,772	656,986
On loans repayable after 5 years	1,168,202	472,043
On overdue tax	669	1,519
	<u>1,627,643</u>	<u>1,130,548</u>

5 Taxation

	2001	2000
	£	£
U.K. current year taxation		
U.K. corporation tax at 30% (2000 - 30%)	1,690,253	1,139,618
Prior years		
U.K. corporation tax	(456)	-
	<u>1,689,797</u>	<u>1,139,618</u>

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

6 Tangible fixed assets

	Improvements to premises	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2000	186,305	260,508	86,641	533,454
Additions	-	65,023	-	65,023
At 31 March 2001	186,305	325,531	86,641	598,477
Depreciation				
At 1 April 2000	140,030	220,107	57,840	417,977
Charge for the year	4,628	21,085	5,760	31,473
At 31 March 2001	144,658	241,192	63,600	449,450
Net book value				
At 31 March 2001	41,647	84,339	23,041	149,027
At 31 March 2000	46,275	40,401	28,801	115,477

7 Fixed asset investments

	Unlisted investments
	£
Cost	
At 1 April 2000 & at 31 March 2001	6

The above investment relates to 10% of the \$1 ordinary shares of Lasca Finance Limited, a company incorporated in the British Virgin Islands.

8 Stocks

	2001	2000
	£	£
Finished goods and goods for resale	56,476,340	55,439,578

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

9 Debtors	2001	2000
	£	£
Trade debtors	6,320,544	2,263,826
Other debtors	17,193	752,923
Amounts owed by Lasca Finance Limited	14,474,336	13,524,642
Amounts owed by Kevees S. A.	371,234	439,069
Prepayments and accrued income	172,736	220,723
	<u>21,356,043</u>	<u>17,201,183</u>

The company has the following commercial loans with its related parties.

	2001	2000
	£	£
Lasca Finance Limited (3 3/4% above LIBOR repayable on demand)	<u>13,500,000</u>	<u>13,500,000</u>

10 Creditors: amounts falling due within one year	2001	2000
	£	£
Bank loans and overdrafts	11,752,717	11,312,765
Trade creditors	5,346,785	4,472,812
Corporation tax	1,280,253	842,618
Other taxes and social security costs	113,799	60,559
Directors' current accounts	79,789	25,461
Accruals and deferred income	488,022	382,573
	<u>19,061,365</u>	<u>17,096,788</u>

The bank loans, overdrafts and other loans are secured by fixed and floating debentures on the assets of the company.

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

11 Creditors: amounts falling due after more than one year	2001	2000
	£	£
Bank loans	10,500,000	11,100,000
Analysis of loans		
Not wholly repayable within five years by instalments:		
Medium term bank loan	11,100,000	11,700,000
Included in current liabilities	(600,000)	(600,000)
	10,500,000	11,100,000
Instalments not due within five years	-	-
Loan maturity analysis		
In more than one year but not more than two years	600,000	600,000
In more than two years but not more than five years	2,400,000	2,400,000
In more than five years	8,100,000	8,700,000

The bank loan is secured by fixed and floating debentures on the assets of the company. Interest on the bank loan is charged at LIBOR + 1% and the loan is repayable in installments over a period of ten years.

12 Pension costs

The company has a pension scheme, The LHJ Pension Scheme, a self-administered pension scheme for the benefit of the directors of the company. The scheme is administered on a "money-purchase" basis and contributions are determined by qualified actuaries on the basis of triennial valuations using the Aggregate Method.

The most recent valuation was at 31st March 2000. It was assumed that the investment returns would be 10% per annum, that the salary increases would be 8% per annum and that pension increases would be 8% per annum.

The valuation showed scheme assets of £9,107,000.

The pension charge for the year was £Nil (2000 - £Nil).

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

13	Share capital	2001 £	2000 £
	Authorised		
	10,000 Ordinary shares of £ 1 each	10,000	10,000
		<u> </u>	<u> </u>
	Allotted, called up and fully paid		
	10,000 Ordinary shares of £ 1 each	10,000	10,000
		<u> </u>	<u> </u>
14	Statement of movements on profit and loss account		Profit and loss account £
	Balance at 1 April 2000		44,580,169
	Retained profit for the year		3,870,780
			<u> </u>
	Balance at 31 March 2001		48,450,949
			<u> </u>
15	Reconciliation of movements in shareholders' funds	2001 £	2000 £
	Profit for the financial year	3,870,780	2,450,254
	Opening shareholders' funds	44,590,169	42,139,915
		<u> </u>	<u> </u>
	Closing shareholders' funds	48,460,949	44,590,169
		<u> </u>	<u> </u>

16 Contingent liabilities

The company has contingent liabilities in respect of the following:

- a) Guarantees of £600,000 (2000 :£600,000) given to H. M. Customs and Excise.
- b) Other guarantees and indemnities £425,000 (2000 - £164,596).

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

17	Directors' emoluments	2001	2000
		£	£
	Emoluments for qualifying services	480,000	480,000

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2000 - 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

17	Emoluments for qualifying services	240,000	240,000
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18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2001	2000
	Number	Number
Administration	12	12
Selling	13	13
	<u>25</u>	<u>25</u>

Employment costs

	£	£
Wages and salaries	1,653,617	1,439,704
Social security costs	188,374	164,185
Other pension costs	12,280	13,815
	<u>1,854,271</u>	<u>1,617,704</u>

19 Control

The ultimate controlling parties are the directors who wholly own the ordinary share capital of the company.

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

20 Related party transactions

During the year the company entered into the following material transactions with related parties.

	2001	2000
Keveess S.A.		
	£	£
Sales	2,147,574	2,469,474
Purchases	2,346,781	2,845,596
Interest received	-	19,344
	<u> </u>	<u> </u>
Lasca Finance Limited		
	£	£
Interest receivable	1,349,695	733,295
	<u> </u>	<u> </u>

Keveess S.A. is a company registered in Switzerland of which Mr. S. Moussaieff and Mrs A. Moussaieff are directors and shareholders.

Lasca Finance Limited is a company registered in the British Virgin Islands of which Mr. S. Moussaieff and Mrs A. Moussaieff as well as Moussaieff Jewellers Limited are shareholders.

The LHJ Pension Scheme is the company pension fund of which the directors are members.

Any balances outstanding with the above related parties at 31 March 2001 are shown in relevant notes.