

Company Registration No 753013 (England and Wales)

MOUSSAIEFF JEWELLERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

TUESDAY



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MOUSSAIEFF JEWELLERS LIMITED

COMPANY INFORMATION

Directors	A Moussaieff S Moussaieff
Secretary	R Gupta
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

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 15

MOUSSAIEFF JEWELLERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report and financial statements for the year ended 31 March 2007

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

The results for the year were considered satisfactory by the directors

Key performance indicators

	<u>2007</u>	<u>2006</u>
Gross profit margin percentage	30%	33%
Operating profit margin percentage	17%	19%
Profit after tax	£8,123,125	£7,296,134

The financial position at the year end was considered satisfactory by the directors

Principal risks and uncertainties

The company's principal financial instruments comprise bank balances, bank overdrafts, trade creditors, trade debtors and loans to the company. Due to the nature of the financial instruments there is no exposure to price risk. In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at affordable rates of interest. Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due. The company manages its currency risk exposure via its foreign currency bank accounts by only dealing in stable currencies.

Results and dividends

The results for the year are set out on page 4

Interim ordinary dividends were paid amounting to £400,000. The directors do not recommend payment of a final dividend

Future developments

There were no plans for any significant changes in the activity of the company

Directors

The following directors have held office since 1 April 2006

A Moussaieff
S Moussaieff

Directors' interests

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

	Ordinary shares of £1 each	
	31 March 2007	1 April 2006
A Moussaieff	10,000	10,000
S Moussaieff	-	-
Charitable donations	2007	2006
	£	£
During the year the company made the following payments		
Charitable donations	1,564	20,597

MOUSSAIEFF JEWELLERS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

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

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

Statement of disclosure to auditor

So far as the directors are aware

- (a) there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board


A Moussaieff
Director
7 January 2008

MOUSSAIEFF JEWELLERS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MOUSSAIEFF JEWELLERS LIMITED

We have audited the financial statements of Moussaieff Jewellers Limited for the year ended 31 March 2007 set out on pages 4 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the directors' report is consistent with the financial statements, and

Harold Everett Wreford

Harold Everett Wreford

Chartered Accountants

Registered Auditor

8 January 2008

32 Wigmore Street
London W1U 2RP

MOUSSAIEFF JEWELLERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Turnover	2	68,918,387	54,440,717
Cost of sales		<u>(48,218,234)</u>	<u>(36,349,417)</u>
Gross profit		20,700,153	18,091,300
Distribution costs		(1,488,283)	(1,431,685)
Administrative expenses		(7,075,995)	(5,931,504)
Other operating income		<u>290,676</u>	<u>141,181</u>
Operating profit	3	12,426,551	10,869,292
Interest payable and similar charges	4	<u>(927,081)</u>	<u>(520,658)</u>
Profit on ordinary activities before taxation		11,499,470	10,348,634
Tax on profit on ordinary activities	5	<u>(3,376,345)</u>	<u>(3,052,500)</u>
Profit for the year	13	<u><u>8,123,125</u></u>	<u><u>7,296,134</u></u>

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 2007

	Notes	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	7		3,011,283		2,199,761
Current assets					
Stocks	8	103,087,857		87,051,360	
Debtors	9	7,170,081		5,664,487	
Cash at bank and in hand		178,588		22,911	
		<u>110,436,526</u>		<u>92,738,758</u>	
Creditors amounts falling due within one year	10	<u>(39,572,169)</u>		<u>(28,786,004)</u>	
Net current assets			<u>70,864,357</u>		<u>63,952,754</u>
Total assets less current liabilities			<u>73,875,640</u>		<u>66,152,515</u>
Capital and reserves					
Called up share capital	12		10,000		10,000
Profit and loss account	13		<u>73,865,640</u>		<u>66,142,515</u>
Shareholders' funds	14		<u>73,875,640</u>		<u>66,152,515</u>

Approved by the Board and authorised for issue on 7 January 2008


A Moussaieff
Director

MOUSSAIEFF JEWELLERS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	£	2007 £	£	2006 £
Net cash inflow/(outflow) from operating activities		4,219,559		(1,449,773)
Returns on investments and servicing of finance				
Interest paid	(927,081)		(520,658)	
Net cash outflow for returns on investments and servicing of finance		(927,081)		(520,658)
Taxation		(4,387,755)		(380,000)
Capital expenditure				
Payments to acquire tangible assets	(1,282,195)		(2,031,132)	
Receipts from sales of tangible assets	-		15,301	
Net cash outflow for capital expenditure		(1,282,195)		(2,015,831)
Equity dividends paid		(400,000)		(900,000)
Net cash outflow before management of liquid resources and financing		(2,777,472)		(5,266,262)
Decrease in cash in the year		<u>(2,777,472)</u>		<u>(5,266,262)</u>

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities				2007	2006
					£	£
	Operating profit				12,426,551	10,869,292
	Depreciation of tangible assets				469,102	33,728
	Loss on disposal of tangible assets				1,571	7,090
	Increase in stocks				(16,036,497)	(17,685,377)
	Increase in debtors				(1,505,594)	(1,307,756)
	Increase in creditors within one year				8,864,426	6,633,250
	Net cash inflow/(outflow) from operating activities				4,219,559	(1,449,773)
2	Analysis of net debt	1 April 2006	Cash flow	Other non-cash changes		31 March 2007
		£	£	£		£
	Net cash					
	Cash at bank and in hand	22,911	155,677	-		178,588
	Bank overdrafts	(12,259,329)	(2,933,149)	-		(15,192,478)
		<u>(12,236,418)</u>	<u>(2,777,472)</u>	<u>-</u>		<u>(15,013,890)</u>
	Bank deposits	-	-	-		-
	Net debt	(12,236,418)	(2,777,472)	-		(15,013,890)
3	Reconciliation of net cash flow to movement in net debt				2007	2006
					£	£
	Decrease in cash in the year				(2,777,472)	(5,266,262)
	Movement in net debt in the year				(2,777,472)	(5,266,262)
	Opening net debt				(12,236,418)	(6,970,156)
	Closing net debt				(15,013,890)	(12,236,418)

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

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 Stock

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

1.7 Pensions

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

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

1.9 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. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

1.10 Debtors

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

2 Turnover

	2007	2006
	£	£
Geographical market		
United Kingdom	4,673,442	2,442,269
Rest of the World	64,244,945	51,998,448
	<u>68,918,387</u>	<u>54,440,717</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

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

3	Operating profit	2007	2006
		£	£
	Operating profit is stated after charging		
	Depreciation of tangible assets	469,102	33,728
	Loss on disposal of tangible assets	1,571	7,090
	Loss on foreign exchange transactions	-	1,153,592
	Operating lease rentals		
	- Plant and machinery	9,707	-
	- Other assets	1,468,806	1,400,273
	and after crediting		
	Profit on foreign exchange transactions	<u>(3,260,872)</u>	<u>-</u>
	Auditors' remuneration		
	Fees payable to the company's auditor for the audit of the company's annual accounts	19,000	33,500
	Tax advice	-	10,000
		<u>19,000</u>	<u>43,500</u>
4	Interest payable	2007	2006
		£	£
	On bank loans and overdrafts	757,750	406,006
	On overdue tax	169,331	114,652
		<u>927,081</u>	<u>520,658</u>

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

5	Taxation	2007 £	2006 £
	Domestic current year tax		
	U K corporation tax	3,414,846	3,039,000
	Adjustment for prior years	(38,501)	13,500
	Current tax charge	<u>3,376,345</u>	<u>3,052,500</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>11,499,470</u>	<u>10,348,634</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	<u>3,449,841</u>	<u>3,104,590</u>
	Effects of		
	Non deductible expenses	20,493	27,292
	Depreciation add back	140,731	10,118
	Capital allowances	(196,219)	(103,000)
	Adjustments to previous periods	(38,501)	13,500
		<u>(73,496)</u>	<u>(52,090)</u>
	Current tax charge	<u>3,376,345</u>	<u>3,052,500</u>
	6 Dividends	2007 £	2006 £
	Ordinary interim paid 8 December 2006	150,000	100,000
	Ordinary interim paid 26 January 2007	150,000	50,000
	Ordinary interim paid 1 February 2007	100,000	400,000
	Ordinary interim paid 29 November 2005	-	100,000
	Ordinary interim paid 7 February 2006	-	250,000
		<u>400,000</u>	<u>900,000</u>

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

7 Tangible fixed assets

	Improvements to premises	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2006	1,809,892	851,482	106,249	2,767,623
Additions	595,669	665,308	21,218	1,282,195
Disposals	-	-	(35,720)	(35,720)
At 31 March 2007	2,405,561	1,516,790	91,747	4,014,098
Depreciation				
At 1 April 2006	184,533	315,738	67,591	567,862
On disposals	-	-	(34,149)	(34,149)
Charge for the year	222,103	235,338	11,661	469,102
At 31 March 2007	406,636	551,076	45,103	1,002,815
Net book value				
At 31 March 2007	1,998,925	965,714	46,644	3,011,283
At 31 March 2006	1,625,359	535,744	38,658	2,199,761

8 Stocks	2007	2006
	£	£
Finished goods and goods for resale	103,087,857	87,051,360

9 Debtors	2007	2006
	£	£
Trade debtors	6,032,539	4,355,738
Other debtors	585,065	840,142
Prepayments and accrued income	552,477	468,607
	7,170,081	5,664,487

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

10	Creditors amounts falling due within one year	2007 £	2006 £
	Bank loans and overdrafts	15,192,478	12,259,329
	Trade creditors	10,333,991	7,879,948
	Corporation tax	3,613,603	4,625,013
	Other taxes and social security costs	161,147	131,619
	Directors' current accounts	22,486	58,971
	Amounts owed to Keveess S A	9,624,685	3,320,847
	Accruals and deferred income	623,779	510,277
		<u>39,572,169</u>	<u>28,786,004</u>

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

11 Pension costs

Defined contribution

	2007 £	2006 £
Contributions payable by the company for the year	<u>51,623</u>	<u>42,322</u>

12 Share capital

	2007 £	2006 £
Authorised		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

13 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 April 2006	66,142,515
Profit for the year	8,123,125
Dividends paid	(400,000)
Balance at 31 March 2007	<u>73,865,640</u>

14 Reconciliation of movements in shareholders' funds

	2007	2006
	£	£
Profit for the financial year	8,123,125	7,296,134
Dividends	(400,000)	(900,000)
Net addition to shareholders' funds	<u>7,723,125</u>	<u>6,396,134</u>
Opening shareholders' funds	66,152,515	59,756,381
Closing shareholders' funds	<u>73,875,640</u>	<u>66,152,515</u>

15 Contingent liabilities

The company has contingent liabilities in respect of guarantees of £600,000 (2006 £600,000) given to H M Customs and Excise

16 Financial commitments

At 31 March 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2008

	Land and buildings	
	2007	2006
	£	£
Operating leases which expire		
Within one year	180,303	-
Between two and five years	-	360,605
In over five years	1,025,000	1,025,000
	<u>1,205,303</u>	<u>1,385,605</u>

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

17 Directors' emoluments	2007	2006
	£	£
Emoluments for qualifying services	<u>504,456</u>	<u>520,841</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2006 - 2)

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

Emoluments for qualifying services	<u>264,356</u>	<u>280,841</u>
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18 Employees

Number of employees

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

	2007	2006
	Number	Number
Administration	18	14
Selling	<u>14</u>	<u>11</u>
	<u>32</u>	<u>25</u>

Employment costs

	2007	2006
	£	£
Wages and salaries	2,975,458	2,603,010
Social security costs	360,149	317,246
Other pension costs	<u>51,623</u>	<u>42,322</u>
	<u>3,387,230</u>	<u>2,962,578</u>

19 Control

The ultimate controlling party is Mrs A Moussaieff who wholly owns the ordinary share capital of the company

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

20 Related party transactions

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

	2007	2006
Keveff S A		
	£	£
Sales	28,280	4,220,514
Purchases	8,137,138	3,792,978
	<u> </u>	<u> </u>

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

Any balances outstanding with the above at the year end are shown in relevant notes

The directors have provided the company with an unlimited personal guarantee in respect of amounts due to Barclays Bank PLC