

Company Registration No. 753013 (England and Wales)

**MOUSSAIEFF JEWELLERS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2000**



# MOUSSAIEFF JEWELLERS LIMITED

## COMPANY INFORMATION

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Directors	A Moussaieff S Moussaieff
Secretary	S Moussaieff
Company number	753013
Registered office	Harford House 101-103 Great Portland Street London W1N 6BH
Auditors	Harold Everett Wreford Harford House 101-103 Great Portland Street London W1N 6BH
Bankers	Barclays Bank Plc

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# MOUSSAIEFF JEWELLERS LIMITED

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# MOUSSAIEFF JEWELLERS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2000

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The directors present their report and financial statements for the year ended 31 March 2000.

### 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.

### 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 1999:

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 2000	1 April 1999
A Moussaieff	5,000	5,000
S Moussaieff	5,000	5,000

### Charitable contributions

During the year the company made charitable donations of £710 (1999 : £-).

### 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 2000

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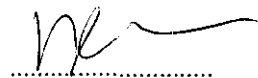
### Directors' responsibilities

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

16 March 2001

# MOUSSAIEFF JEWELLERS LIMITED

## AUDITORS' REPORT TO THE SHAREHOLDERS OF MOUSSAIEFF JEWELLERS LIMITED

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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 2000 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

16 March 2001

Harford House  
101-103 Great Portland Street  
London  
W1N 6BH

# MOUSSAIEFF JEWELLERS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £	1999 £
Turnover	2	36,176,445	48,732,719
Cost of sales		(28,309,863)	(38,050,677)
Gross profit		7,866,582	10,682,042
Administrative expenses		(4,138,995)	(3,485,009)
Other operating income		240,195	180,454
Operating profit	3	3,967,782	7,377,487
Other interest receivable and similar income		752,638	1,165,853
Interest payable and similar charges	4	(1,130,548)	(1,073,566)
Profit on ordinary activities before taxation		3,589,872	7,469,774
Tax on profit on ordinary activities	5	(1,139,618)	(2,329,122)
Profit on ordinary activities after taxation	14	2,450,254	5,140,652

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

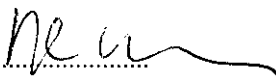
There are no recognised gains and losses other than those passing through the profit and loss account.

# MOUSSAIEFF JEWELLERS LIMITED

## BALANCE SHEET AS AT 31 MARCH 2000

	Notes	2000		1999	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		115,477		133,856
Investments	7		6		-
			<u>115,483</u>		<u>133,856</u>
<b>Current assets</b>					
Stocks	8	55,439,578		51,801,607	
Debtors	9	17,201,183		17,017,859	
Cash at bank and in hand		30,713		551,726	
		<u>72,671,474</u>		<u>69,371,192</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(17,096,788)</u>		<u>(27,365,134)</u>	
<b>Net current assets</b>			<u>55,574,686</u>		<u>42,006,058</u>
<b>Total assets less current liabilities</b>			<u>55,690,169</u>		<u>42,139,914</u>
<b>Creditors: amounts falling due after more than one year</b>	11		<u>(11,100,000)</u>		<u>-</u>
			<u>44,590,169</u>		<u>42,139,914</u>
<b>Capital and reserves</b>					
Called up share capital	13		10,000		10,000
Profit and loss account	14		44,580,169		42,129,914
<b>Shareholders' funds - equity interests</b>	15		<u>44,590,169</u>		<u>42,139,914</u>

The financial statements were approved by the Board on 16 March 2001

  
 .....  
 A Moussaieff  
 Director



# MOUSSAIEFF JEWELLERS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

	2000 £	1999 £
Net cash (outflow)/inflow from operating activities	(5,212,788)	3,027,365
<b>Returns on investments and servicing of finance</b>		
Interest received	727,997	973,545
Interest paid	(1,053,949)	(1,122,487)
Net cash outflow for returns on investments and servicing of finance	(325,952)	(148,942)
Taxation	(3,126,253)	(2,645,604)
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(6,818)	(7,064)
Receipts from sales of tangible assets	651	1,500
Net cash outflow for capital expenditure	(6,167)	(5,564)
Net cash (outflow)/inflow before management of liquid resources and financing	(8,671,160)	227,255
<b>Financing</b>		
New long term bank loan	12,000,000	-
Other new short term loans	600,000	-
Repayment of long term bank loan	(900,000)	-
Repayment of other short term loans	-	(3,630,756)
Net cash inflow/(outflow) from financing	11,700,000	(3,630,756)
Increase/(decrease) in cash in the year	3,028,840	(3,403,501)

# MOUSSAIEFF JEWELLERS LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

<b>1</b>	<b>Reconciliation of operating profit to net cash (outflow)/inflow from operating activities</b>		<b>2000</b>	<b>1999</b>	
			£	£	
	Operating profit		3,967,782	7,377,487	
	Depreciation of tangible assets		22,442	26,323	
	Loss on disposal of tangible assets		2,104	2,191	
	Increase in stocks		(3,637,971)	(4,015,112)	
	Increase in debtors		(158,683)	(1,090,708)	
	(Decrease)/Increase in creditors within one year		(5,408,462)	727,184	
	<b>Net cash (outflow)/inflow from operating activities</b>		<b>(5,212,788)</b>	<b>3,027,365</b>	
<b>2</b>	<b>Analysis of net debt</b>	<b>1 April 1999</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 March 2000</b>
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	551,726	(521,013)	-	30,713
	Bank overdrafts	(14,262,613)	3,549,848	-	(10,712,765)
		<u>(13,710,887)</u>	<u>3,028,835</u>	<u>-</u>	<u>(10,682,052)</u>
	Debt:				
	Debts falling due within one year	-	(600,000)	-	(600,000)
	Debts falling due after one year	-	(11,100,000)	-	(11,100,000)
		<u>-</u>	<u>(11,700,000)</u>	<u>-</u>	<u>(11,700,000)</u>
	<b>Net debt</b>	<b>(13,710,887)</b>	<b>(8,671,165)</b>	<b>-</b>	<b>(22,382,052)</b>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net debt</b>		<b>2000</b>	<b>1999</b>	
			£	£	
	Increase/(decrease) in cash in the year		3,028,835	(3,403,501)	
	Cash (inflow)/outflow from (increase)/decrease in debt		(11,700,000)	3,630,756	
	<b>Movement in net debt in the year</b>		<b>(8,671,165)</b>	<b>227,255</b>	
	Opening net debt		(13,710,887)	(13,938,142)	
	<b>Closing net debt</b>		<b>(22,382,052)</b>	<b>(13,710,887)</b>	

# MOUSSAIEFF JEWELLERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2000

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### 1 Accounting policies

#### 1.1 Accounting convention

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

#### 1.2 Turnover

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

#### 1.3 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 .

#### 1.4 Leasing

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

#### 1.5 Investments

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

#### 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 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.

#### 1.9 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 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.

#### 1.10 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 2000

### 2 Turnover

	Turnover	
	2000	1999
	£	£
<b>Geographical market</b>		
United Kingdom	1,658,888	1,689,887
Rest of the World	34,517,557	47,165,264
	<u>32,858,669</u>	<u>48,855,151</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

	2000	1999
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	22,442	26,323
Operating lease rentals	576,129	666,358
Auditors' remuneration	33,500	39,250
Remuneration of auditors for non-audit work	30,054	13,922
	<u>662,125</u>	<u>745,853</u>

### 4 Interest payable

	2000	1999
	£	£
On bank loans and overdrafts	656,986	696,934
On other loans wholly repayable within 5 years	-	357,530
On loans repayable after 5 years	472,043	-
On overdue tax	1,519	16,972
On amounts payable to suppliers	-	2,130
	<u>1,130,548</u>	<u>1,073,566</u>

### 5 Taxation

	2000	1999
	£	£
<b>U.K. current year taxation</b>		
U.K. corporation tax at 30% (1999 - 31%)	1,139,618	2,328,721
<b>Prior years</b>		
U.K. corporation tax	-	401
	<u>1,139,618</u>	<u>2,329,122</u>

# MOUSSAIEFF JEWELLERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

### 6 Tangible fixed assets

	Improvements to premises	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 1999	186,305	257,367	87,122	530,794
Additions	-	3,141	3,677	6,818
Disposals	-	-	(4,158)	(4,158)
At 31 March 2000	186,305	260,508	86,641	533,454
<b>Depreciation</b>				
At 1 April 1999	134,888	210,007	52,043	396,938
On disposals	-	-	(1,403)	(1,403)
Charge for the year	5,142	10,100	7,200	22,442
At 31 March 2000	140,030	220,107	57,840	417,977
<b>Net book value</b>				
At 31 March 2000	46,275	40,401	28,801	115,477
At 31 March 1999	51,417	47,360	35,079	133,856

### 7 Fixed asset investments

	Unlisted investments
	£
<b>Cost</b>	
At 1 April 1999	-
Additions	6
At 31 March 2000	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	2000	1999
	£	£
Finished goods and goods for resale	55,439,578	51,801,607

# MOUSSAIEFF JEWELLERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

9 Debtors	2000	1999
	£	£
Trade debtors	2,263,826	4,332,500
Other debtors	752,923	442,830
Amounts owed by Lasca Finance Limited	13,524,642	-
Amounts owed by Ke vess S. A.	439,069	12,040,202
Prepayments and accrued income	220,723	202,327
	<u>17,201,183</u>	<u>17,017,859</u>

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

	2000	1999
	£	£
Ke vess S. A. (3 1/4% above LIBOR repayable on demand)	-	11,527,466
Lasca Finance Limited (3 3/4% above LIBOR repayable on demand)	13,500,000	-
	<u>13,500,000</u>	<u>11,527,466</u>

10 Creditors: amounts falling due within one year	2000	1999
	£	£
Bank loans and overdrafts	11,312,765	14,262,613
Trade creditors	4,472,812	8,335,818
Corporation tax	842,618	2,829,253
Other taxes and social security costs	60,559	145,492
Directors' current accounts	25,461	122,827
Amounts owed to Ke vess S. A.	-	1,335,167
Accruals and deferred income	382,573	333,964
	<u>17,096,788</u>	<u>27,365,134</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 2000

11 Creditors: amounts falling due after more than one year	2000	1999
	£	£
Bank loans	11,100,000	-
	<u>11,100,000</u>	<u>-</u>
<b>Analysis of loans</b>		
Not wholly repayable within five years by instalments:		
Medium term bank loan	11,700,000	-
	<u>11,700,000</u>	<u>-</u>
Included in current liabilities	(600,000)	-
	<u>11,100,000</u>	<u>-</u>
Instalments not due within five years	-	-
	<u>-</u>	<u>-</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	600,000	-
In more than two years but not more than five years	2,400,000	-
In more than five years	8,700,000	-
	<u>11,700,000</u>	<u>-</u>

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 1997. 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 £7,381,724.

The pension charge for the year was £Nil (1999 - £Nil).

13 Share capital	2000	1999
	£	£
<b>Authorised</b>		
10,000 Ordinary shares of £ 1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
10,000 Ordinary shares of £ 1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

# MOUSSAIEFF JEWELLERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

### 14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 1999	42,129,915
Retained profit for the year	2,450,254
Balance at 31 March 2000	<u>44,580,169</u>

### 15 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the financial year	2,450,254	5,140,652
Opening shareholders' funds	42,139,914	36,999,262
Closing shareholders' funds	<u>44,590,169</u>	<u>42,139,914</u>

### 16 Contingent liabilities

The company has contingent liabilities in respect of the following:

- a) Guarantees of £600,000 (1999:£600,000) given to H. M. Customs and Excise.
- b) Other guarantees and indemnities £164,596 (1999 - £356,837).

In addition, on 28 June 2000, the company provided its related party, Lasca Finance Limited with an unlimited guarantee to enable it to support Camden Market Holdings Corporation in the twelve months from that date. On 30 January 2001 this guarantee was varied and limited to the effect that Camden Market Holdings Corporation confirmed that it would not look to Lasca Finance Limited for support beyond £500,000 up to and including 28 June 2001.

### 17 Financial commitments

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2000	1999
	£	£
Expiry date:		
Within one year	-	346,650
Between two and five years	-	300,741
	<u>-</u>	<u>647,391</u>



# MOUSSAIEFF JEWELLERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

18	Directors' emoluments	2000 £	1999 £
	Emoluments for qualifying services	<u>480,000</u>	<u>480,000</u>
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Emoluments for qualifying services	<u>240,000</u>	<u>240,000</u>
19	Employees		
	Number of employees		
	The average monthly number of employees (including directors) during the year was:		
		2000 Number	1999 Number
	Administration	12	13
	Selling	13	13
		<u>25</u>	<u>26</u>
	Employment costs		
		£	£
	Wages and salaries	1,439,704	1,418,321
	Social security costs	164,185	141,715
	Other pension costs	<u>13,815</u>	<u>6,704</u>
		<u>1,617,704</u>	<u>1,566,740</u>

# MOUSSAIEFF JEWELLERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

### 20 Related party transactions

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

	2000	1999
<b>Keveff S.A.</b>		
	£	£
Sales	2,469,474	6,529,878
Purchases	2,845,596	7,799,859
Interest received	19,344	1,165,853
	<u>                    </u>	<u>                    </u>
<b>LHJ Pension Scheme</b>		
	£	£
Interest paid	-	357,530
	<u>                    </u>	<u>                    </u>
<b>Lasca Finance Limited</b>		
	£	£
Interest receivable	733,295	-
	<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.

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 2000 are shown in notes 8 and 9.