

Company Registration No. 753013 (England and Wales)

MOUSSAIEFF JEWELLERS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003



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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 2003**

The directors present their report and financial statements for the year ended 31 March 2003.

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.

It has been a difficult year in large part because of a deterioration in the world economy and the luxury goods market, in particular, suffered a sharp decrease in trade following the World Trade Centre attack.

Results and dividends

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

During the year no interim dividend was paid (2002:£20 per share).

Directors

The following directors have held office since 1 April 2002:

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 2003	1 April 2002
A Moussaieff	5,000	5,000
S Moussaieff	5,000	5,000

Charitable contributions

During the year the company made charitable donations of £395 (2002 : £500).

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 2003

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

19 January 2004

MOUSSAIEFF JEWELLERS LIMITED

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MOUSSAIEFF JEWELLERS LIMITED**

We have audited the financial statements of Moussaieff Jewellers Limited on pages 4 to 16 for the year ended 31 March 2003. These financial statements have been prepared under the historical cost convention and 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 auditor's 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

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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.

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 United Kingdom 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 2003 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

21 January 2004

32 Wigmore Street
London
W1U 2RP

MOUSSAIEFF JEWELLERS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £	2002 £
Turnover	2	29,889,943	26,215,666
Cost of sales		(23,558,097)	(20,695,556)
Gross profit		6,331,846	5,520,110
Administrative expenses		(4,222,256)	(4,320,965)
Other operating income		64,297	205,994
Operating profit	3	2,173,887	1,405,139
Other interest receivable and similar income		1,141,937	1,233,961
Interest payable and similar charges	4	(886,205)	(1,208,349)
Profit on ordinary activities before taxation		2,429,619	1,430,751
Tax on profit on ordinary activities	5	(734,932)	(435,058)
Profit on ordinary activities after taxation		1,694,687	995,693
Dividends	6	-	(200,000)
Retained profit for the year	15	1,694,687	795,693

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

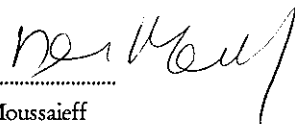
There are no recognised gains and losses other than those passing through the profit and loss account.

MOUSSAIEFF JEWELLERS LIMITED

BALANCE SHEET
AS AT 31 MARCH 2003

	Notes	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	7		128,303		145,674
Investments	8		6		6
			<u>128,309</u>		<u>145,680</u>
Current assets					
Stocks	9	60,236,641		62,002,233	
Debtors	10	17,276,585		20,134,027	
Cash at bank and in hand		237,644		51,143	
		<u>77,750,870</u>		<u>82,187,403</u>	
Creditors: amounts falling due within one year	11	(17,627,850)		(23,176,441)	
			<u>60,123,020</u>		<u>59,010,962</u>
Net current assets			<u>60,123,020</u>		<u>59,010,962</u>
Total assets less current liabilities			<u>60,251,329</u>		<u>59,156,642</u>
Creditors: amounts falling due after more than one year	12		(9,300,000)		(9,900,000)
			<u>50,951,329</u>		<u>49,256,642</u>
Capital and reserves					
Called up share capital	14		10,000		10,000
Profit and loss account	15		50,941,329		49,246,642
			<u>50,951,329</u>		<u>49,256,642</u>
Shareholders' funds - equity interests	16		<u>50,951,329</u>		<u>49,256,642</u>

The financial statements were approved by the Board on 19 January 2004


A Moussaieff
Director

MOUSSAIEFF JEWELLERS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

	2003		2002	
	£	£	£	£
Net cash inflow from operating activities		4,012,191		2,109,337
Returns on investments and servicing of finance				
Interest received	1,141,937		976,380	
Interest paid	(886,205)		(1,230,918)	
Net cash inflow/(outflow) for returns on investments and servicing of finance		255,732		(254,538)
Taxation		(710,311)		(1,155,000)
Capital expenditure				
Payments to acquire tangible assets	(11,047)		(28,788)	
Receipts from sales of tangible assets	1,301		-	
Net cash outflow for capital expenditure		(9,746)		(28,788)
Equity dividends paid		-		(200,000)
Net cash inflow before management of liquid resources and financing		3,547,866		471,011
Financing				
Repayment of long term bank loan	(600,000)		(600,000)	
Net cash outflow from financing		(600,000)		(600,000)
Increase/(decrease) in cash in the year		2,947,866		(128,989)

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003

1	Reconciliation of operating profit to net cash inflow from operating activities	2003	2002
		£	£
	Operating profit	2,173,887	1,405,139
	Depreciation of tangible assets	27,389	31,212
	(Profit)/loss on disposal of tangible assets	(272)	929
	Decrease/(increase) in stocks	1,765,592	(5,525,893)
	Decrease in debtors	2,857,442	1,479,597
	(Decrease)/Increase in creditors within one year	(2,811,847)	4,718,353
	Net cash inflow from operating activities	4,012,191	2,109,337

2	Analysis of net debt	1 April 2002	Cash flow	Other non-cash changes	31 March 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	51,143	186,501	-	237,644
	Bank overdrafts	(11,291,951)	2,761,365	-	(8,530,586)
		<u>(11,240,808)</u>	<u>2,947,866</u>	<u>-</u>	<u>(8,292,942)</u>
	Debt:				
	Debts falling due within one year	(600,000)	-	-	(600,000)
	Debts falling due after one year	(9,900,000)	600,000	-	(9,300,000)
		<u>(10,500,000)</u>	<u>600,000</u>	<u>-</u>	<u>(9,900,000)</u>
	Net debt	(21,740,808)	3,547,866	-	(18,192,942)

3	Reconciliation of net cash flow to movement in net debt	2003	2002
		£	£
	Increase/(decrease) in cash in the year	2,947,866	(128,989)
	Cash outflow from decrease in debt	600,000	600,000
	Movement in net debt in the year	3,547,866	471,011
	Opening net debt	(21,740,808)	(22,211,819)
	Closing net debt	(18,192,942)	(21,740,808)

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003

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

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. 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.

1.10 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 2003

2 Turnover

	Turnover	
	2003	2002
	£	£
Geographical market		
United Kingdom	1,467,900	1,456,059
Rest of the World	28,422,043	24,759,607
	<u>29,889,943</u>	<u>26,215,666</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

	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	27,389	31,212
Loss on disposal of tangible assets	-	929
Operating lease rentals	823,221	809,654
Auditors' remuneration	33,500	33,500
and after crediting:		
Profit on disposal of tangible assets	(272)	-
	<u>886,205</u>	<u>1,208,349</u>

4 Interest payable

	2003	2002
	£	£
On bank loans and overdrafts	362,939	343,209
On loans repayable after 5 years	523,206	789,408
On overdue tax	60	69,127
On amounts payable to suppliers	-	6,605
	<u>886,205</u>	<u>1,208,349</u>

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

5	Taxation	2003 £	2002 £
	Domestic current year tax		
	U.K. corporation tax	734,932	435,058
	Current tax charge	<u>734,932</u>	<u>435,058</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	2,429,619	1,430,751
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00 % (2002 : 30.00 %)	<u>728,886</u>	<u>429,225</u>
	Effects of:		
	Non deductible expenses	5,684	4,873
	Depreciation add back	8,135	9,643
	Capital allowances	(7,773)	(8,683)
		<u>6,046</u>	<u>5,833</u>
	Current tax charge	<u>734,932</u>	<u>435,058</u>
6	Dividends	2003 £	2002 £
	Ordinary interim paid 31 March 2002	-	200,000
		<u>-</u>	<u>200,000</u>

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

7 Tangible fixed assets

	Improvements to premises	Fixtures, Motor vehicles fittings & equipment		Total
	£	£	£	£
Cost				
At 1 April 2002	186,305	335,332	88,372	610,009
Additions	-	8,792	2,255	11,047
Disposals	-	-	(2,009)	(2,009)
At 31 March 2003	186,305	344,124	88,618	619,047
Depreciation				
At 1 April 2002	148,823	260,019	55,493	464,335
On disposals	-	-	(980)	(980)
Charge for the year	3,748	16,820	6,821	27,389
At 31 March 2003	152,571	276,839	61,334	490,744
Net book value				
At 31 March 2003	33,734	67,285	27,284	128,303
At 31 March 2002	37,482	75,313	32,879	145,674

8 Fixed asset investments

	Unlisted investments
	£
Cost	
At 1 April 2002 & at 31 March 2003	6

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

9 Stocks

	2003	2002
	£	£
Finished goods and goods for resale	60,236,641	62,002,233

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

10 Debtors	2003 £	2002 £
Trade debtors	1,500,976	3,885,205
Other debtors	492,290	183,840
Amounts owed by Lasca Finance Limited	14,921,852	14,731,917
Amounts owed by Keveess S. A.	-	1,139,080
Prepayments and accrued income	361,467	193,985
	<u>17,276,585</u>	<u>20,134,027</u>

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

	2003 £	2002 £
Lasca Finance Limited (3 3/4% above LIBOR repayable on demand)	<u>13,500,000</u>	<u>13,500,000</u>

11 Creditors: amounts falling due within one year	2003 £	2002 £
Bank loans and overdrafts	9,130,586	11,891,951
Trade creditors	6,640,100	10,098,492
Corporation tax	584,932	560,311
Other taxes and social security costs	50,027	58,665
Directors' current accounts	16,261	7,184
Other creditors	-	46,044
Amounts owed to Keveess S.A.	907,545	-
Accruals and deferred income	298,399	513,794
	<u>17,627,850</u>	<u>23,176,441</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 2003

12 Creditors: amounts falling due after more than one year	2003	2002
	£	£
Bank loans	9,300,000	9,900,000
Analysis of loans		
Not wholly repayable within five years by instalments:		
Medium term bank loan	9,900,000	10,500,000
Included in current liabilities	(600,000)	(600,000)
	9,300,000	9,900,000
Instalments not due within five years	6,900,000	7,500,000
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	6,900,000	7,500,000

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.

13 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 (2002 - £Nil).

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

14	Share capital	2003	2002
		£	£
	Authorised		
	10,000 Ordinary shares of £ 1 each	10,000	10,000
	Allotted, called up and fully paid		
	10,000 Ordinary shares of £ 1 each	10,000	10,000
15	Statement of movements on profit and loss account		Profit and loss account
			£
	Balance at 1 April 2002		49,246,642
	Retained profit for the year		1,694,687
	Balance at 31 March 2003		50,941,329
16	Reconciliation of movements in shareholders' funds	2003	2002
		£	£
	Profit for the financial year	1,694,687	995,693
	Dividends	-	(200,000)
	Net addition to shareholders' funds	1,694,687	795,693
	Opening shareholders' funds	49,256,642	48,460,949
	Closing shareholders' funds	50,951,329	49,256,642

17 **Contingent liabilities**

The company has contingent liabilities in respect of the following:

- a) Guarantees of £600,000 (2002 :£600,000) given to H. M. Customs and Excise.
- b) Other guarantees and indemnities £425,000 (2002 - £425,000).

MOUSSAIEFF JEWELLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2003

18 Directors' emoluments	2003	2002
	£	£
Emoluments for qualifying services	502,962	808,666

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2002 - 2).

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

Emoluments for qualifying services	262,912	556,666
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19 Employees

Number of employees

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

	2003	2002
	Number	Number
Administration	12	12
Selling	13	13
	25	25

Employment costs

	£	£
Wages and salaries	1,638,016	1,936,179
Social security costs	180,508	213,990
Other pension costs	10,947	8,794
	1,829,471	2,158,963

20 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 2003

21 Related party transactions

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

	2003	2002
Keveff S.A.		
	£	£
Sales	4,491,068	5,586,503
Purchases	2,055,469	934,252
	<u> </u>	<u> </u>
Lasca Finance Limited		
	£	£
Interest receivable	1,141,935	1,233,961
	<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 2003 are shown in relevant notes.