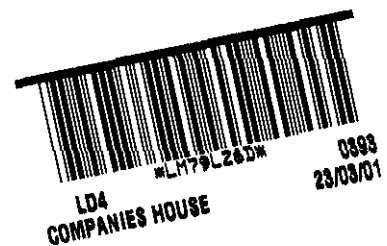


Company Registration No. 459576 (England and Wales)

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**AND SUBSIDIARIES**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 24 MAY 2000**



**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**COMPANY INFORMATION**

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<b>Directors</b>	D.D. Fiszman P.I. Propper D.L. Bucks (Resigned 24 May 2000)
<b>Joint secretaries</b>	D.D. Fiszman, P.I. Propper
<b>Company number</b>	459576
<b>Registered office</b>	94 Saffron Hill London EC1N 8PT
<b>Auditors</b>	Harold Everett Wreford Harford House 101-103 Great Portland Street London W1N 6BH
<b>Bankers</b>	National Westminster Bank Plc Barclays Bank Plc

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**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**CONTENTS**

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Balance sheet	6
Consolidated balance sheet	7
Consolidated cash flow statement	8
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**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 24 MAY 2000**

The directors present their report and financial statements for the year ended 24 May 2000.

**Principal activities and review of the business**

The principal activity of the company and the group during the year continued to be dealing in diamonds.

The results for the year and the financial position at the balance sheet date were considered satisfactory by the directors.

**Results and dividends**

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

An interim dividend was paid totalling £6,000. The directors do not recommend payment of a final dividend.

**Future developments**

There are no plans for any significant changes to the group's principal activities during the next financial year.

**Directors and their interests**

The following directors have held office since 25 May 1999:

D.D. Fiszman

P.I. Propper

D.L. Bucks

(Resigned 24 May 2000)

**Directors' interests**

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

**'A' Ordinary shares of £ 1 each**  
**24 May 2000**                      **25 May 1999**

D.D. Fiszman	77,000	77,000
P.I. Propper	-	-
D.L. Bucks	-	-

**'B' Ordinary shares of £ 1 each**  
**24 May 2000**                      **25 May 1999**

D.D. Fiszman	112,000	112,000
P.I. Propper	-	-
D.L. Bucks	-	-

**'C' Ordinary shares of £ 1 each**  
**24 May 2000**                      **25 May 1999**

D.D. Fiszman	398,000	398,000
P.I. Propper	-	-
D.L. Bucks	-	-

**'D' Ordinary shares of £ 1 each**  
**24 May 2000**                      **25 May 1999**

D.D. Fiszman	20,000	20,000
P.I. Propper	20,000	20,000
D.L. Bucks	20,000	20,000

The 60,000 'D' Shares of £1 each are held jointly by the three directors as trustees.

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 24 MAY 2000**

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**Charitable contributions**

During the year the group made charitable donations of £175,266 (1999 - £25,185).

**Post balance sheet events**

On 29 December 2000 the company changed its name from Star Diamond Company Limited to Star Industrial Holdings Limited.

**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**

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;
- 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



P.I. Propper

**Joint secretary**

23 March 2001

**STAR INDUSTRIAL HOLDINGS LIMITED  
(FORMERLY STAR DIAMOND COMPANY LIMITED)  
AUDITORS' REPORT  
TO THE SHAREHOLDERS OF STAR INDUSTRIAL HOLDINGS LIMITED**

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We have audited the financial statements on pages 4 to 22 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in note 1.

**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, except that the scope of our work was limited as explained below. 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. However, the evidence available to us was limited because we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the valuation of diamond stock valued at £526,063 included within total diamond stock of £570,621 appearing in the company's balance sheet, and £2,254,685 included within total diamond stock of £2,299,243 appearing in the consolidated balance sheet. Any adjustment to these figures would have a corresponding effect on the profit for the year.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Qualified opinion arising from limitation in audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the valuation of stock, in our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 24 May 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our audit work relating to the valuation of stock we were unable to obtain all the information that we considered necessary for the purpose of our audit.



**Harold Everett Wreford**

23 March 2000

Chartered Accountants  
Registered Auditor

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

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 24 MAY 2000**

	Notes	2000 £	1999 £
Turnover	2	8,358,217	8,008,393
Cost of sales		(6,123,063)	(5,661,887)
<b>Gross profit</b>		<u>2,235,154</u>	<u>2,346,506</u>
Administrative expenses		(2,517,055)	(2,007,832)
Other operating income		20,000	35,000
<b>Operating (loss)/profit</b>	3	<u>(261,901)</u>	<u>373,674</u>
Investment income	4	21,685,597	8,974,504
Other interest receivable and similar income		344,381	281,003
Interest payable and similar charges	5	(194,955)	(159,633)
<b>Profit on ordinary activities before taxation</b>		<u>21,573,122</u>	<u>9,469,548</u>
Tax on profit on ordinary activities	6	(6,794,156)	(2,569,529)
<b>Profit on ordinary activities after taxation</b>		<u>14,778,966</u>	<u>6,900,019</u>
Dividends	7	(6,000)	(1,026,600)
<b>Retained profit for the year</b>	17	<u><u>14,772,966</u></u>	<u><u>5,873,419</u></u>

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

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 24 MAY 2000**

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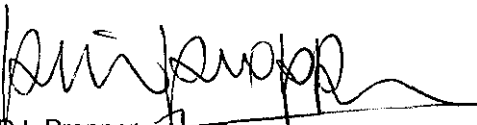
	2000	1999
	£	£
<b>Group profit for the financial year</b>	14,778,966	6,900,019
Unrealised surplus on revaluation of plant and equipment	146,728	-
	<u>14,925,694</u>	<u>6,900,019</u>
Currency translation differences on foreign currency net investments	192,042	57,355
	<u>15,117,736</u>	<u>6,957,374</u>
<b>Total gains and losses recognised since last financial statements</b>	<u><u>15,117,736</u></u>	<u><u>6,957,374</u></u>



**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**BALANCE SHEET**  
**AS AT 24 MAY 2000**

	Notes	2000		1999	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		2,883,724		1,780,921
Investments	10		13,302,921		9,514,100
			<u>16,186,645</u>		<u>11,295,021</u>
<b>Current assets</b>					
Stocks	11	572,578		575,712	
Debtors: amounts falling due within one year	12	1,409,157		1,922,133	
Debtors: amounts falling due after more than one year	12	-		1,795,150	
Cash at bank and in hand		14,231,950		4,893,529	
			<u>16,213,685</u>	<u>9,186,524</u>	
<b>Creditors: amounts falling due within one year</b>	13		<u>(5,020,080)</u>	<u>(4,759,297)</u>	
<b>Net current assets/(liabilities)</b>			<u>11,193,605</u>	<u>4,427,227</u>	
<b>Total assets less current liabilities</b>			<u>27,380,250</u>	<u>15,722,248</u>	
<b>Creditors: amounts falling due after more than one year</b>	14		<u>(850,828)</u>	<u>(360,211)</u>	
			<u>26,529,422</u>	<u>15,362,037</u>	
<b>Capital and reserves</b>					
Called up share capital	16		771,750		771,750
Share premium account	17		12,500		12,500
Other reserves	17		528,250		528,250
Profit and loss account	17		25,216,922		14,049,537
<b>Shareholders' funds - equity interests</b>	18		<u>26,529,422</u>		<u>15,362,037</u>

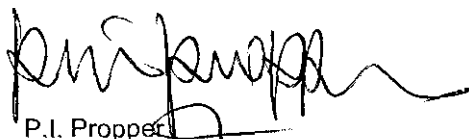
The financial statements were approved by the board on 23 March 2000

  
P.I. Propper  
Director

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 24 MAY 2000**

	Notes	2000		1999	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	8		1,872,109		-
Tangible assets	9		3,412,645		2,209,441
Investments	10		15,997,961		10,354,661
			<u>21,282,715</u>		<u>12,564,102</u>
<b>Current assets</b>					
Stocks	11	2,301,200		1,957,742	
Debtors: amounts falling due within one year	12	2,584,622		3,054,029	
Debtors: amounts falling due after more than one year	12	-		1,795,150	
Cash at bank and in hand		14,294,855		4,895,550	
			<u>19,180,677</u>	<u>11,702,471</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(6,376,593)</u>		<u>(5,906,258)</u>	
<b>Net current assets</b>			<u>12,804,084</u>		<u>5,796,213</u>
<b>Total assets less current liabilities</b>			<u>34,086,799</u>		<u>18,360,315</u>
<b>Creditors: amounts falling due after more than one year</b>	14		<u>(974,959)</u>		<u>(360,211)</u>
			<u>33,111,840</u>		<u>18,000,104</u>
<b>Capital and reserves</b>					
Called up share capital	16		771,750		771,750
Share premium account	17		12,500		12,500
Revaluation reserve	17		146,728		-
Other reserves	17		579,145		579,145
Profit and loss account	17		31,598,420		16,633,412
<b>Shareholders' funds - equity interests</b>	18		<u>33,108,543</u>		<u>17,996,807</u>
Minority interests			<u>3,297</u>		<u>3,297</u>
			<u>33,111,840</u>		<u>18,000,104</u>

The financial statements were approved by the board on 23 March 2000

  
P.I. Propper  
Director

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 24 MAY 2000**

	2000		1999	
	£	£	£	£
<b>Net cash inflow from operating activities</b>		2,012,479		64,586
<b>Returns on investments and servicing of finance</b>				
Interest received	344,381		281,003	
Interest paid	(194,955)		(159,633)	
Dividends received	60,349		64,054	
<b>Net cash inflow for returns on investments and servicing of finance</b>		209,775		185,424
<b>Taxation</b>		(3,988,526)		(129,580)
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible assets	(2,292,427)		(273,314)	
Payments to acquire investments	(4,113,048)		(1,532,831)	
Receipts from sales of tangible assets	772,548		1,043	
Receipts from sales of investments	16,697,737		9,679,792	
<b>Net cash inflow for capital expenditure</b>		11,064,810		7,874,690
<b>Equity dividends paid</b>		(6,000)		(1,026,600)
<b>Net cash inflow before management of liquid resources and financing</b>		9,292,538		6,968,520
<b>Financing</b>				
New long term bank loan	160,000		-	
Other new long term loans	905,082		-	
Other new short term loans	150,314		3,166	
Repayment of long term bank loan	(35,869)		(389,980)	
Repayment of other long term loans	(414,465)		(75,349)	
Repayment of other short term loans	(749,829)		(517,540)	
<b>Net cash inflow/(outflow) from financing</b>		15,233		(979,703)
<b>Increase in cash in the year</b>		9,307,771		5,988,817

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 24 MAY 2000**

<b>1</b>	<b>Reconciliation of operating (loss)/profit to net cash inflow from operating activities</b>		<b>2000</b>	<b>1999</b>	
			<b>£</b>	<b>£</b>	
	Operating (loss)/profit		(261,901)	373,674	
	Depreciation of tangible assets		450,974	376,406	
	Amortisation of intangible assets		115,817	-	
	Loss/(profit) on disposal of tangible assets		12,429	(570)	
	(Increase)/decrease in stocks		(343,458)	331,391	
	Decrease/(increase) in debtors		2,125,269	(154,701)	
	Decrease in creditors within one year		(86,651)	(861,614)	
	<b>Net cash inflow from operating activities</b>		<b>2,012,479</b>	<b>64,586</b>	
<b>2</b>	<b>Analysis of net funds</b>	<b>25 May 1999</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>24 May 2000</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	Net cash:				
	Cash at bank and in hand	4,895,550	9,399,305		14,294,855
	Bank overdrafts	(231,586)	(91,534)		(323,120)
		<u>4,663,964</u>	<u>9,307,771</u>		<u>13,971,735</u>
	Debt:				
	Debts falling due within one year	(749,829)	599,515	-	(150,314)
	Debts falling due after one year	(360,211)	(614,748)	-	(974,959)
		<u>(1,110,040)</u>	<u>(15,233)</u>	<u>-</u>	<u>(1,125,273)</u>
	<b>Net funds</b>	<b>3,553,924</b>	<b>9,292,538</b>	<b>-</b>	<b>12,846,462</b>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net funds</b>		<b>2000</b>	<b>1999</b>	
			<b>£</b>	<b>£</b>	
	Increase in cash in the year		9,307,771	5,988,817	
	Cash (inflow)/outflow from (increase)/decrease in debt		(15,233)	979,703	
	<b>Movement in net funds in the year</b>		<b>9,292,538</b>	<b>6,968,520</b>	
	Opening net funds/(debt)		3,553,924	(3,414,596)	
	<b>Closing net funds</b>		<b>12,846,462</b>	<b>3,553,924</b>	

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 24 MAY 2000**

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**1 Accounting policies**

**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

**1.2 Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 24 May 2000. The financial statements of Star Diamond Company (Israel) Limited have not been included in the consolidation as the company has been dormant for many years. Intra-group sales and profits are eliminated fully on consolidation.

As permitted by Section 230 of the Companies Act 1985, a profit and loss account dealing with the results of the holding company only is not presented as part of these financial statements.

**1.3 Participating interests**

The group's share of profits (less losses) of undertakings in which the group has a participating interest is included in the consolidated profit and loss account, and the group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the undertakings concerned.

**1.4 Turnover**

Turnover represents the invoiced amount of goods sold and services provided to customers outside the group stated net of VAT and trade discounts.

**1.5 Goodwill**

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life which, in the opinion of the directors., is not less than 20 years from the date of acquisition.

**1.6 Tangible fixed assets and depreciation**

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

Land and buildings Short leasehold	Equal instalments over lease term
Aircraft	9% reducing balance
Fixtures, fittings, plant & equipment	15% and 20% reducing balance
Motor vehicles	20% and 25% reducing balance

**1.7 Leasing**

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

**1.8 Investments**

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

**1.9 Stock**

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

**1.10 Pensions**

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 24 MAY 2000**

**1.11 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.

<b>2 Turnover</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
<b>Class of business</b>		
Diamond activities	7,808,061	7,589,080
Studio recording	436,689	419,313
Investing activities	113,467	-
	<u>8,358,217</u>	<u>8,008,393</u>
<b>Geographical market</b>		
United Kingdom	5,933,998	5,066,175
Europe	1,109,597	1,368,158
Israel	1,174,690	1,309,196
Africa	6,604	1,124
Far East	10,289	18,695
USA	123,039	239,921
Australia	-	5,124
	<u>8,358,217</u>	<u>8,008,393</u>
<b>3 Operating (loss)/profit</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Operating (loss)/profit is stated after charging:		
Amortisation of intangible assets	115,817	-
Depreciation of tangible assets	450,974	376,406
Loss/(profit) on disposal of tangible fixed assets	12,429	(570)
Operating lease rentals	159,765	164,226
Auditors' remuneration	44,603	42,148
	<u></u>	<u></u>
<b>4 Investment income</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Income from participating interests	(135,786)	135,786
Income from fixed asset investments	16,433,859	8,829,997
	<u></u>	<u></u>

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 24 MAY 2000**

<b>5</b>	<b>Interest payable</b>	<b>2000</b>	<b>1999</b>
		£	£
	On bank loans and overdrafts	29,029	52,143
	On other loans wholly repayable within 5 years	165,926	107,490
		<u>194,955</u>	<u>159,633</u>
<b>6</b>	<b>Taxation</b>	<b>2000</b>	<b>1999</b>
		£	£
	<b>U.K. current year taxation</b>		
	U.K. corporation tax at 30% (1999 - 31%)	5,057,100	2,567,527
	Share of participating interests' tax charge	1,737,161	-
	<b>Prior years</b>		
	U.K. Corporation tax	(105)	2,002
		<u>6,794,156</u>	<u>2,569,529</u>
	The group has estimated losses of £185,000 (1999 - £290,000) available for carry forward against future trading profits.		
<b>7</b>	<b>Dividends</b>	<b>2000</b>	<b>1999</b>
		£	£
	Ordinary interim paid 29 March 1999 on 'A' Ordinary shares	-	1,007,500
	Ordinary interim paid 29 March 1999 on 'C' Ordinary shares	-	13,100
	Ordinary interim paid 27 January 2000 (10p per 'D' Ordinary share)	6,000	6,000
		<u>6,000</u>	<u>1,026,600</u>
<b>8</b>	<b>Intangible fixed assets</b>		<b>Goodwill</b>
			£
	<b>Cost</b>		
	At 25 May 1999		-
	Additions		1,987,926
	At 24 May 2000		<u>1,987,926</u>
	<b>Amortisation</b>		
	At 25 May 1999		-
	Charge for year		115,817
	At 24 May 2000		<u>115,817</u>
	<b>Net book value</b>		
	At 24 May 2000		<u>1,872,109</u>

**STAR INDUSTRIAL HOLDINGS LIMITED**  
**(Formerly Star Diamond Company Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 24 MAY 2000**

9 Tangible fixed assets					
The Group	Land and buildings Short leasehold	Aircraft	Fixtures, fittings, plant & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 25 May 1999	1,966,314	941,010	1,254,496	178,031	4,339,851
Revaluation	-	-	(242,150)	-	(242,150)
Additions	-	2,238,801	53,626	-	2,292,427
Disposals	-	(941,010)	(168,568)	-	(1,109,578)
	<u>1,966,314</u>	<u>2,238,801</u>	<u>897,404</u>	<u>178,031</u>	<u>5,280,550</u>
<b>At 24 May 2000</b>					
<b>Depreciation</b>					
At 25 May 1999	1,179,789	136,070	710,934	103,617	2,130,410
Revaluation	-	-	(388,878)	-	(388,878)
On disposals	-	(162,666)	(161,935)	-	(324,601)
Charge for the year	196,638	154,318	83,565	16,453	450,974
	<u>1,376,427</u>	<u>127,722</u>	<u>243,686</u>	<u>120,070</u>	<u>1,867,905</u>
<b>At 24 May 2000</b>					
<b>Net book value</b>					
At 24 May 2000	<u>589,887</u>	<u>2,111,079</u>	<u>653,718</u>	<u>57,961</u>	<u>3,412,645</u>
At 24 May 1999	<u>786,525</u>	<u>804,940</u>	<u>543,562</u>	<u>74,414</u>	<u>2,209,441</u>

The plant and equipment of a subsidiary was revalued by the directors on a current market value basis as at 24 May 2000 at a value of £480,589.

**Comparable historical cost for the plant and equipment included at valuation:**

	£
<b>Cost</b>	
At 25 May 1999	714,787
Additions	7,952
	<u>722,739</u>
<b>At 24 May 2000</b>	
<b>Depreciation based on cost</b>	
At 25 May 1999	346,292
Charge for the year	42,586
	<u>388,878</u>
<b>At 24 May 2000</b>	
<b>Net book values</b>	
At 24 May 2000	<u>333,861</u>
At 24 May 1999	<u>368,495</u>



**STAR INDUSTRIAL HOLDINGS LIMITED**  
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9 Tangible fixed assets (continued)					
The Company					
	Land and buildings Short leasehold	Aircraft	Fixtures, fittings, plant & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 25 May 1999	1,966,314	941,010	433,113	92,918	3,433,355
Additions	-	2,238,801	43,980	-	2,282,781
Disposals	-	(941,010)	(112,154)	-	(1,053,164)
	<u>1,966,314</u>	<u>2,238,801</u>	<u>364,939</u>	<u>92,918</u>	<u>4,662,972</u>
At 24 May 2000	1,966,314	2,238,801	364,939	92,918	4,662,972
<b>Depreciation</b>					
At 25 May 1999	1,179,789	136,070	286,648	49,927	1,652,434
On disposals	-	(162,666)	(106,460)	-	(269,126)
Charge for the year	196,638	154,318	38,386	8,598	395,940
	<u>1,376,427</u>	<u>127,722</u>	<u>216,574</u>	<u>58,525</u>	<u>1,779,248</u>
At 24 May 2000	1,376,427	127,722	216,574	58,525	1,779,248
<b>Net book value</b>					
At 24 May 2000	<u>589,887</u>	<u>2,111,079</u>	<u>148,365</u>	<u>34,393</u>	<u>2,883,724</u>
At 24 May 1999	<u>786,525</u>	<u>804,940</u>	<u>146,465</u>	<u>42,991</u>	<u>1,780,921</u>

**STAR INDUSTRIAL HOLDINGS LIMITED**  
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**10 Fixed asset investments**

The Group	Listed investments	Unlisted investments	Shares in participating interests	Shares in subsidiary undertakings	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 25 May 1999	436,994	7,569,868	2,345,892	1,907	10,354,661
Reclassification	-	(6,898,230)	6,898,230	-	-
Exchange differences	-	-	192,042	-	192,042
Additions	660,714	523,482	4,591,289	-	5,775,485
Disposals	(324,227)	-	-	-	(324,227)
At 24 May 2000	<u>773,481</u>	<u>1,195,120</u>	<u>14,027,453</u>	<u>1,907</u>	<u>15,997,961</u>
At 24 May 1999	<u>436,994</u>	<u>7,569,868</u>	<u>2,345,892</u>	<u>1,907</u>	<u>10,354,661</u>
<b>The company</b>					
<b>Cost or valuation</b>					
At 25 May 1999	436,994	7,569,868	506,521	1,000,717	9,514,100
Additions	660,714	523,482	2,928,852	-	4,113,048
Reclassification	-	(6,898,230)	6,898,230	-	-
Disposals	(324,227)	-	-	-	(324,227)
At 24 May 2000	<u>773,481</u>	<u>1,195,120</u>	<u>10,333,603</u>	<u>1,000,717</u>	<u>13,302,921</u>
At 24 May 1999	<u>436,994</u>	<u>7,569,868</u>	<u>506,521</u>	<u>1,000,717</u>	<u>9,514,100</u>

Shares in subsidiary undertakings include loans totalling £187,253 (1999 - £187,253).

Market value of listed investments	2000	1999
	£	£
	48,726,456	18,814,739

Should the investments be sold at their valuation, a tax charge in the region of £14,344,353 (1999 - £5,461,800) would arise.

Included in the above market value is an investment valued at £48,211,662. In mid-March 2001 the market value of this investment was £10,483,762.

**STAR INDUSTRIAL HOLDINGS LIMITED**  
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**FOR THE YEAR ENDED 24 MAY 2000**

**10 Fixed asset investments (continued)**

**Holdings of more than 10%**

The company holds more than 10% of the share capital of the following companies:

Company	Country of incorporation if outside U.K.	Shares held		Principal activity
		Class	%	
<b>Subsidiary undertakings</b>				
Polished Diamond Distributors Limited *		Ordinary	100	Diamond dealing
Roundhouse Recording Studios Limited		Ordinary	100	Recording studio
Echoworld Limited		Ordinary	100	Recording studio
Echocity Limited		Ordinary	100	Dormant
Central Diamonds Limited		Ordinary	83	Dormant
London Star Limited		Ordinary	100	Dormant
General Technology Investments Limited		Ordinary	100	Dormant
Anglo Israel Technology Investments Limited		Ordinary	100	Dormant
SDC Nominees Limited		Ordinary	100	Dormant
Star Industrial Holdings Limited **		Ordinary	100	Dormant
Star Diamond Company (Israel) Limited	Israel	Ordinary	80	Dormant
<b>Participating interests</b>				
Star Diamond Group Inc.	U.S.A.	Ordinary	21	Diamond dealing
Star Diamond Group Inc.	U.S.A.	Preference	23	Diamond dealing
The Arsenal Football Club PLC		Ordinary	27	Football club
<b>Other significant interests</b>				
London Star Diamond Co. (India) Ltd.	India	Ordinary	11	Diamond dealing

\* Name changed to Star Diamond Company Limited on 29 December 2000.

\*\* Name changed to Polished Diamond Distributors Limited on 29 December 2000.

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

11 Stocks	The Group		The Company	
	2000	1999	2000	1999
	£	£	£	£
Securities	1,957	50,431	1,957	50,431
Finished goods and goods for resale	2,299,243	1,907,311	570,621	525,281
	<u>2,301,200</u>	<u>1,957,742</u>	<u>572,578</u>	<u>575,712</u>

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**FOR THE YEAR ENDED 24 MAY 2000**

12 Debtors	The Group		The Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	1,914,320	1,813,783	350,442	513,964
Amounts owed by subsidiary undertakings	-	-	471,977	416,368
Amounts owed by participating interests	-	443,740	-	307,954
Corporation tax	47,500	51,002	47,500	49,502
Other debtors	296,316	2,098,536	263,353	2,035,898
Prepayments and accrued income	326,486	442,118	275,885	393,597
	<u>2,584,622</u>	<u>4,849,179</u>	<u>1,409,157</u>	<u>3,717,283</u>
Amounts falling due after more than one year and included in the debtors above are:				
Other debtors	-	1,795,150	-	1,795,150
	<u>-</u>	<u>1,795,150</u>	<u>-</u>	<u>1,795,150</u>

**13 Creditors: amounts falling due within one year**

	The Group		The Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans and overdrafts	363,120	246,026	599	99
Trade creditors	1,303,850	1,306,082	400,859	636,124
Amounts owed to subsidiary undertakings	-	-	232,013	55,867
Amounts owed to participating interests	49,430	-	49,430	-
Corporation tax	3,504,883	2,439,916	3,447,783	2,437,389
Other taxes and social security costs	127,374	47,589	51,994	20,557
Directors current accounts	346,865	697,020	337,529	652,236
Other creditors	422,263	935,254	206,283	756,492
Accruals and deferred income	258,808	234,371	293,640	200,533
	<u>6,376,593</u>	<u>5,906,258</u>	<u>5,020,080</u>	<u>4,759,297</u>
Debt due within one year	<u>150,314</u>	<u>749,829</u>	<u>110,314</u>	<u>759,389</u>

Included within other creditors is a loan of £110,314 (1999 - £135,389) which is secured by way of a fixed charge on the company's aircraft.

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**14 Creditors: amounts falling due after more than one year**

	The Group		The Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans	124,131	-	-	-
Other loans	850,828	360,211	850,828	360,211
	<u>974,959</u>	<u>360,211</u>	<u>850,828</u>	<u>360,211</u>
	<u><u>974,959</u></u>	<u><u>360,211</u></u>	<u><u>850,828</u></u>	<u><u>360,211</u></u>
<b>Analysis of loans</b>				
Wholly repayable within five years	1,125,273	1,110,040	961,142	1,095,600
Included in current liabilities	(150,314)	(749,829)	(110,314)	(735,389)
	<u>974,959</u>	<u>360,211</u>	<u>850,828</u>	<u>360,211</u>
	<u><u>974,959</u></u>	<u><u>360,211</u></u>	<u><u>850,828</u></u>	<u><u>360,211</u></u>
<b>Loan maturity analysis</b>				
Between one and two years	150,314	135,389	110,314	135,389
Between two and five years	824,645	224,822	740,514	224,822
	<u>824,645</u>	<u>224,822</u>	<u>740,514</u>	<u>224,822</u>
	<u><u>824,645</u></u>	<u><u>224,822</u></u>	<u><u>740,514</u></u>	<u><u>224,822</u></u>

The other loan of £850,828 (1999 - £360,211) is secured by way of a fixed charge on the company's aircraft.

**15 Pension costs**

The company, together with a subsidiary undertaking, operates non-contributory defined contribution pension schemes, the assets of which are held separately from those of the company in independently administered funds. The pension cost charge represents contributions paid and payable to the schemes and amounted to £55,298 (1999 - £55,190) for the group and £28,261 (1999 - £26,378) for the company.

The company also operates a non-contributory funded defined contribution scheme for certain employees, the assets of which are held separately from those of the company in a trustee administered fund. Contributions to the scheme are made in accordance with the advice of an independent qualified actuary in order to spread the pension costs over the the expected remaining service life of the participating employees.

The latest actuarial valuation of the scheme was carried out as at 24 May 1999 using the aggregate funding method. The most significant actuarial assumptions having an effect on the contribution rate are those relating to the valuation rate of interest (8.5% p.a.) and the rates of increase in salaries and pensions (an average of 6.9% and 5.3% p.a. respectively). The market value of the scheme's assets was £8,216,000 and the present value of future contributions required by the company to meet future liabilities based on the actuarial assumptions made was £544,000. The pension charge for the year was £300 (1999 - £500).

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16 Share capital	2000	1999
	£	£
<b>Authorised</b>		
200,000 'A' Ordinary shares of £ 1 each	200,000	200,000
240,000 'B' Ordinary shares of £ 1 each	240,000	240,000
800,000 'C' Ordinary shares of £ 1 each	800,000	800,000
60,000 'D' Ordinary shares of £ 1 each	60,000	60,000
	<u>1,300,000</u>	<u>1,300,000</u>
<b>Allotted, called up and fully paid</b>		
155,000 'A' Ordinary shares of £ 1 each	155,000	155,000
156,750 'B' Ordinary shares of £ 1 each	156,750	156,750
400,000 'C' Ordinary shares of £ 1 each	400,000	400,000
60,000 'D' Ordinary shares of £ 1 each	60,000	60,000
	<u>771,750</u>	<u>771,750</u>

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17 Statement of movements on reserves

	Share premium account	Revaluation reserve	Other reserves	Profit and loss account
	£	£	£	£
<b>The Group</b>				
Balance at 25 May 1999	12,500	-	579,145	16,633,412
Retained profit for the year	-	-	-	14,772,966
Currency translation differences on foreign currency net investments	-	-	-	192,042
Revaluation during the year	-	146,728	-	-
Balance at 24 May 2000	<u>12,500</u>	<u>146,728</u>	<u>579,145</u>	<u>31,598,420</u>
<b>The Company</b>				
Balance at 25 May 1999	12,500	-	528,250	14,049,537
Retained profit for the year	-	-	-	11,167,385
Balance at 24 May 2000	<u>12,500</u>	<u>-</u>	<u>528,250</u>	<u>25,216,922</u>

Other reserves comprise £528,250 Capital Redemption Reserve for both the group and the company, and an additional Consolidation Reserve of £50,895 for the group.

As permitted by Section 230 of the Companies Act 1985, a profit and loss account dealing with the results of the holding company only is not presented as part of these financial statements.

**STAR INDUSTRIAL HOLDINGS LIMITED**  
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**18 Reconciliation of movements in shareholders' funds**

	The Group		The Company	
	2000	1999	2000	1999
	£	£	£	£
Profit for the financial year	14,778,966	6,900,019	11,173,385	6,678,670
Dividends	(6,000)	(1,026,600)	(6,000)	(1,026,600)
	<u>14,772,966</u>	<u>5,873,419</u>	<u>11,167,385</u>	<u>5,652,070</u>
Other recognised gains and losses	338,770	57,355	-	-
Net addition to shareholders' funds	15,111,736	5,930,774	11,167,385	5,652,070
Opening shareholders' funds	17,996,807	12,066,033	15,362,037	9,709,967
Closing shareholders' funds	<u><u>33,108,543</u></u>	<u><u>17,996,807</u></u>	<u><u>26,529,422</u></u>	<u><u>15,362,037</u></u>

**19 Contingent liabilities**

The company has entered into a guarantee of up to £250,000 (1999 - £200,000) in respect of bank facilities granted to one subsidiary undertaking, and an unlimited guarantee in respect of bank facilities granted to another subsidiary undertaking. The contingent liabilities at the balance sheet date amounted to £252,311 and \$344,467 (1999 - £53,666 and \$305,710).

**20 Financial commitments**

At 24 May 2000 annual commitments under non-cancellable operating leases were as follows:

**Land and buildings**

	The Group		The Company	
	2000	1999	2000	1999
	£	£	£	£
Expiry date:				
Within one year	-	790	-	-
Between two and five years	150,000	150,000	150,000	150,000
	<u>150,000</u>	<u>150,790</u>	<u>150,000</u>	<u>150,000</u>

**21 Directors' emoluments**

	2000	1999
	£	£
Emoluments for qualifying services	182,066	190,874
Company pension contributions to money purchase schemes	15,150	15,500
	<u>197,216</u>	<u>206,374</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (1999 - 3).



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**22 Employees**

**Number of employees**

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

	2000 Number	1999 Number
Management	4	4
Administration	23	21
Sales	7	7
Studio	6	6
	<u>40</u>	<u>38</u>

**Employment costs**

	£	£
Wages and salaries	842,490	728,695
Social security costs	83,450	69,971
Other pension costs	57,598	55,690
	<u>983,538</u>	<u>854,356</u>

**23 Control**

The ultimate controlling party is Mr. D.D. Fiszman, one of the directors, and his immediate family.

**24 Related party transactions**

The group had the following transactions with related parties during the year:

With Star Diamond Group Inc., an undertaking in which the company had a participating interest - sales of \$nil (1999 - \$1,079), management charges received of \$nil (1999 - \$250,000) and insurances recharged of \$141,929 (1999 - \$312,607).