

Company Registration No. 459576 (England and Wales)

STAR DIAMOND COMPANY LIMITED
AND SUBSIDIARIES
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 24 MAY 1999



A24
COMPANIES HOUSE

A4S0W0M

0123
18/03/00

STAR DIAMOND COMPANY LIMITED

COMPANY INFORMATION

Directors	D.D. Fizman P.I. Propper D.L. Bucks
Joint secretaries	D.D. Fizman, P.I. Propper
Company number	459576
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	National Westminster Bank Plc Barclays Bank Plc

STAR DIAMOND COMPANY LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Consolidated profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Consolidated balance sheet	7
Consolidated cash flow statement	8
Notes to the consolidated cash flow statement	9
Notes to the financial statements	10 - 23

STAR DIAMOND COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 24 MAY 1999

The directors present their report and financial statements for the year ended 24 May 1999.

Principal activities and review of the business

The principal activity of the company and the group during the year continued to be those of 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.

Interim ordinary dividends were paid totalling £1,026,600. 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 1998; their beneficial interests in the shares of the company were as stated below:

	'A' shares of £ 1 each	
	24 May 1999	25 May 1998
D.D. Fizman	77,000	77,000
P.I. Propper	-	-
D.L. Bucks	-	-

	'B' shares of £ 1 each	
	24 May 1999	25 May 1998
D.D. Fizman	112,000	112,000
P.I. Propper	-	-
D.L. Bucks	-	-

	'C' shares of £ 1 each	
	24 May 1999	25 May 1998
D.D. Fizman	398,000	398,000
P.I. Propper	-	-
D.L. Bucks	-	-

	'D' shares of £ 1 each	
	24 May 1999	25 May 1998
D.D. Fizman	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.

Charitable contributions

During the year the group made charitable donations of £25,185 (1998 - £25,275).

STAR DIAMOND COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 24 MAY 1999

Year 2000

The group has not to date experienced any computer malfunction or any disruption to its business as a result of the Year 2000 issue. Whilst the directors will continue to monitor the situation, they believe that the risk of material failure is remote.

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

15 March 2000

STAR DIAMOND COMPANY LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF STAR DIAMOND COMPANY LIMITED

We have audited the financial statements on pages 4 to 23 which have been prepared under the historical cost convention 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 £484,226 included within total diamond stock of £525,281 appearing in the company's balance sheet, and £1,866,256 included within total diamond stock of £1,907,311 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 1999 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

16 March 2000

Chartered Accountants
Registered Auditor

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

STAR DIAMOND COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 24 MAY 1999

	Notes	1999 £	1998 £
Turnover	2	8,008,393	6,450,331
Cost of sales		(5,661,887)	(4,419,329)
Gross profit		<u>2,346,506</u>	<u>2,031,002</u>
Administrative expenses		(2,007,832)	(2,552,306)
Other operating income		35,000	28,248
Operating profit/(loss)	3	<u>373,674</u>	<u>(493,056)</u>
Investment income	4	8,974,504	(744,853)
Other interest receivable and similar income	4	281,003	19,963
Interest payable and similar charges	5	(159,633)	(344,872)
Profit/(loss) on ordinary activities before taxation		<u>9,469,548</u>	<u>(1,562,818)</u>
Tax on profit/(loss) on ordinary activities	6	(2,569,529)	(25,319)
Profit/(loss) on ordinary activities after taxation		<u>6,900,019</u>	<u>(1,588,137)</u>
Dividends	7	(1,026,600)	(6,000)
Retained profit/(loss) for the year	16	<u><u>5,873,419</u></u>	<u><u>(1,594,137)</u></u>

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

STAR DIAMOND COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 24 MAY 1999

	1999	1998
	£	£
Profit/(loss) for the financial year	6,900,019	(1,588,137)
Currency translation differences on foreign currency net investments	57,355	-
Total recognised gains and losses relating to the year	6,957,374	(1,588,137)
Prior year adjustment	-	235,624
Total gains and losses recognised since last financial statements	6,957,374	(1,352,513)

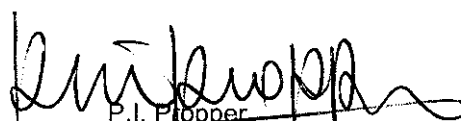
STAR DIAMOND COMPANY LIMITED

BALANCE SHEET AS AT 24 MAY 1999

	Notes	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	8		1,780,921		2,049,048
Investments	9		9,514,100		8,895,118
			<u>11,295,021</u>		<u>10,944,166</u>
Current assets					
Stocks	10	575,712		679,106	
Debtors: amounts falling due within one year	11	1,922,133		534,163	
Debtors: amounts falling due after more than one year	11	1,795,150		2,504,650	
Cash at bank and in hand		4,893,529		11,617	
		<u>9,186,524</u>		<u>3,729,536</u>	
Creditors: amounts falling due within one year	12	<u>(4,759,297)</u>		<u>(4,153,175)</u>	
Net current assets/(liabilities)			<u>4,427,227</u>		<u>(423,639)</u>
Total assets less current liabilities			<u>15,722,248</u>		<u>10,520,527</u>
Creditors: amounts falling due after more than one year	13		<u>(360,211)</u>		<u>(810,560)</u>
			<u>15,362,037</u>		<u>9,709,967</u>
Capital and reserves					
Called up share capital	15		771,750		771,750
Share premium account	16		12,500		12,500
Other reserves	16		528,250		528,250
Profit and loss account	16		14,049,537		8,397,467
			<u>15,362,037</u>		<u>9,709,967</u>
Shareholders' funds - equity interests	17		<u>15,362,037</u>		<u>9,709,967</u>

The financial statements were approved by the board on 15 March 2000


D.D. Fizman
Director


P.I. Popper
Director

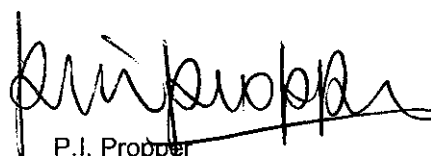
STAR DIAMOND COMPANY LIMITED

CONSOLIDATED BALANCE SHEET AS AT 24 MAY 1999

	Notes	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	8		2,209,441		2,313,006
Investments	9		10,354,661		9,669,603
			<u>12,564,102</u>		<u>11,982,609</u>
Current assets					
Stocks	10	1,957,742		2,289,133	
Debtors: amounts falling due within one year	11	3,054,029		2,054,075	
Debtors: amounts falling due after more than one year	11	1,795,150		2,504,650	
Cash at bank and in hand		4,895,550		14,043	
			<u>11,702,471</u>	<u>6,861,901</u>	
Creditors: amounts falling due within one year	12	<u>(5,906,258)</u>		<u>(5,949,640)</u>	
Net current assets			<u>5,796,213</u>		<u>912,261</u>
Total assets less current liabilities			<u>18,360,315</u>		<u>12,894,870</u>
Creditors: amounts falling due after more than one year	13		<u>(360,211)</u>		<u>(825,540)</u>
			<u>18,000,104</u>		<u>12,069,330</u>
Capital and reserves					
Called up share capital	15		771,750		771,750
Share premium account	16		12,500		12,500
Other reserves	16		579,145		579,145
Profit and loss account	16		16,633,412		10,702,638
Shareholders' funds - equity interests	17		<u>17,996,807</u>		<u>12,066,033</u>
Minority interests			<u>3,297</u>		<u>3,297</u>
			<u>18,000,104</u>		<u>12,069,330</u>

The financial statements were approved by the board on 15 March 2000


D.D. Fizman
Director


P.I. Propper
Director

STAR DIAMOND COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 24 MAY 1999

	1999 £	1998 £
Net cash inflow from operating activities	64,586	1,378,008
Returns on investments and servicing of finance		
Interest received	281,003	19,963
Interest paid	(159,633)	(344,872)
Dividends received	64,054	122,856
Net cash inflow/(outflow) for returns on investments and servicing of finance	185,424	(202,053)
Taxation	(129,580)	9,874
Capital expenditure and financial investment		
Payments to acquire tangible assets	(273,314)	(1,302,656)
Payments to acquire investments	(1,532,831)	(3,548)
Receipts from sales of tangible assets	1,043	7,399
Receipts from sales of investments	9,679,792	-
Net cash inflow/(outflow) for capital expenditure	7,874,690	(1,298,805)
Equity dividends paid	(1,026,600)	(6,000)
Net cash inflow/(outflow) before management of liquid resources and financing	6,968,520	(118,976)
Financing		
Other new long term loans	-	479,922
Other new short term loans	3,166	135,232
Repayment of long term bank loan	(389,980)	(532,459)
Repayment of other long term loans	(75,349)	(44,362)
Repayment of other short term loans	(517,540)	-
Net cash (outflow)/inflow from financing	(979,703)	38,333
Increase/(decrease) in cash in the year	5,988,817	(80,643)

STAR DIAMOND COMPANY LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 24 MAY 1999

1 Reconciliation of operating profit/(loss) to net cash inflow from operating activities		1999	1998
		£	£
Operating profit/(loss)		373,674	(493,056)
Depreciation of tangible assets		376,406	463,782
Profit on disposal of tangible assets		(570)	(1,684)
Decrease/(increase) in stocks		331,391	(254,666)
(Increase)/decrease in debtors		(154,701)	339,244
(Decrease)/Increase in creditors within one year		(861,614)	1,324,388
Net cash inflow from operating activities		<u>64,586</u>	<u>1,378,008</u>

2 Analysis of net funds/(debt)	25 May 1998	Cash flow	Other non-cash changes	24 May 1999
	£	£	£	£
Net cash:				
Cash at bank and in hand	14,043	4,881,507		4,895,550
Bank overdrafts	(1,338,896)	1,107,310		(231,586)
	<u>(1,324,853)</u>	<u>5,988,817</u>		<u>4,663,964</u>
Debt:				
Debts falling due within one year	(1,264,203)	514,374	-	(749,829)
Debts falling due after one year	(825,540)	465,329	-	(360,211)
	<u>(2,089,743)</u>	<u>979,703</u>	<u>-</u>	<u>(1,110,040)</u>
Net (debt)/funds	<u>(3,414,596)</u>	<u>6,968,520</u>	<u>-</u>	<u>3,553,924</u>

3 Reconciliation of net cash flow to movement in net funds/(debt)		1999	1998
		£	£
Increase/(decrease) in cash in the year		5,988,817	(80,643)
Cash outflow/(inflow) from decrease/(increase) in debt		979,703	(38,333)
Movement in net funds/(debt) in the year		<u>6,968,520</u>	<u>(118,976)</u>
Opening net debt		(3,414,596)	(3,295,620)
Closing net funds/(debt)		<u>3,553,924</u>	<u>(3,414,596)</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 MAY 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

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 1999. 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 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:

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

1.6 Leasing

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

1.7 Investments

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

1.8 Stock

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

1.9 Pensions

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

1.10 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.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

2	Turnover	1999	1998
		£	£
	Class of business		
	Diamond activities	7,589,080	5,993,707
	Studio recording	419,313	456,624
		<u>8,008,393</u>	<u>6,450,331</u>
	Geographical market		
	United Kingdom	5,066,175	5,547,551
	Europe	1,368,158	475,135
	Israel	1,309,196	57,629
	Africa	1,124	1,586
	Far East	18,695	3,078
	USA	239,921	361,007
	Australia	5,124	4,345
		<u>8,008,393</u>	<u>6,450,331</u>
3	Operating profit/(loss)	1999	1998
		£	£
	Operating profit/(loss) is stated after charging:		
	Depreciation of tangible fixed assets	376,406	463,782
	Profit on disposal of tangible fixed assets	(570)	(1,684)
	Operating lease rentals	164,226	162,527
	Auditors' remuneration	42,148	40,918
	and after crediting:		
	Rents receivable	<u>20,000</u>	<u>20,000</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

4	Income from investments, other interest receivable and similar income	1999 £	1998 £
	Income from listed investments	64,054	116,853
	Income from unlisted investments	-	6,003
	Profit on disposal of unlisted investments	8,765,943	-
	Income from participating interests	135,786	-
	Bank interest	278,981	14,798
	Other interest	2,022	5,165
	Share of participating interests' profit/(loss) on ordinary activities before taxation	8,721	(648,497)
	Elimination of share of participating interests' reserves attributable to reclassification on dilution in holding	-	(219,212)
		<u>9,255,507</u>	<u>(724,890)</u>
		<u><u>9,255,507</u></u>	<u><u>(724,890)</u></u>
5	Interest payable	1999 £	1998 £
	On bank loans and overdrafts	52,143	220,885
	On other loans wholly repayable within 5 years	107,490	123,954
	Other	-	33
		<u>159,633</u>	<u>344,872</u>
		<u><u>159,633</u></u>	<u><u>344,872</u></u>
6	Taxation	1999 £	1998 £
	U.K. current year taxation		
	U.K. corporation tax at 31% (1998 - 21%)	2,567,527	-
	Tax credits on franked investment income	-	23,386
		<u>2,567,527</u>	<u>23,386</u>
	Prior years		
	U.K. Corporation tax	2,002	1,933
		<u>2,569,529</u>	<u>25,319</u>
		<u><u>2,569,529</u></u>	<u><u>25,319</u></u>

The group has estimated losses of £290,000 (1998 - £960,000) available for carry forward against future trading profits.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

7 Dividends	1999	1998
	£	£
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 28 January 1999 (10p per 'D' Ordinary share)	6,000	6,000
	<u>1,026,600</u>	<u>6,000</u>
	<u><u>1,026,600</u></u>	<u><u>6,000</u></u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

8 Tangible fixed assets

The Group	Land and buildings Short leasehold	Aircraft	Fixtures, fittings, plant & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 25 May 1998	1,950,725	941,010	997,971	178,031	4,067,737
Additions	15,589	-	257,725	-	273,314
Disposals	-	-	(1,200)	-	(1,200)
At 24 May 1999	<u>1,966,314</u>	<u>941,010</u>	<u>1,254,496</u>	<u>178,031</u>	<u>4,339,851</u>
Depreciation					
At 25 May 1998	975,363	56,461	640,512	82,395	1,754,731
On disposals	-	-	(727)	-	(727)
Charge for the year	204,426	79,609	71,149	21,222	376,406
At 24 May 1999	<u>1,179,789</u>	<u>136,070</u>	<u>710,934</u>	<u>103,617</u>	<u>2,130,410</u>
Net book value					
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>
At 24 May 1998	<u>975,362</u>	<u>884,549</u>	<u>357,459</u>	<u>95,636</u>	<u>2,313,006</u>
The Company					
Cost					
At 25 May 1998	1,950,725	941,010	385,430	92,918	3,370,083
Additions	15,589	-	47,683	-	63,272
At 24 May 1999	<u>1,966,314</u>	<u>941,010</u>	<u>433,113</u>	<u>92,918</u>	<u>3,433,355</u>
Depreciation					
At 25 May 1998	975,363	56,461	250,032	39,179	1,321,035
Charge for the year	204,426	79,609	36,616	10,748	331,399
At 24 May 1999	<u>1,179,789</u>	<u>136,070</u>	<u>286,648</u>	<u>49,927</u>	<u>1,652,434</u>
Net book value					
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>
At 24 May 1998	<u>975,362</u>	<u>884,549</u>	<u>135,398</u>	<u>53,739</u>	<u>2,049,048</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

9 Fixed asset investments

The Group

	Listed investments	Unlisted investments	Shares in participating interests	Shares in subsidiary undertakings	Total
	£	£	£	£	£
Cost					
At 25 May 1998	527,512	6,860,368	2,279,816	1,907	9,669,603
Exchange differences	-	-	57,355	-	57,355
Additions	823,331	709,500	8,721	-	1,541,552
Disposals	(913,849)	-	-	-	(913,849)
	<u>436,994</u>	<u>7,569,868</u>	<u>2,345,892</u>	<u>1,907</u>	<u>10,354,661</u>
At 24 May 1998	527,512	6,860,368	2,279,816	1,907	9,669,603

The company

Cost					
At 25 May 1998	527,512	6,860,368	506,521	1,000,717	8,895,118
Additions	823,331	709,500	-	-	1,532,831
Disposals	(913,849)	-	-	-	(913,849)
	<u>436,994</u>	<u>7,569,868</u>	<u>506,521</u>	<u>1,000,717</u>	<u>9,514,100</u>
At 24 May 1998	527,512	6,860,368	506,521	1,000,717	8,895,118

Shares in subsidiary undertakings include loans totalling £187,253 (1998 - £187,253).

Market value of listed investments

	1999	1998
	£	£
	18,814,739	8,432,140

Should the investments be sold at their valuation, a tax charge in the region of £5,461,800 (1998 - £2,517,900) would arise.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

9 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	%	
Subsidiary undertakings				
Polished Diamond Distributors Limited		Ordinary	100	Diamond dealing
Roundhouse Recording Studios Limited		Ordinary	100	Recording studio
Echocity Limited & Echoworld Limited		Ordinary	100	Recording studio
Central Diamonds Limited		Ordinary	83	Dormant
London Star Limited		Ordinary	100	Dormant
Gungho Investments Ltd. & Gungho Trading Ltd.		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
Participating interests				
Star Diamond Group Inc.	U.S.A.	Ordinary	21	Diamond dealing
Star Diamond Group Inc.	U.S.A.	Preference	23	Diamond dealing
Other significant interests				
London Star Diamond Co. (India) Ltd.	India	Ordinary	11	Diamond dealing

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.

10 Stocks

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Securities	50,431	23,279	50,431	23,279
Finished goods and goods for resale	1,907,311	2,265,854	525,281	655,827
	<u>1,957,742</u>	<u>2,289,133</u>	<u>575,712</u>	<u>679,106</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

11 Debtors	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	1,813,783	1,711,022	513,964	181,713
Amounts owed by subsidiary undertakings	-	-	416,368	95,253
Amounts owed by participating interests	443,740	-	307,954	-
Corporation tax	51,002	51,035	49,502	49,502
Other debtors	2,098,536	2,615,360	2,035,898	2,589,177
Prepayments and accrued income	442,118	181,308	393,597	123,168
	<u>4,849,179</u>	<u>4,558,725</u>	<u>3,717,283</u>	<u>3,038,813</u>
Amounts falling due after more than one year and included in the debtors above are:				
Other debtors	<u>1,795,150</u>	<u>2,504,650</u>	<u>1,795,150</u>	<u>2,504,650</u>

12 Creditors: amounts falling due within one year

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Bank loans and overdrafts	246,026	1,870,876	99	1,318,206
Trade creditors	1,306,082	972,702	636,124	33,643
Amounts owed to subsidiary undertakings	-	-	55,867	19,597
Amounts owed to participating interests	-	113,205	-	70,136
Corporation tax	2,439,916	-	2,437,389	-
Other taxes and social security costs	47,589	61,645	20,557	27,342
Directors current accounts	697,020	409,872	652,236	366,610
Other creditors	935,254	2,121,442	756,492	1,958,787
Accruals and deferred income	234,371	399,898	200,533	358,854
	<u>5,906,258</u>	<u>5,949,640</u>	<u>4,759,297</u>	<u>4,153,175</u>
Debt due within one year	<u>749,829</u>	<u>1,264,203</u>	<u>735,389</u>	<u>1,232,223</u>

A bank loan of £nil (1998 - £500,000) is secured by way of a fixed charge on certain of the company's unlisted fixed asset investments.

Included within other creditors is a loan of £135389 (1998 - £132223) which is secured by way of a fixed charge on the company's aircraft.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

13 Creditors: amounts falling due after more than one year

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Bank loans	-	389,980	-	375,000
Other loans	360,211	435,560	360,211	435,560
	<u>360,211</u>	<u>825,540</u>	<u>360,211</u>	<u>810,560</u>
	<u><u>360,211</u></u>	<u><u>825,540</u></u>	<u><u>360,211</u></u>	<u><u>810,560</u></u>
Analysis of loans				
Wholly repayable within five years	1,110,040	2,089,743	1,095,600	2,042,783
Included in current liabilities	(749,829)	(1,264,203)	(735,389)	(1,232,223)
	<u>360,211</u>	<u>825,540</u>	<u>360,211</u>	<u>810,560</u>
	<u><u>360,211</u></u>	<u><u>825,540</u></u>	<u><u>360,211</u></u>	<u><u>810,560</u></u>
Loan maturity analysis				
Between one and two years	135,389	522,203	135,389	507,223
Between two and five years	224,822	303,337	224,822	303,337
	<u>224,822</u>	<u>303,337</u>	<u>224,822</u>	<u>303,337</u>
	<u><u>224,822</u></u>	<u><u>303,337</u></u>	<u><u>224,822</u></u>	<u><u>303,337</u></u>

A bank loan of £nil (1998 - £375,000) is secured by way of a fixed charge on certain of the company's unlisted fixed asset investments. The other loan of £360,211 (1998 - £435,560) is secured by way of a fixed charge on the aircraft.

14 Pension costs

The company, together with a subsidiary undertaking, operates non-contributory defined contribution pension schemes for group employees and certain directors, 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 £55,190 (1998 - £44,880) for the group and £26,378 (1998 - £21,572) for the company.

The company also operates a non-contributory funded defined contribution scheme for one director, 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 director.

The latest actuarial valuation of the scheme was carried out as at 24 May 1996 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 (10% p.a.) and the rates of increase in salaries and pensions (an average of 9.5% and 8% p.a. respectively). The market value of the scheme's assets was £6,439,500 and the present value of future contributions required by the company to meet future liabilities based on the actuarial assumptions made was £3,662,800. The pension charge for the year was £500 (1998 - £5,000).

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

15 Share capital	1999	1998
	£	£
Authorised		
200,000 'A' shares of £ 1 each	200,000	200,000
240,000 'B' shares of £ 1 each	240,000	240,000
800,000 'C' shares of £ 1 each	800,000	800,000
60,000 'D' shares of £ 1 each	60,000	60,000
	<u>1,300,000</u>	<u>1,300,000</u>
Allotted, called up and fully paid		
155,000 'A' shares of £ 1 each	155,000	155,000
156,750 'B' shares of £ 1 each	156,750	156,750
400,000 'C' shares of £ 1 each	400,000	400,000
60,000 'D' shares of £ 1 each	60,000	60,000
	<u>771,750</u>	<u>771,750</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 MAY 1999

16 Statement of movements on reserves

	Share premium account	Other reserves	Profit and loss account
	£	£	£
The Group			
Balance at 25 May 1998	12,500	579,145	10,702,638
Retained profit for the year	-	-	5,873,419
Currency translation differences on foreign currency net investments	-	-	57,355
Balance at 24 May 1999	<u>12,500</u>	<u>579,145</u>	<u>16,633,412</u>
The Company			
Balance at 25 May 1998	12,500	528,250	8,397,467
Retained profit for the year	-	-	5,652,070
Balance at 24 May 1999	<u>12,500</u>	<u>528,250</u>	<u>14,049,537</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 DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

17 Reconciliation of movements in shareholders' funds

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Profit/(loss) for the financial year	6,900,019	(1,588,137)	6,678,670	(785,563)
Dividends	(1,026,600)	(6,000)	(1,026,600)	(6,000)
	<u>5,873,419</u>	<u>(1,594,137)</u>	<u>5,652,070</u>	<u>(791,563)</u>
Other recognised gains and losses	57,355	-	-	-
Net addition to/(depletion in) shareholders' funds	<u>5,930,774</u>	<u>(1,594,137)</u>	<u>5,652,070</u>	<u>(791,563)</u>
Opening shareholders' funds	12,066,033	13,660,170	9,709,967	10,501,530
Closing shareholders' funds	<u><u>17,996,807</u></u>	<u><u>12,066,033</u></u>	<u><u>15,362,037</u></u>	<u><u>9,709,967</u></u>

18 Contingent liabilities

The company has entered into a guarantee of up to £200,000 (1998 - £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 £53,666 and \$305,710 (1998 - £567,650 and \$nil).

19 Financial commitments

At 24 May 1999 annual commitments under non-cancellable operating leases were as follows:

Land and buildings

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Expiry date:				
Within one year	790	-	-	-
Between two and five years	150,000	3,160	150,000	-
In over five years	-	150,000	-	150,000
	<u>150,790</u>	<u>153,160</u>	<u>150,000</u>	<u>150,000</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

20 Directors' emoluments	1999 £	1998 £
Emoluments for qualifying services	190,874	668,881
Company pension contributions to money purchase schemes	15,500	20,000
	<u>206,374</u>	<u>688,881</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (1998 - 3).

21 Employees

Number of employees

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

	1999 Number	1998 Number
Management	4	4
Administration	21	20
Factory	2	2
Sales	5	3
Studio	6	8
	<u>38</u>	<u>37</u>

Employment costs

	£	£
Wages and salaries	728,695	1,185,554
Social security costs	69,971	114,849
Other pension costs	55,690	49,899
	<u>854,356</u>	<u>1,350,302</u>

22 Control

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

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 24 MAY 1999

23 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 \$1,079 (1998 - \$nil), management charges received of \$250,000 (1998 - \$500,000), insurances recharged of \$312,607 (1998 - \$352,214), and purchases from that company of \$nil (1998 - \$70,203).