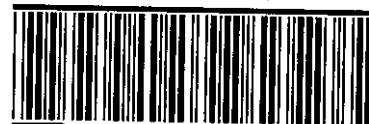


STAR DIAMOND COMPANY LIMITED  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED 24TH MAY 1995



A28 \*A1QTXK1C\* 142  
COMPANIES HOUSE 21/03/96

WARGOLD EVERETT WREDFORD  
Chartered Accountants  
MARFORD HOUSE  
105 GREAT PORTLAND STREET  
LONDON W1N 6RH

STAR DIAMOND COMPANY LIMITED

FINANCIAL STATEMENTS

24TH MAY 1995

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STAR DIAMOND COMPANY LIMITED

GENERAL INFORMATION

DIRECTORS

D.D. Fiszman  
P.I. Propper  
D.L. Bucks

JOINT SECRETARIES

P.I. Propper  
D.L. Bucks

REGISTERED OFFICE

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

BANKERS

National Westminster Bank Plc

AUDITORS

Harold Everett Wreford  
Chartered Accountants  
Harford House  
101-103 Great Portland Street  
London  
WIN 6BH

STAR DIAMOND COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 24th May 1995.

BUSINESS REVIEW

The principal activity of the company and the group during the year continued to be that of dealing in diamonds, and there are no plans for any significant changes during the next financial year.

The results for the year are shown on page 5 of the financial statements.

An interim dividend of 10p per 'D' share was paid during the year. The directors do not recommend the payment of any further dividends for the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their beneficial interests in the company's shares at the beginning and end of the year were:

	<u>1995</u>			<u>1994</u>		
	Shares of £1 each			Shares of £1 each		
	<u>'A'</u>	<u>'B'</u>	<u>'C'</u>	<u>'A'</u>	<u>'B'</u>	<u>'C'</u>
D.D. Fiszman	77,000	112,000	398,000	90,000	113,500	400,000
P.I. Propper	-	-	-	-	-	-
D.L. Bucks	-	-	-	-	-	-

FIXED ASSETS

Changes in fixed assets are shown in notes 9 and 10 to the financial statements.

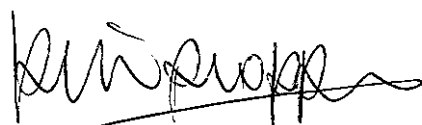
CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations for charitable purposes amounted to £25,000. No contributions were made for political purposes.

AUDITORS

A resolution proposing the re-appointment of Harold Everett Wreford, Chartered Accountants, as auditors to the company will be put to the annual general meeting.

By Order of the Board



P.I. Propper  
Joint Secretary

19th March 1996

STAR DIAMOND COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of the company's affairs and of the profit or loss of the company for that period. In preparing those financial statements, 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF STAR DIAMOND COMPANY LIMITED

We have audited the financial statements on pages 5 to 24 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 3, 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 group's circumstances, consistently applied and adequately disclosed.

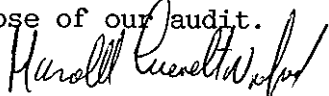
We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. 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 £683,679 included within total diamond stock of £754,061 appearing in the company's balance sheet, and £2,261,464 included within total stock of £2,375,169 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 24th May 1995 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 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

Chartered Accountants

Registered Auditor

Harford House

101-103 Great Portland Street

London

W1N 6BH

19th March 1996

STAR DIAMOND COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 24TH MAY 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
		£	£
Turnover	2	8,703,229	13,251,667
Cost of sales		(6,562,200)	(10,224,353)
<u>GROSS PROFIT</u>		2,141,029	3,027,314
Administrative expenses		(2,736,269)	(2,160,155)
<u>OPERATING (LOSS) PROFIT</u>	3	(595,240)	867,159
Profit (loss) on disposal of fixed assets	4	1,673,102	(61,749)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</u>		1,077,862	805,410
Income from fixed asset investments	5	243,719	146,707
Interest received		54,494	26,226
Interest payable	6	(221,106)	(98,439)
		77,107	74,494
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	2	1,154,969	879,904
Taxation	7	(150,082)	(197,056)
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		1,004,887	682,848
Minority interests		10,490	274
<u>PROFIT FOR THE FINANCIAL YEAR</u>		1,015,377	683,122
Dividends	8	(6,000)	(6,000)
<u>RETAINED PROFIT FOR THE YEAR</u>	18	£1,009,377	£ 677,122

The group's turnover and expenses relate wholly to continuing operations.

STAR DIAMOND COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

AT 24TH MAY 1995

	<u>Notes</u>	£	<u>1995</u>	£	£	<u>1994</u>	£
<u>FIXED ASSETS</u>							
Tangible	9a		1,608,207			562,353	
Investments	10a		6,943,919			5,062,002	
			-----			-----	
			8,552,126			5,624,355	
<u>CURRENT ASSETS</u>							
Stocks	11	2,375,169			3,803,006		
Debtors:							
Due within one year	12	2,306,619			6,459,519		
Due after more than one year	13	3,794,800			1,800,727		
Cash at bank and in hand		46,197			1,011,531		
			-----		-----		
			8,522,785		13,074,783		
<u>CREDITORS: Amounts falling due within one year</u>	14	(3,683,656)			(6,284,630)		
			-----		-----		
<u>NET CURRENT ASSETS</u>			4,839,129			6,790,153	
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>							
			-----			-----	
			13,391,255			12,414,508	
<u>CREDITORS: Amounts falling due after more than one year</u>							
	15		(105,746)			-	
			-----			-----	
			£13,285,509			£12,414,508	
<u>CAPITAL AND RESERVES</u>							
Called up share capital	16		771,750			771,750	
Share premium account			12,500			12,500	
Other reserves	17		579,145			579,145	
			-----			-----	
			1,363,395			1,363,395	
Profit and loss account	18		11,918,817			11,037,326	
			-----			-----	
<u>SHAREHOLDERS' FUNDS</u>							
Minority interests in subsidiaries	19		13,282,212			12,400,721	
			3,297			13,787	
			-----			-----	
			£13,285,509			£12,414,508	
			-----			-----	

D.D. Fizman ..... Director

P.I. Propper ..... Director

These financial statements were approved by the board on 19th March 1996.



STAR DIAMOND COMPANY LIMITED

BALANCE SHEET

AT 24TH MAY 1995

	Notes	£	1995	£	£	1994	£
<u>FIXED ASSETS</u>							
Tangible	9b		1,390,679			445,806	
Investments	10b		4,968,251			3,067,404	
			-----			-----	
			6,358,930			3,513,210	
<u>CURRENT ASSETS</u>							
Stocks	11	795,771			2,423,811		
Debtors:							
due within one year	12	1,455,793			5,620,657		
due after more than one year	13	3,794,800			1,800,727		
Cash at bank and in hand		3,657			973,589		
			-----		-----		
			6,050,021		10,818,784		
<u>CREDITORS: Amounts falling due within one year</u>	14	(2,302,233)			(5,234,091)		
			-----		-----		
<u>NET CURRENT ASSETS</u>			3,747,788			5,584,693	
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			-----			-----	
			£10,106,718			£ 9,097,903	
			=====			=====	
<u>CAPITAL AND RESERVES</u>							
Called up share capital	16		771,750			771,750	
Share premium account			12,500			12,500	
Other reserve	17		528,250			528,250	
			-----			-----	
			1,312,500			1,312,500	
Profit and loss account	18		8,794,218			7,785,403	
			-----			-----	
<u>SHAREHOLDERS' FUNDS</u>	19		£10,106,718			£ 9,097,903	
			=====			=====	

D.D. Fiszman .....  Director

P.I. Propper .....  Director

These financial statements were approved by the board on 19th March 1996.

STAR DIAMOND COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 24TH MAY 1995

	<u>Notes</u>	<u>1995</u>		<u>1994</u>	
		£	£	£	£
<u>NET CASH FLOW FROM</u>					
<u>OPERATING ACTIVITIES</u>	20		(667,863)		1,430,081
<u>RETURNS ON INVESTMENTS AND</u>					
<u>SERVICING OF FINANCE</u>					
Interest received		54,494		26,226	
Interest paid		(221,106)		(98,439)	
Dividends received		75,069		80,334	
Dividends paid		(6,000)		(6,000)	
		-----		-----	
Net cash (outflow) inflow			(97,543)		2,121
<u>TAXATION</u>					
Corporation tax paid		(156,652)		(18,455)	
Income tax paid		(11,511)		(19,592)	
		-----		-----	
Net cash outflow			(168,163)		(38,047)
<u>INVESTING ACTIVITIES</u>					
Payments to acquire:					
tangible fixed assets		(1,413,685)		(472,563)	
fixed asset investments		(2,239,419)		(403,810)	
Receipts from disposals of:					
tangible fixed assets		10,826		1,895	
fixed asset investments		2,011,674		-	
subsidiary	21	-		20,028	
		-----		-----	
Net cash outflow			(1,630,604)		(854,450)
			-----		-----
Net cash (outflow) inflow before financing			(2,564,173)		539,705
<u>FINANCING</u>	22				
Loan received		145,000		-	
Loan repayments		(485,042)		(187,869)	
		-----		-----	
Net Cash outflow			(340,042)		(187,869)
			-----		-----
<u>(DECREASE) INCREASE IN</u>					
<u>CASH AND CASH</u>					
<u>EQUIVALENTS</u>	23		£(2,904,215)		£ 351,836
			=====		=====

STAR DIAMOND COMPANY LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 24TH MAY 1995

	<u>1995</u> £	<u>1994</u> £
Group profit for the financial year	1,015,377	683,122
Currency translation differences on fixed asset investments	(127,886)	54,811
	<hr/>	<hr/>
Total recognised gains and losses for the year	£ 887,491	£737,933
	<hr/> <hr/>	<hr/> <hr/>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24TH MAY 1995

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements continue to be prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

b) Basis of Consolidation

The consolidation comprises the financial statements of the company and its subsidiaries made up to the balance sheet date, with the exception of London Star S.A. (Proprietary) Limited, whose financial year end is 28th February. The accounts of Star Diamond Company (Israel) Limited have not been consolidated as the company has been dormant for many years.

As permitted by Section 230 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.

c) Related Companies

Investment in related companies are stated at the group's share of the fair value of the underlying net assets less provisions. The group's share of the profits (less losses) of related companies is included in the consolidated profit and loss account.

d) Turnover

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

e) Depreciation and Amortisation

Depreciation and amortisation are provided on tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life.

The rates used are on a reducing balance basis as follows:

Plant and machinery	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Short leaseholds (those under 50 years) are amortised in equal instalments over the remaining period of the lease.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

1. ACCOUNTING POLICIES (Continued)

f) Stocks

Stocks are valued at the lower of cost and net realisable value.

g) Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Translation differences are included in the profit for the year on ordinary activities. Differences arising from the translation of the net investments in subsidiary and related companies, together with differences between income statements translated at average and closing rates, are recorded as movements on reserves.

h) Deferred Taxation

Taxation is potentially payable on timing differences, which include the difference between the net book values of fixed assets in the financial statements and their written down values for taxation purposes. Where the directors consider that an actual liability will arise in the foreseeable future, provision has been made to cover that amount, using the liability method.

i) Leased and Hired Assets

Assets acquired under hire purchase and finance lease agreements are capitalised and amounts still owing to the finance company at the balance sheet date are included as appropriate in creditors for amounts falling due either within or after more than one year. Repayments are treated as consisting of both capital and interest with the interest element being charged to profit and loss account.

Payments under operating leases and other hiring agreements are charged to profit and loss account as they fall due.

j) Pension Payments

Pension payments are charged to the profit and loss account in the year in which they are paid.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

2. TURNOVER AND PRE-TAX PROFIT

	<u>Turnover</u>		<u>Pre-tax Profit</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£	£	£	£
Analysis by activity:				
Diamond activities	8,399,852	12,840,189	1,333,825	925,781
Share dealing	-	122,814	-	19,490
Studio recording	303,377	288,664	(178,856)	(65,367)
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 8,703,229	£13,251,667	£1,154,969	£879,904
	<hr/>	<hr/>	<hr/>	<hr/>
Geographical analysis:				
U.K.	7,800,654	11,114,140		
Export	902,575	2,137,527		
	<hr/>	<hr/>		
	£ 8,703,229	£13,251,667		
	<hr/>	<hr/>		

In the opinion of the directors, further disclosure of the information in respect of turnover required by Schedule 4, Paragraph 55, Companies Act 1985 would be seriously prejudicial to the interests of the group.

3. OPERATING (LOSS) PROFIT

	<u>1995</u>	<u>1994</u>
	£	£
a) This is stated after charging:		
Directors' emoluments	866,954	820,025
Wages and salaries	467,304	391,178
Social security costs	86,976	79,493
Other pension costs	27,875	19,807
	<hr/>	<hr/>
Total staff costs - see b) overleaf	1,449,109	1,310,503
Auditors' remuneration	46,412	42,615
Depreciation and amortisation	344,703	100,095
Hire of equipment	19,342	10,942
Loss on disposal of tangible fixed assets	12,302	1,098
	<hr/>	<hr/>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

3.	<u>OPERATING PROFIT (Continued)</u>	<u>1995</u>	<u>1994</u>
b)	<u>Staff Costs (Including Directors)</u>		
	Average weekly number of employees:	<u>No.</u>	<u>No.</u>
	Management	5	6
	Administration	13	14
	Factory	2	2
	Sales	4	5
	Studio	6	5
		—	—
		30	32
	Directors' remuneration, excluding pension contributions, was as follows:	=	=
	Chairman and highest paid director	£352,850	£305,600
	The other directors received remuneration in the following bands:	=	=
		<u>No.</u>	<u>No.</u>
	£40,001 to £45,000	1	1
	£50,001 to £55,000	-	1
	£55,001 to £60,000	1	-
		=	=
4.	<u>PROFIT (LOSS) ON DISPOSAL OF FIXED ASSETS</u>	<u>£</u>	<u>£</u>
	Loss on disposal of tangible fixed asset	-	(71,728)
	Profit on disposal of fixed asset investment	£1,673,102	9,979
		=	=
		£1,673,102	£(61,749)
		=	=

The profit in the current year has increased the corporation tax charge for the year by £75,000.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

5.	<u>INCOME FROM FIXED ASSET INVESTMENTS</u>	<u>1995</u> £	<u>1994</u> £
	Listed investments	75,069	79,255
	Unlisted investment	-	1,079
	Share of related companies' profit on ordinary activities before taxation	168,650	66,373
		<hr/>	<hr/>
		£243,719	£146,707
		<hr/> <hr/>	<hr/> <hr/>
6.	<u>INTEREST PAYABLE</u>		
	On borrowings repayable within five years:		
	Otherwise than by instalments	214,898	97,209
	By instalments - finance leases	-	747
	other	6,208	483
		<hr/>	<hr/>
		£221,106	£ 98,439
		<hr/> <hr/>	<hr/> <hr/>
7.	<u>TAXATION</u>		
	U.K. corporation tax at 33% on the profit for the year on ordinary activities	(78,877)	(153,133)
	Income tax	(11,511)	(19,592)
	Deferred taxation	-	118
	Overseas taxation - subsidiaries	-	13
	related companies	(59,694)	(24,462)
		<hr/>	<hr/>
		£(150,082)	£(197,056)
		<hr/> <hr/>	<hr/> <hr/>
	Losses anticipated to be available for set-off against future trading profits are in the region of £650,000 (1994 - £705,000).		
8.	<u>DIVIDENDS</u>		
	10p per 'D' share paid in year	£ 6,000	£ 6,000
		<hr/> <hr/>	<hr/> <hr/>



STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

9. TANGIBLE FIXED ASSETS

(a) <u>The Group</u>	<u>Short Leasehold Premises</u>	<u>Plant &amp; Machinery</u>	<u>Furniture, Fixtures &amp; Office Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>Cost</u>	£	£	£	£	£
At 25th May 1994	446,625	433,079	309,419	172,190	1,361,313
Additions	1,065,101	185,356	163,228	-	1,413,685
Disposals	-	(66,259)	(234,430)	(41,674)	(342,363)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 24th May 1995	1,511,726	552,176	238,217	130,516	2,432,635
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Depreciation and Amortisation</u>					
At 25th May 1994	44,663	340,974	281,835	131,488	798,960
For the year	257,683	43,226	35,124	8,670	344,703
Disposals	-	(64,993)	(218,560)	(35,682)	(319,235)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 24th May 1995	302,346	319,207	98,399	104,476	824,428
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net Book Value</u>					
At 24th May 1995	£1,209,380	£232,969	£139,818	£ 26,040	1,608,207
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 24th May 1994	£401,962	£ 92,105	£ 27,584	£ 40,702	£562,353
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

9. <u>TANGIBLE FIXED ASSETS</u> (Continued)					
(b) <u>The Company</u>	Short Leasehold Premises £	Plant & Machinery £	Furniture, Fixtures & Office Equipment £	Motor Vehicles £	Total £
<u>Cost</u>					
At 25th May 1994	446,625	178,413	224,069	70,406	919,513
Additions	1,065,101	37,233	161,791	-	1,264,125
Disposals	-	(66,259)	(224,069)	(12,060)	(302,388)
	-----	-----	-----	-----	-----
At 24th May 1995	1,511,726	149,387	161,791	58,346	1,881,250
	-----	-----	-----	-----	-----
<u>Depreciation and Amortisation</u>					
At 25th May 1994	44,663	159,768	211,058	58,218	473,707
For the year	257,683	10,923	32,358	2,045	303,009
Disposals	-	(64,993)	(211,058)	(10,094)	(286,145)
	-----	-----	-----	-----	-----
At 24th May 1995	302,346	105,698	32,358	50,169	490,571
	-----	-----	-----	-----	-----
<u>Net Book Value</u>					
At 24th May 1995	£1,209,380	£43,689	£129,433	£ 8,177	1,390,679
	=====	=====	=====	=====	=====
At 24th May 1994	£401,962	£18,645	£13,011	£12,188	£445,806
	=====	=====	=====	=====	=====

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

10. FIXED ASSET INVESTMENTS

(a) <u>The Group</u>	<u>Group</u> <u>Companies</u> £	<u>Related</u> <u>Companies</u> £	<u>Other</u> <u>Companies</u> £	<u>Works</u> <u>of Art</u> £	<u>Total</u> £
<u>Cost</u>					
At 25th May 1994	1,907	3,947,297	1,375,067	498,552	5,822,823
Additions	-	(18,930)	2,116,918	122,501	2,220,489
Disposals	-	-	(338,572)	-	(338,572)
	-----	-----	-----	-----	-----
At 24th May 1995	1,907	3,928,367	3,153,413	621,053	7,704,740
<u>Provision for Diminution</u> <u>in Value</u>					
At 25th May 1994 and at 24th May 1995	-	760,821	-	-	760,821
	-----	-----	-----	-----	-----
<u>Net Book Value</u>					
At 24th May 1995	£1,907	£3,167,546	3,153,413	£621,053	£6,943,919
	=====	=====	=====	=====	=====
At 24th May 1994	£1,907	£3,186,476	1,375,067	£498,552	£5,062,002
	=====	=====	=====	=====	=====
 (b) <u>The Company</u>					
<u>Cost</u>					
At 25th May 1994	646,478	1,308,128	1,375,067	498,552	3,828,225
Additions	-	-	2,116,918	122,501	2,239,419
Disposals	-	-	(338,572)	-	(338,572)
	-----	-----	-----	-----	-----
At 24th May 1995	646,478	1,308,128	3,153,413	621,053	5,729,072
<u>Provision for Diminution</u> <u>in Value</u>					
At 25th May 1994 and at 24th May 1995	-	760,821	-	-	760,821
	-----	-----	-----	-----	-----
<u>Net Book Value</u>					
At 24th May 1995	£646,478	£547,307	3,153,413	£621,053	£4,968,251
	=====	=====	=====	=====	=====
At 24th May 1994	£646,478	£547,307	1,375,067	£498,552	£3,067,404
	=====	=====	=====	=====	=====

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

10. FIXED ASSET INVESTMENTS (Continued)

Included in Group Companies are loans totalling £187,253 (1994 - £187,253).

Included in Other Companies is an amount of £619,770 (1994 - £958,342) relating to a company quoted on the London Stock Exchange. The market value of this investment at the balance sheet date was £5,359,836 (1994 - £6,340,421). Had this investment been sold at its market value, the taxation charge would have been £1,484,000 (1994 - £1,294,000).

The group's interests in its related companies comprise:

	£	<u>1995</u>	£	£	<u>1994</u>	£
Share of net assets on acquisition			692,004			692,004
Provision for diminution in value			(144,697)			(144,697)
			-----			-----
			547,307			547,307
Profit and loss account:						
Share of profits at 25.5.94	2,639,169			2,542,447		
Loan stock	616,124			616,124		
Provision for diminution in value	(616,124)			(616,124)		
			-----			-----
			2,639,169			2,542,447
			-----			-----
At 25th May 1994			3,186,476			3,089,754
Share of profit for year	108,956			41,911		
Translation differences	(127,886)			54,811		
			-----			-----
			(18,930)			96,722
			-----			-----
At 24th May 1995			£3,167,546			£3,186,476
			=====			=====

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

10. FIXED ASSET INVESTMENTS (Continued)

Subsidiaries

	<u>Country of Registration/ Incorporation</u>	<u>Proportion of Equity Capital Held</u>	<u>Principal Activity</u>	<u>Financial Year End</u>
Polished Diamond Distributors Limited	England & Wales	100%	Diamond Dealing	31. 3.95
London Star S.A. (Proprietary) Limited	South Africa	100%	Diamond Dealing	31. 5.95
Roundhouse Recording Studios Limited	England & Wales	100%	Recording Studio	31. 7.95
Echoworld Limited	England & Wales	75%	Recording Studio	
Echocity Limited	England & Wales	75%	Recording Studio	
Central Diamonds Limited	England & Wales	83%	Dormant	
London Star Limited	England & Wales	100%	Dormant	
Gungho Trading Limited	England & Wales	100%	Dormant	
Gungho Investments Limited	England & Wales	100%	Dormant	
SDC Nominees Limited	England & Wales	100%	Dormant	
Star Industrial Holdings Limited	England & Wales	100%	Dormant	
Star Diamond Company (Israel) Limited	Israel	80%	Dormant	
<u>Related Companies</u>				
London Star Diamond Co. (India) Ltd.	India	23%	Diamond dealing	
London Star Limited	U.S.A.	20%	Diamond dealing	
Star Diamond Trading Company (NY) Inc.	U.S.A.	20%	Diamond dealing	
Star Exploration S.A.	Luxembourg	24.5%	Dormant	

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

11. <u>STOCKS</u>	<u>The Group</u>		<u>The Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£	£	£	£
Goods for resale	2,333,459	3,801,152	754,061	2,421,957
Securities	41,710	1,854	41,710	1,854
	<hr/>	<hr/>	<hr/>	<hr/>
	£2,375,169	£3,803,006	£795,771	£2,423,811
	<hr/>	<hr/>	<hr/>	<hr/>
12. <u>DEBTORS: Due within one year</u>				
Trade debtors	1,628,080	3,643,969	312,556	2,310,485
Group companies	-	-	492,382	588,495
Related companies	240,849	308,632	240,849	308,632
Other taxation	23,816	56,264	23,625	56,051
Other debtors	146,969	2,119,693	130,222	2,089,310
Prepayments	266,905	330,961	256,159	267,684
	<hr/>	<hr/>	<hr/>	<hr/>
	£2,306,619	£6,459,519	£1,455,793	£5,620,657
	<hr/>	<hr/>	<hr/>	<hr/>
13. <u>DEBTORS: Due after more than one year</u>				
Sundry debtors	£3,794,800	£1,800,727	£3,794,800	£1,800,727
	<hr/>	<hr/>	<hr/>	<hr/>
14. <u>CREDITORS: Amounts falling due within one year</u>				
Bank overdrafts	2,344,295	405,414	1,878,738	-
Bank loans (unsecured)	22,722	4,034	-	-
Other loan	-	424,648	-	424,648
Trade creditors	769,830	4,720,495	-	3,979,160
Group companies	-	-	133,146	402,455
Related companies	117,344	157,809	-	27,962
Corporation tax	30,011	107,786	26,134	101,134
Other taxation and social security	89,480	116,972	44,007	25,533
Other creditors	42,826	47,843	10,353	10,022
Accruals	267,148	299,629	209,855	263,177
	<hr/>	<hr/>	<hr/>	<hr/>
	£3,683,656	£6,284,630	£2,302,233	£5,234,091
	<hr/>	<hr/>	<hr/>	<hr/>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

	<u>The Group</u>		<u>The Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
15. <u>CREDITORS: Amounts falling due after more than one year</u>				
Bank loan (unsecured)	£105,746	£ -	£ -	£ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
16. <u>SHARE CAPITAL</u>			<u>1995</u>	<u>1994</u>
			£	£
<u>Authorised</u>				
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>                    </u>	<u>                    </u>
			£1,300,000	£1,300,000
			<u>                    </u>	<u>                    </u>
<u>Allotted, Called up and Fully Paid</u>				
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>                    </u>	<u>                    </u>
			£771,750	£771,750
			<u>                    </u>	<u>                    </u>
17. <u>OTHER RESERVES</u>				
	<u>The Group</u>		<u>The Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£	£	£	£
Capital redemption	528,250	528,250	528,250	528,250
Arising on consolidation	50,895	50,895	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	£579,145	£579,145	£528,250	£528,250
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
18. <u>PROFIT AND LOSS ACCOUNT</u>				
Retained profit for the year	1,009,377	677,122	1,008,815	637,685
Translation differences	(127,886)	54,811	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Increase in year	881,491	731,933	1,008,815	637,685
At 25th May 1994	11,037,326	10,305,393	7,785,403	7,147,718
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 24th May 1995	£11,918,817	£11,037,326	£8,794,218	£7,785,403
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

19. <u>SHAREHOLDERS' FUNDS</u>	<u>The Group</u>		<u>The Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£	£	£	£
Profit for the financial year	1,015,377	683,122	1,014,815	643,685
Dividends paid	(6,000)	(6,000)	(6,000)	(6,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Translation differences	1,009,377 (127,886)	677,122 54,811	1,008,815 -	637,685 -
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase in year	881,491	731,933	1,008,815	637,685
At 25th May 1994	12,400,721	11,668,788	9,097,903	8,460,218
	<hr/>	<hr/>	<hr/>	<hr/>
At 24th May 1995	£13,282,212	£12,400,721	£10,106,718	£9,097,903
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
20. <u>NET CASH FLOW FROM OPERATING ACTIVITIES</u>			<u>1995</u>	<u>1994</u>
			£	£
Operating (loss) profit			(595,240)	867,159
Depreciation and amortisation			344,703	100,095
Loss (profit) on disposal of fixed assets			12,302	1,098
Decrease (increase) in stocks			1,427,837	(1,231,452)
Decrease (increase) in debtors			2,198,655	(1,580,147)
(Decrease) increase in creditors			(4,056,120)	3,273,328
			<hr/>	<hr/>
			£ (667,863)	£1,430,081
			<hr/> <hr/>	<hr/> <hr/>
21. <u>SALE OF SUBSIDIARY</u>				
Tangible fixed assets				4,187
Stocks				140,129
Debtors				263
Cash at bank and in hand				2,963
Creditors: amounts falling due within one year				(133,988)
Minority interest				(542)
				<hr/>
Profit on disposal				13,012
				9,979
				<hr/>
Satisfied by cash				£ 22,991
				<hr/> <hr/>



STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

22.	<u>ANALYSIS OF CHANGES IN FINANCING</u>	<u>1995</u>	<u>1994</u>
		£	£
	<u>Bank and Other Loans</u>		
	At 25th May 1994	428,682	616,551
	Cash outflow from financing	(340,042)	(187,869)
		-----	-----
	At 24th May 1995	£ 88,640	£428,682
		=====	=====
23.	<u>CASH AND CASH EQUIVALENTS</u>		
a)	<u>ANALYSIS OF CHANGES DURING THE YEAR</u>		
	At 24th May 1995	(2,298,098)	606,117
	At 25th May 1994	606,117	254,281
		-----	-----
	Net cash (outflow) inflow	£(2,904,215)	£351,836
		=====	=====
b)	<u>ANALYSIS OF BALANCES</u>	<u>24.5.95</u>	<u>25.5.94</u>
		£	£
			Change in Year
			£
	Cash at bank and in hand	46,197	1,011,531
	Bank overdrafts	(2,344,295)	(405,414)
		-----	-----
		£(2,298,098)	£ 606,117
		=====	£(2,904,215)
		=====	=====
24.	<u>CONTINGENT LIABILITIES</u>		
	The company has entered into guarantees of up to £12,738,854 (1994 - £13,266,998) in respect of bank facilities granted to related companies. The contingent liability at the balance sheet date amounted to £3,184,713 (1994 - £5,306,799).		
	The company has also entered into unlimited guarantees in respect of bank facilities granted to one subsidiary, and a guarantee of up to £90,000 (1994 - £90,000) in respect of bank facilities granted to another subsidiary. The contingent liability at the balance sheet date amounted to £472,115 (1994 - £402,083).		
25.	<u>CAPITAL COMMITMENTS</u>	<u>1995</u>	<u>1994</u>
		£ -	£655,000
		=====	=====

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1995

26. PENSION COMMITMENTS

The company, together with a subsidiary, operates a non-contributory defined contribution pension scheme for its employees, the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid and payable to the scheme and amounted to £14,912 for the year (1994 - £7,314) for the company and £41,879 (1994 - £39,232) for the group.

The company also operates a non-contributory funded defined benefit pension scheme for one director. The assets of the scheme are held 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 expected remaining service life of the participating employee.

The latest actuarial valuation of the scheme was carried out as at 24th May 1993 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 valuation was £1,686,500. The pension charge for the year was £400,000 (1994 - £398,000).