

The Board of Directors

Mr S Chainani
Mr F R Gulmohamed
Mr G O'Brien
Mr G I Ratner
Mr V Sethi

Company secretary : Mr G O'Brien

Date of incorporation : 12 May 2003

Registered office : Eden House
Reynolds Road, Beaconsfield
Buckinghamshire, HP92FL

Auditors : BSG Valentine
Chartered Accountants
& Registered Auditor
Lynton House
7-12 Tavistock Square
London WC1H 9BQ

THE DIRECTORS' REPORT
PERIOD FROM 12 MAY 2003 TO 31 MARCH 2004

The directors present their report and the financial statements of the company for the period from 12 May 2003 to 31 March 2004.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company during the year was that of online jewellery retailing and jewellery wholesaling in the UK.

RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE PARENT COMPANY

The directors who served the company during the period together with their beneficial interests in the shares of the parent company were as follows:

		At	At
	Class of share	31 March 2004	12 May 2003 or later date of appointment
Mr S Chainani	"B" Ordinary Shares	–	–
Mr F R Gulmohamed	"B" Ordinary Shares	–	–
Mr G O'Brien	"B" Ordinary Shares	20,000	–
Mr G I Ratner	"B" Ordinary Shares	20,000	–
Mr V Sethi	"B" Ordinary Shares	–	–
		<u> </u>	<u> </u>

Mr S Chainani was appointed as a director on 7 July 2003.

Mr F R Gulmohamed was appointed as a director on 7 July 2003.

Mr G O'Brien was appointed as a director on 7 July 2003.

Mr G I Ratner was appointed as a director on 7 July 2003.

Mr V Sethi was appointed as a director on 7 July 2003.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the period and of the profit or loss for the period then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 51 to 53, 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.

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. The directors 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.

AUDITORS

A resolution to re-appoint BSG Valentine as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office: Eden House
Reynolds Road
Beaconsfield
Buckinghamshire, HP9 2FL

Signed by order of the directors

MR G O'BRIEN
Company Secretary

Approved by the board on Tuesday 3 August, 2004

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF S B & T (UK) LIMITED
PERIOD FROM 12 MAY 2003 TO 31 MARCH 2004

We have audited the financial statements on pages 51 to 53 which have been prepared under the historical cost convention and the accounting policies set out on pages 51 to 53.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statement. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Lynton House
7-12 Tavistock Square
London WC 1 H 9BQ
Dated : 3 August, 2004

BSG VALENTINE
Chartered Accountants
& Registered Auditor

BALANCESHEET AS AT 31 MARCH 2004

	Note	31 Mar 04 £
FIXED ASSETS		
Intangible assets	7	18,722
Tangible assets	8	45,231
		63,953
CURRENT ASSETS		
Stocks	9	187,266
Debtors	10	67,478
Cash at bank		72,657
		327,401
CREDITORS: Amounts falling due within one year	11	(193,846)
NET CURRENT ASSETS		133,555
TOTAL ASSETS LESS CURRENT LIABILITIES		197,508
CREDITORS: Amounts falling due after more than one year	12	(253,144)
		(55,636)
CAPITAL AND RESERVES		
Called-up share capital	15	334,000
Profit and loss account		(389,636)
DEFICIENCY (including non-equity interests)	16	(55,636)

These financial statements were approved by the directors on the Tuesday 3 August, 2004 and are signed on their behalf by :

MR. G O'BRIEN

The notes on pages 51 to 53 form part of these financial statements.

PROFIT AND LOSS ACCOUNT

PERIOD FROM 12 MAY 2003 TO 31 MARCH 2004

	Note	Period from 12 May 03 to 31 Mar 04 £
TURNOVER	2	118,362
Cost of sales		(59,781)
GROSS PROFIT		58,581
Administrative expenses		(443,697)
OPERATING LOSS	3	(385,116)
Interest receivable		198
Interest payable	6	(4,718)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(389,636)
Tax on loss on ordinary activities		-
LOSS FOR THE FINANCIAL PERIOD		(389,636)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

The notes on pages 51 to 53 form part of these financial statements.

CASH FLOW STATEMENT

PERIOD FROM 12 MAY 2003 TO 31 MARCH 2004

	Note	Period from 12 May 03 to 31 Mar 04 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	17	(432,671)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received		198
Interest paid		(4,718)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(4,520)
CAPITAL EXPENDITURE		
Payments to acquire intangible fixed assets		(20,802)
Payments to acquire tangible fixed assets		(56,494)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(77,296)
CASH OUTFLOW BEFORE FINANCING		(514,487)
FINANCING		
Issue of equity share capital		100,000
Issue of non-equity share capital		234,000
Repayment of long-term amounts owed to group undertakings		253,144
NET CASH INFLOW FROM FINANCING		587,144
INCREASE IN CASH	17	72,657

The notes on pages 51 to 53 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 12 MAY 2003 TO 31 MARCH 2004

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Trademark - over 10 years

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings - 25% per annum straight line method

Equipment - 25% per annum straight line method

Website costs - 25% per annum straight line method

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	Period from 12 May 03 to 31 Mar 04 £
United Kingdom	118,362

3. OPERATING LOSS

Operating loss is stated after charging :

	Period from 12 May 03 to 31 Mar 04 £
Amortisation	2,080
Depreciation of owned fixed assets	11,263
Auditors' remuneration	
- as auditors	5,000
Set up costs	47,394

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	Period from 12 May 03 to 31 Mar 04 No
Number of administrative staff	2

The aggregate payroll costs of the above were:

	Period from 12 May 03 to 31 Mar 04 £
Wages and salaries	96,141
Social security costs	9,254
	105,395

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Period from 12 May 03 to 31 Mar 04 £
Emoluments receivable	47,500

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 12 May 03 to 31 Mar 04 £
Other similar charges payable	4,718

7. INTANGIBLE FIXED ASSETS

Trademark

COST

Additions 20,802

At 31 March 2004 20,802

AMORTISATION

Charge for the period 2,080

At 31 March 2004 2,080

NET BOOK VALUE

At 31 March 2004 18,722

8. TANGIBLE FIXED ASSETS

	Equipment £	Fixtures and fittings £	Website Costs £	Total £
COST				
Additions	16,806	7,076	32,612	56,494
At 31 March 2004	16,806	7,076	32,612	56,494
DEPRECIATION				
Charge for the period	2,143	967	8,153	11,263
At 31 March 2004	2,143	967	8,153	11,263
NET BOOK VALUE				
At 31 March 2004	14,663	6,109	24,459	45,231

9. STOCKS

	31 Mar 04 £
Stock	187,266

10. DEBTORS

	31 Mar 04 £
Trade debtors	17,005
Other debtors	38,325
Prepayments and accrued income	12,148
	67,478

Included in other debtors is amount of £ 11,500 which is being held (by the landlords of the property rented by the company) as security in the event of S B & T (UK) Limited defaulting on its rental obligations.

11. CREDITORS: Amounts falling due within one year

	31 Mar 04 £
Trade creditors	144,961
Other taxation and social security	15,087
Other creditors	5,726
Directors current accounts	3,153
Accruals and deferred income	24,919
	193,846

12. CREDITORS: Amounts falling due after more than one year

	31 Mar 04
	£
Amounts owed to group undertakings	253,144

Included under amounts owed to group undertakings is the sum of £ 253,144 owed to S B & T Holdings Limited, a company registered in Mauritius and the holder of 'A' ordinary shares and 6% preference shares in S B & T (UK) Limited. The company issued 6% secured loan notes in the sum of £ 200,000 to S B & T Holdings Limited when the loan was initially provided.

13. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as set out below.

Land & Building	£
Operating leases which expire:	
Within 2 to 5 years	23,000

14. RELATED PARTY TRANSACTIONS

The company is under the control of S. B. & T. International Limited, its ultimate parent undertaking.

During the year the company purchased goods amounting to £ 192,401 from S. B. & T. International Limited. These purchases were made in the normal course of business. Included under trade creditors is the sum of £ 81,198 due to S. B. & T. International Limited.

During the year under review, the company paid consultancy fees amounting to £24,167 to Chiltern Management Associates. Mr G O'Brien has a material interest in this company.

15. SHARE CAPITAL

Authorised share capital:		31 Mar 04	
		£	
60,000 "A" Ordinary shares of £ 1 each		60,000	
57,647 "B" Ordinary shares of £ 1 each		57,647	
475,000 6% Preference shares of £ 1 each		475,000	
		<u>592,647</u>	
Allotted, called up and fully paid:			
	No	£	
"A" Ordinary shares of £ 1 each	60,000	60,000	
"B" Ordinary shares of £ 1 each	40,000	40,000	
6% Preference shares of £ 1 each	234,000	234,000	
	<u>334,000</u>	<u>334,000</u>	

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS EQUITY SHAREHOLDERS' FUNDS

	31 Mar 04
	£
Loss for the financial period	(389,636)
New equity share capital subscribed	100,000
Net reduction to funds	(289,636)
Closing shareholders' equity deficit	(289,636)

NON-EQUITY SHAREHOLDERS' FUNDS

New non-equity share capital subscribed	234,000
Closing shareholders' non-equity funds	234,000
TOTAL SHAREHOLDERS' DEFICIT	(55,636)

17. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period from
	12 May 03 to
	31 Mar 04
	£
Operating loss	(385,116)
Amortisation	2,080
Depreciation	11,263
Increase in stocks	(187,266)
Increase in debtors	(67,478)
Increase in creditors	193,846
Net cash outflow from operating activities	<u>(432,671)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT.

	31 Mar 04
	£
Increase in cash in the period	72,657
Net cash (inflow) from long-term amounts owed to group undertakings	(253,144)
Change in net debt	(180,487)
Net funds at 12 May 2003	-
Net debt at 31 March 2004	<u>(180,487)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At		At
	12 May 2003	Cash flows	31 Mar 2004
	£	£	£
Net cash:			
Cash in hand and at bank	-	72,657	72,657
Debt:			
Debt due after 1 year	-	(253,144)	(253,144)
Net debt	<u>-</u>	<u>(180,487)</u>	<u>(180,487)</u>

18. ULTIMATE PARENT COMPANY

At 31 March 2004 the directors consider the ultimate parent company to be S B & T International Limited, a company registered in India. S. B. & T. International Limited is a parent company of the largest and smallest group of which S B & T (UK) Limited is a member.