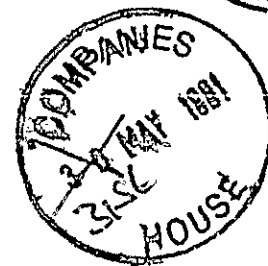
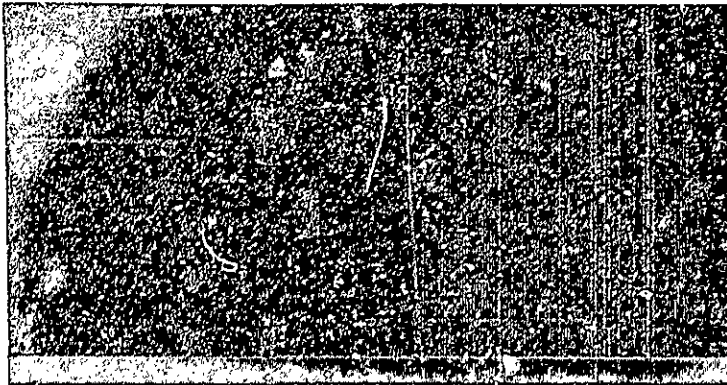
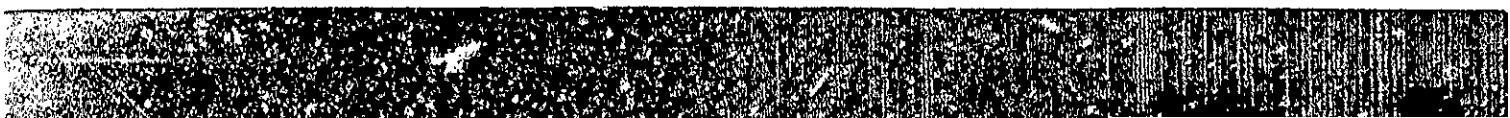
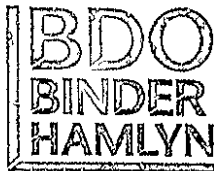


BDO  
BINDER  
HAMLYN



BDO Binder Hamlyn  
Chartered Accountants





BDO Binder Hamlyn  
Chartered Accountants

646001

646001

I. HENNIG & CO. LIMITED

DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

for the year ended  
31 December 1990



Company Number 646001

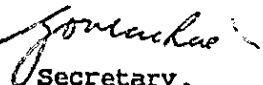


Aberdeen Ayr Basingstoke Belfast Birmingham Bristol  
Bury St Edmunds Cardiff Croydon Edinburgh  
Glasgow Glasgow Harrogate Ipswich  
Leeds London Manchester Middlesbrough Newbury  
Newcastle Newmarket Norwich Nottingham Poole  
Reading St Albans Southampton Stoke-on-Trent  
Stratford Wolverhampton

NOTICE IS HEREBY GIVEN that the annual general meeting of the company for 1991 will be held at 1, Charterhouse Street, London, EC1P 1BL, on 29 April 1991 for the following purposes:-

1. To receive and adopt the directors' report and statement of accounts for the year ended 31 December 1990.
2. To elect directors.
3. To re-appoint the auditors.
4. To transact any other ordinary business of the company.

By Order of the Board,

  
Secretary.

1, Charterhouse Street,  
London, EC1P 1BL.

28 March 1991.

**DIRECTORS**

R A Hambro  
C J Dundas  
G Just  
J O Hambro  
G D MacRae  
C G Hine  
F J A Howard  
D Shein  
J A O'Cock

**SECRETARY**

G D MacRae

**REGISTERED OFFICE**

1 Charterhouse Street  
London  
EC1P 1BL

**AUDITORS**

EDO Binder Hamlyn  
20 Old Bailey  
London  
EC4M 7BH

**BANKERS**

Hambros Bank Limited  
41 Tower Hill  
London  
EC3N 4HA

**SOLICITORS**

Denton Hall Burgen & Warrens  
90 Chancery Lane  
London  
WC2A

**DIRECTORS' REPORT**  
for the year ended 31 December 1990

**FINANCIAL STATEMENTS**

The directors present their report and financial statements for the year ended 31 December 1990.

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the company continues to be that of trading in jewellery and diamond broking.

During the year the company acquired, from its parent company, certain fellow subsidiaries, the principal activity of which is diamond merchanting.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation and minority interests amounted to £973,706. The directors recommend that this amount be dealt with as follows:

Ordinary dividends	£
- First interim paid £7 per share	476,000
- Second interim paid £5.40 per share after the balance sheet date	
Transfer to reserves	367,200
	130,506
	<u>973,706</u>

The directors do not recommend payment of a final dividend.

**DIRECTORS AND DIRECTORS' INTERESTS IN SHARES**

The directors during the year were as follow:

R A Hambro	(Chairman)
G L S Rothschild	(resigned 31 March 1990)
V G Prins	(resigned 31 December 1990)
C J Dundas	(Managing Director)
J A Abrahams	(resigned 31 January 1990)
G Just	
J O Hambro	
G D MacRae	
C G Hine	
F J A Howard	(appointed 21 August 1990)
D Shein	(appointed 5 September 1990)
J A O'Cock	(appointed 1 October 1990)

All the directors with the exception of Mr C J Dundas now retire in accordance with the provisions of the company's articles of association and, being eligible, offer themselves for re-election.

I. HENNIG & CO. LIMITED

**DIRECTORS' REPORT**

for the year ended 31 December 1990 (continued)

**DIRECTORS AND DIRECTORS' INTERESTS IN SHARES (continued)**

R A Hambro and J O Hambro are directors and shareholders of J.O. Hambro & Sons Limited, which owns 13,600 shares of £1 each (1989 : 6,400 shares) in the company and which receives a fee for their services. The shares are subject to a put and call option with the holding company.

F J A Howard is a director of Howard Perry Associates Ltd which receives a fee for his services.

**FIXED ASSETS**

Details of movements in fixed assets are set out in notes 10 and 11 to the financial statements.

**CHARITABLE AND POLITICAL DONATIONS**

During the year the group contributed £5,745 (1989: £31,222) to charities.

**POST BALANCE SHEET EVENT**

The company has opened an office in Thailand subsequent to the year end to take advantage of opportunities arising in the Far East.

**AUDITORS**

In accordance with Section 384 of the Companies Act 1985, a resolution proposing that BDO Binder Hamlyn be re-appointed as auditors of the company will be made to the Annual General Meeting.

This report was approved by the Board on 28 March 1991.

  
  
Directors

**AUDITORS' REPORT**  
to the members of I. Hennig & Co. Limited

We have audited the financial statements on pages 6 to 19 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1990 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO Binder Hamlyn*

28 March 1991

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 1990

	Notes	1990 £	1989 £
Turnover	2	10,698,490	5,374,934
Cost of sales		(6,000,146)	(624,979)
Gross profit		4,698,344	4,749,955
Administrative expenses		(3,601,979)	(2,786,534)
Other operating income		72,750	209,975
Operating profit	3	1,169,115	2,173,396
Income from fixed asset investments	3	1,020	-
Interest receivable	3	563,561	440,644
Profit on ordinary activities before taxation		1,733,696	2,614,040
Tax on profit on ordinary activities	7	(753,520)	(1,025,445)
Profit on ordinary activities after taxation		980,176	1,588,595
Minority interests		(6,470)	(7,028)
Profit attributable to members of the holding company	8	973,706	1,581,567
Dividends	9	(843,200)	(1,360,000)
Retained profit for the year	18	130,506	221,567



I. HENNIG & CO. LIMITED AND SUBSIDIARIES

7

**CONSOLIDATED BALANCE SHEET**  
as at 31 December 1990

	Notes	1990		1989	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	10(a)		478,229		272,141
Investments	11(a)		22,217		21,581
			<u>500,446</u>		<u>293,722</u>
<b>CURRENT ASSETS</b>					
Stocks	12	1,052,079		268,132	
Debtors	13	2,579,248		779,528	
Cash at banks and in hand	14	3,624,865		4,395,942	
		<u>7,256,192</u>		<u>5,443,602</u>	
<b>CREDITORS: amounts falling due within one year</b>	15	<u>4,999,024</u>		<u>3,164,329</u>	
<b>Net current assets</b>			<u>2,267,168</u>		<u>2,279,273</u>
<b>Total assets less current liabilities</b>			<u><u>2,767,614</u></u>		<u><u>2,572,995</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		68,000		68,000
Other reserves	18		76,953		242
Profit and loss account	18		2,620,526		2,493,245
			<u>2,765,479</u>		<u>2,561,487</u>
<b>Minority interests</b>			<u>2,135</u>		<u>11,508</u>
			<u><u>2,767,614</u></u>		<u><u>2,572,995</u></u>

The financial statements on pages 6 to 19 were approved by the Board on 28 March 1991.

  
Directors

I. HENNIG & CO. LIMITED

8

**BALANCE SHEET**

as at 31 December 1990

	Notes	1990	1989
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	10(b)	423,706	237,485
Investments	11(b)	127,425	42,000
		<u>551,131</u>	<u>279,485</u>
<b>CURRENT ASSETS</b>			
Debtors	13	1,730,406	1,193,010
Cash at banks and in hand	14	2,729,674	4,238,939
		<u>4,460,080</u>	<u>5,431,949</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>2,267,444</u>	<u>3,104,254</u>
<b>Net current assets</b>		<u>2,192,636</u>	<u>2,327,695</u>
<b>Net assets</b>		<u><u>2,743,767</u></u>	<u><u>2,607,180</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	68,000	68,000
Profit and loss account	18	2,675,767	2,539,180
		<u><u>2,743,767</u></u>	<u><u>2,607,180</u></u>

The financial statements on pages 6 to 19 were approved by the Board on 28 March 1991.

*[Signature]*  
*[Signature]*  
 Directors

I. HENNIG & CO. LIMITED AND SUBSIDIARIES

9

**STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS**  
for the year ended 31 December 1990

	1990 £	1989 £
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	1,733,696	2,614,040
Adjustments for items not involving the movement of funds		
Depreciation and exchange adjustments on tangible fixed assets	111,643	66,095
Exchange (loss)/gain	(3,225)	4,692
Total funds generated from operations	<u>1,842,119</u>	<u>2,684,827</u>
<b>Funds from other sources</b>		
Proceeds of disposal of tangible fixed assets	-	44,844
Negative goodwill arising on acquisition of subsidiaries (note 23)	76,711	-
Total Funds Generated	<u>1,918,830</u>	<u>2,729,671</u>
<b>APPLICATION OF FUNDS</b>		
Tax paid	1,355,365	851,141
Group relief	150,098	1,208
Purchase of tangible assets and investments	318,372	170,488
Dividends paid	1,360,000	1,200,200
Minority interests	15,843	7,594
	<u>3,199,678</u>	<u>2,230,631</u>
<b>NET (APPLICATION)/SOURCE OF FUNDS</b>	<u>(1,280,848)</u>	<u>499,040</u>
<b>MOVEMENT IN WORKING CAPITAL</b>		
Stocks	783,947	229,871
Debtors	1,742,190	(504,270)
Creditors	<u>(3,034,821)</u>	<u>(692,428)</u>
	<u>(508,684)</u>	<u>(966,827)</u>
<b>Movement in net liquid funds</b>		
Staff loans - net repayments	(1,087)	(27,082)
Cash at bank and in hand	<u>(771,077)</u>	<u>1,492,949</u>
	<u>(1,280,848)</u>	<u>499,040</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover is the total of amounts receivable less value added tax, by the group in the ordinary course of business for goods sold to or supplied by it as principal and for services provided by it as brokers. In accordance with section 55(5) of Schedule 4 to the Companies Act, 1985 particulars of geographical markets supplied are not disclosed.

Credit is taken for dividends when received, for valuation fees and brokerage commission when earned, and merchanting sales when effected.

Tangible fixed assets and depreciation

Freehold property overseas (including contents) and short leasehold improvements are being written off on a straight line basis over five or ten years.

Depreciation of other fixed assets is provided in equal annual instalments calculated on cost over the expected useful life of the different classes of asset at rates ranging between 10% and 25% per annum with the exception of computer equipment, which is written off in the year of purchase.

Stocks

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

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

Foreign currency translation

Assets and liabilities in overseas currencies have been translated into sterling at the following rates ruling at 31 December 1990:-

Belgium francs	- B.frs. 59.75 = £1
U.S. dollars	- U.S.\$ 1.93 = £1
New Israeli shekels	- N.I.S. 3.99 = £1

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Gains and losses arising are dealt with in arriving at the profit on ordinary activities before taxation.

The financial statements of overseas subsidiaries have been translated at the rates ruling at the balance sheet date. Exchange differences arising from the translation of opening net assets are taken directly to reserves.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990 (continued)

1. ACCOUNTING POLICIES (continued)

Group accounts

The group accounts include the accounts of the company and all of its subsidiaries made up to 31 December and also include the accounts of John Abrahams incorporating its results for the year ended 31 December 1990 and its net assets at that date. Goodwill arising on consolidation and representing the excess of the purchase price over the fair value of the net assets acquired is written off immediately to reserves.

Pension costs

The group operates a pension scheme in the United Kingdom providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company, in a trustee administered fund.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the scheme members' working lives with the group.

Actuarial surpluses are spread over the average remaining working lives of scheme members.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Class of business	Turnover		Profit/(loss)	
	1990	1989	1990	1989
	£	£	£	£
Diamond broking	4,618,020	4,723,713	1,277,332	2,177,781
Diamond merchanting	5,888,447	-	(75,339)	-
Trading in Jewellery	192,023	651,221	(32,878)	(4,385)
Operating profit	<u>10,698,490</u>	<u>5,374,934</u>	<u>1,169,115</u>	<u>2,173,396</u>
Investment income			1,020	-
Interest receivable			<u>563,561</u>	<u>440,644</u>
Profit on ordinary activities before taxation			<u>1,733,696</u>	<u>2,614,040</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990 (continued)

3.	OPERATING PROFIT is stated after charging or (crediting):	1990 £	1989 £
	Depreciation of fixed assets	110,229	81,078
	Computer equipment written off	11,585	44,252
	Exchange losses	130,466	-
	Auditors' remuneration	16,950	12,990
	Rent payable	283,018	283,606
	Centenary celebration costs	154,291	-
	Interest payable	1,513	1,220
	Rent receivable	(72,750)	(72,731)
	Interest receivable - bank	(548,236)	(436,756)
	- other	(15,325)	(3,888)
	Exchange gains	-	(88,799)
		<u>-</u>	<u>-</u>

4. DIRECTORS

(a) Emoluments

The emoluments of the directors of the company were:

Fees	4,250	4,084
Fees paid to third parties for the services of directors	63,623	34,000
Management remuneration (including pension contributions and benefits-in-kind)	383,419	246,181
Payment to Natural Diamonds Inc.	7,183	7,822
Annuity paid by John Abrahams	57,500	57,500
Consultancy fees	35,114	17,000
	<u>551,089</u>	<u>366,587</u>

(b) Bandings

Fees and other emoluments disclosed above (excluding pension contributions, annuities and payments to Natural Diamonds Inc.) include amounts paid in respect of:

The chairman	50,750	34,500
The highest-paid director	<u>126,437</u>	<u>117,305</u>

Directors' emoluments as disclosed above (excluding pension contributions) were in the following ranges:

	1990 Number	1989 Number
£nil ~ £ 5,000	2	-
£ 5,001 ~ £ 10,000	1	5
£ 10,001 ~ £ 15,000	2	1
£ 15,001 ~ £ 30,000	1	1
£ 30,001 ~ £ 35,000	-	-
£ 35,001 ~ £ 40,000	1	-
£ 40,001 ~ £ 55,000	3	1
£100,001 ~ £105,000	1	-
£115,001 ~ £120,000	-	1
£125,001 ~ £130,000	1	-

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990 (continued)

## 5. EMPLOYEES

## (a) Number of employees

The average weekly number of employees was 37 (1989 : 40).

## (b) Employment costs

	1990 £	1989 £
Wages and salaries	932,045	868,358
Social security costs	100,938	96,477
Other pension costs	156,156	122,286
Secondment charges and annuities	128,306	99,322
	<u>1,317,445</u>	<u>1,186,443</u>

## 6. PENSION COSTS

The total pension cost for the group in respect of the United Kingdom pension scheme was £128,000 (1989 : £108,000).

This cost was assessed in accordance with the advice of a qualified actuary using the projected unit method. The most recent full actuarial valuation of the scheme was at 31 December 1987. A review was done at 31 December 1990 from which the pension cost for 1990 was calculated.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investments return would be 9% per annum, that salary increases would be 7.5% per annum and that pensions would increase as stated in the rules of the scheme (5% per annum or increase in the Retail Price Index if lower).

The market value of the assets of the scheme at 31 December 1990 was £5,243,961 and the level of funding was 130% at that date.

As a consequence of the surplus, the group has taken a contribution holiday since 1987. This holiday is currently expected to last for another year.

## 7. TAXATION

	£	£
UK current year taxation		
UK Corporation tax at 35%	572,530	1,020,984
Payment for group relief	150,098	1,208
Deferred tax	37,800	(37,800)
Double tax relief	(1,447)	(755)
	<u>759,381</u>	<u>983,637</u>
Overseas taxation	1,975	835
	<u>761,356</u>	<u>984,472</u>
Prior years		
UK Corporation tax at 35%	(7,836)	40,973
	<u>753,520</u>	<u>1,025,445</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990 (continued)

8.	PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY	1990 £	1989 £		
	Dealt with in the accounts of the immediate parent company	979,787	1,625,316		
	Deficit in subsidiary undertakings	(6,081)	(43,749)		
		<u>973,706</u>	<u>1,581,567</u>		
9.	DIVIDENDS				
	Ordinary				
	First interim dividend of £7 per share (1989 : £7 per share) paid	476,000	476,000		
	Second interim dividend of £5.40 per share (1989 : £13) paid after the balance sheet date	367,200	884,000		
		<u>843,200</u>	<u>1,360,000</u>		
10.	TANGIBLE FIXED ASSETS				
(a) Group	Freehold property overseas (including equipment) £	Long leasehold property £	Short leasehold improve- ments £	Motor cars and equipment £	Total £
Cost -					
At 1 January 1990	165,916	-	516,422	413,597	1,095,935
Exchange adjustment	-	-	-	(6,842)	(6,842)
Additions					
- group	-	148,346	-	38,585	186,931
- third parties	-	34,545	154,524	114,729	303,798
Disposals	-	-	(135,000)	(28,393)	(163,393)
At 31 December 1990	<u>165,916</u>	<u>182,891</u>	<u>535,946</u>	<u>531,676</u>	<u>1,416,429</u>
Depreciation -					
At 1 January 1990	163,360	-	430,827	229,607	823,794
Exchange adjustment	-	-	-	(5,423)	(5,423)
Charge for the year	1,276	273	27,839	80,841	110,229
Additions - group	-	144,801	-	28,192	172,993
Disposals	-	-	(135,000)	(28,393)	(163,393)
At 31 December 1990	<u>164,636</u>	<u>145,074</u>	<u>323,666</u>	<u>304,824</u>	<u>938,200</u>
Net book value -					
At 31 December 1990	<u>1,280</u>	<u>37,817</u>	<u>212,280</u>	<u>226,852</u>	<u>478,229</u>
At 31 December 1989	<u>2,556</u>	<u>-</u>	<u>85,595</u>	<u>183,990</u>	<u>272,141</u>



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990 (continued)

## 10. TANGIBLE FIXED ASSETS (continued)

(b) Company	Freehold property overseas (including equipment) £	Long leasehold property £	Short leasehold improve- ments £	Motor cars and equipment £	Total £
Cost -					
At 1 January 1990	165,916	-	516,422	278,646	960,984
Additions	-	34,545	154,524	91,620	280,689
Disposals	-	-	(135,000)	(20,393)	(163,393)
At 31 December 1990	165,916	34,545	535,946	341,873	1,078,280
Depreciation -					
At 1 January 1990	163,360	-	430,827	129,312	723,499
Charge for the year	1,276	-	27,838	65,354	94,468
Disposals	-	-	(135,000)	(28,393)	(163,393)
At 31 December 1990	164,636	-	323,665	166,273	654,574
Net book value -					
At 31 December 1990	1,280	34,545	212,281	175,600	423,706
At 31 December 1989	2,556	85,595	34,545	149,334	237,485

## (c) Capital commitments

At 31 December 1990 the directors had authorised capital expenditure as follows:

	1990 £	1989 £
Authorised but not committed	18,135	-
Against which orders had been placed	290,000	-
	308,135	-

## 11. INVESTMENTS

## (a) Group

Unlisted investments at cost

At 1 January 1990

Additions

At 31 December 1990

21,581

635

22,217

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990 (continued)

## 11. INVESTMENTS (continued)

(b) Company	£
Wholly owned subsidiaries	
Cost -	
At 1 January 1990	112,603
Additions	85,425
At 31 December 1990	198,028
Provision for diminution in value	
At 1 January 1990 and 31 December 1990	(92,184)
	105,844
Other unlisted investments held	
Cost -	
At 1 January 1990 and 31 December 1990	21,581
	<u>127,425</u>

The subsidiaries which are all wholly owned and, unless otherwise stated incorporated in England are:-

	Nature of business
I. Hennig & Co. (U.S.A.) Limited (incorporated in the United States of America)	Agency company
I. Hennig & Co. (Belgium) N.V. (incorporated in Belgium)	Agency company
I. Hennig & Co. (Services) Limited	Service company
I. Hennig & Co. (Jewellery) Limited	Jewellery dealer
Diamond Realisations Limited	Diamond Merchants
Diamond Realisations (Belgium) N.V. (incorporated in Belgium)	Diamond Merchants
Diamond Realisations (Overseas) Limited (incorporated in Israel)	Diamond Merchants
Ely Place Trading Company Limited	Non trading

The company is a 98% profit sharing partner in the business of John Abrahams. The acquisition cost of £285,000 has been written off in a prior year.

The company also holds 9.95% of the issued ordinary share capital in The London Diamond Club Limited, which is incorporated in England.

12. STOCKS	1990 £	1989 £
Goods for resale	<u>1,052,079</u>	<u>268,132</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990 (continued)

13. DEBTORS	Group		Company	
	1990	1989	1990	1989
	£	£	£	£
Amounts falling due within one year -				
Trade debtors	1,608,933	376,399	273,556	285,808
Amounts owed by subsidiary undertakings	-	-	603,677	514,820
Amounts owed by fellow subsidiary undertakings	-	102,517	-	102,517
Other debtors	816,701	152,252	707,726	142,755
Prepayments	104,697	119,120	96,530	117,870
	<u>2,530,331</u>	<u>750,288</u>	<u>1,681,489</u>	<u>1,163,770</u>
Amounts falling due after more than one year -				
Other debtors	48,917	29,240	48,917	29,240
	<u>2,579,248</u>	<u>779,528</u>	<u>1,730,406</u>	<u>1,193,010</u>

Other debtors include an amount for ACT recoverable of £24,480 (1989: £27,733) and a loan of £7,518 (1989: £9,779) to an officer of the company.

14. BANK BALANCES

Certain funds have been made available to the company which it has set aside specifically for the purposes of clients although not separately designated for them. These amounts totalling US\$12,680,341 (1989: US\$3,545,305) have not been included in the balance sheet.

15. CREDITORS: amounts falling due within one year	Group		Company	
	1990	1989	1990	1989
	£	£	£	£
Trade creditors	880,908	239,250	-	206,821
Amounts owed to subsidiary undertakings	-	-	9,153	8,381
Amounts owed to parent undertaking	1,498,537	525,133	301,800	525,133
Amounts owed to fellow subsidiary undertakings	1,140,956	8,826	512,609	5,088
Corporation tax	488,643	1,181,969	485,410	1,176,483
Other taxation and social security	176,030	55,707	172,906	50,966
Other creditors	322,321	174,300	322,321	173,232
Accruals	114,429	95,144	96,045	74,150
Dividend payable	357,200	884,000	357,200	884,000
	<u>4,989,024</u>	<u>3,164,329</u>	<u>2,267,444</u>	<u>3,104,254</u>

Included within Other creditors is £236,000 in respect of the pension scheme (1989: £108,000), representing the difference between the accumulated pension cost and the amount funded.

The company has an undrawn facility for an overdraft of US\$1,500,000 which is secured by a charge on £1,000,000 kept in a separate designated account which is included in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1990 (continued)

## 16. DEFERRED TAX

Deferred tax provided in the financial statements, and the total potential tax liability including the amounts for which provision has been made, are as follows:

	1990 £
Group and company:	
Deferred tax asset at 1 January 1990	37,800
Transfer to profit and loss account	(37,800)
At 31 December 1990	<u>          </u>

## 17. SHARE CAPITAL

	1990 and 1989	
	Authorised Number	Allotted, called up up and fully paid £
Authorised and allotted share capital £1 Ordinary	<u>75,000</u>	<u>68,000</u>

## 18. RESERVES

	Group Other reserves £	Profit and loss account £	Company Profit and loss account £
At 1 January 1990	242	2,493,245	2,539,180
Profit for year	-	130,506	136,587
Exchange loss	-	(3,225)	-
Negative goodwill arising on acquisition of subsidiaries	<u>76,711</u>	<u>-</u>	<u>-</u>
At 31 December 1990	<u>76,953</u>	<u>2,620,526</u>	<u>2,575,767</u>

## 19. FINANCIAL COMMITMENTS

## (a) Operating leases

At 31 December 1990 the group has commitments to pay rents under property leases amounting currently to approximately £230,000 (1989 : £220,000). The leases to which the commitments relate all expire after five years.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1990 (continued)

## 19. FINANCIAL COMMITMENTS (continued)

## (b) Commitments on behalf of subsidiary undertakings

No provision has been made in these financial statements for the following guarantees made by a subsidiary undertaking of the company.

- (i) An annuity of £57,500 payable to Mr. J.A. Abrahams or his family for ten years from 29 September 1982. A further annuity of £25,000 is then payable to Mr. Abrahams until 29 September 1997 or his earlier death.
- (ii) On the death of one of the former partners or his wife, an annuity of £10,000, increased to allow for inflation and currently £22,978 will be payable to the survivor during his or her lifetime or, in the case of the wife, remarriage.
- (iii) Pensions to former partnership employees currently being paid at the rate of £14,286 per annum.

## 20. ULTIMATE PARENT COMPANY

The directors regard Hattron Limited, a company incorporated in England, as the company's ultimate parent company.

## 21. PROFIT AND LOSS ACCOUNT

The company has taken advantage of the exemption from presenting its own profit and loss account.

## 22. POST BALANCE SHEET EVENT

The company has opened an office in Thailand subsequent to the year end to take advantage of opportunities arising in the Far East.

## 23. SOURCE AND APPLICATION OF FUNDS

The effects of the acquisition of Diamond Realisations Ltd and its subsidiaries, Diamond Realisations Belgium NV and Diamond Realisations (Overseas) Ltd is as follows:

	£
Purchase of subsidiaries	85,425
Assets acquired	
Fixed assets	13,256
Stocks	172,189
Debtors	880,303
Cash at bank and in hand	648,036
Creditors: amounts falling due within one year	(1,551,648)
Negative goodwill	(76,711)
	<u>£85,425</u>