



**CABOUCHON PLC**  
(FORMERLY THE CABOUCHON  
COLLECTION PLC)

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2004**

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

**FINANCIAL STATEMENTS**

*For the year ended 31 March 2004*

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Company registration number: 4276617

Registered office: 30 Farringdon Street  
London  
EC4A 4HJ

Directors: Mr D B Pearl (Non-executive Chairman)  
Ms J A Wing (Managing Director)  
Mr K W Bone (Finance Director)  
Mr J H Hughes (Non-executive Director)

Secretary: Mr J M Bottomley

Bankers: Barclays Bank Plc  
9 St Georges Street  
Canterbury  
Kent  
CT1 2JX

Auditors: Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants  
31 Carlton Crescent  
Southampton  
Hampshire  
SO15 2EW

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

**FINANCIAL STATEMENTS**

For the year ended 31 March 2004

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Nominated Advisors and Brokers:      Insinger de Beaufort  
44 Worship Street  
London  
EC2A 2JT

Registrars:                                      Share Registrars Limited  
Craven House  
West Street  
Farnham  
Surrey  
GU9 7EN

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

**FINANCIAL STATEMENTS**

For the year ended 31 March 2004

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# **CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

## **REPORT OF THE DIRECTORS**

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The directors present their report together with the audited financial statements for the year ended 31 March 2004.

### **Principal activity**

*The company operates principally as a holding company although the group is engaged in the sale of high quality costume jewellery in the United Kingdom and overseas. The company changed its name from The Cabouchon Collection Plc to Cabouchon Plc on 10 November 2003.*

### **Business review**

The loss for the period amounted to £615,607 (2003: £1,444,184). In view of the losses the directors cannot recommend the payment of a dividend. While overheads have been reduced considerably, sales volumes continue to be disappointing. The directors are continuing to explore a number of new opportunities in order to improve the group's fortunes including a proposed reverse transaction and disposal of subsidiaries to Ms J A Wing, which will require shareholders' approval. In the meantime, the directors and third parties have agreed to continue to financially support the company.

### **Corporate Governance**

The Board intends, where practicable for a company of its size, to comply with the main provisions of the Combined Code.

An audit committee has been established which consists of the non-executive Directors and the Finance Director. It will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems.

A remuneration committee has been established which consists of the non-executive Directors. It will meet at least twice each year and will review the performance of executive Directors, set the scale and structure of their remuneration and determine the grant of options under any share option scheme, in all cases having due regard to the interests of the shareholders.

# CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)

## REPORT OF THE DIRECTORS

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### Internal Control

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and the group's assets.

The directors monitor the operation of the internal controls. The objective of the system is to safeguard the group's assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system of internal control can only provide reasonable, but not absolute assurance, against material misstatement or loss.

Internal financial control procedures undertaken by the Board include:

- Review of monthly financial reports and monitoring performance
- Prior approval of all significant expenditure including all major investment decisions
- Review and debate of treasury policy

The Board has reviewed the operation and effectiveness of the group's system of internal control for the financial period and the period up to the date of approval of the financial statements.

### Directors

The present membership of the Board is set out below.

The interests of the directors and their families in shares of the company at 31 March 2004 and 1 April 2003, were as follows:

	Ordinary shares	
	31 March 2004	1 April 2003
Mr D B Pearl	1,676,000	1,676,000
Ms J A Wing	10,800,000	10,800,000
Mr K W Bone	20,000	20,000
Mr J H Hughes	4,000	4,000
Mr F D N Anandappa (resigned 18 June 2003)	-	-

# **CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

## **REPORT OF THE DIRECTORS**

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### **Directors' responsibilities for the financial statements**

Company law in the United Kingdom 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 the group and of the profit or loss of the group 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

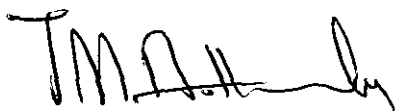
### **Payment policy and practice**

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and abide by them. Trade creditors of £72,011 at the period end amounted to 79 days of average supplies for the period.

### **Auditors**

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985. On 1 July 2004, the Grant Thornton partnership converted to a limited liability partnership called Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

ON BEHALF OF THE BOARD



J M Bottomley  
Secretary

6 August 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CABOUCHON PLC  
(FORMERLY THE CABOUCHON COLLECTION PLC)**

We have audited the financial statements of Cabouchon plc for the year ended 31 March 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. 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 group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

**Basis of 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 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 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.



**Fundamental uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation of the current activities of the company and the group. The financial statements have been prepared on a going concern basis, the validity of which depends on the continuing provision of working capital by the directors and third parties. The financial statements do not include any adjustments that would result from a failure to obtain funding. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

**Opinion**

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 March 2004 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
SOUTHAMPTON**

6 August 2004

*Grant Thornton UK LLP*

## **CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **BASIS OF PREPARATION**

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

The directors have reviewed the principal accounting policies of the group, which are set out below, in light of FRS18, and are of the opinion that they remain the most applicable accounting policies for the group.

The group meets its day to day working capital requirements through careful cash flow management, together with funding provided by the directors and third parties. The directors continue to be disappointed with sales volume and are exploring a number of opportunities in order to improve the group's fortunes. In the meantime, the directors and third parties have agreed to continue to financially support the group. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

#### **BASIS OF CONSOLIDATION**

The group financial statements consolidate those of the company and of its subsidiaries, drawn up to 31 March 2004, using the acquisition method of accounting.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and was being amortised on a straight line basis over its estimated useful economic life of 10 years. Impairment reviews carried out in both the previous and current year have resulted in a full provision for impairment, thus reducing the value to £nil at 31 March 2004.

#### **TURNOVER**

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

#### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful economic lives. The rate generally applicable is:

Computer equipment	20% straight line basis
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#### **INVESTMENTS**

Fixed asset investments are included at cost less any provision for impairment.

Current asset investments are included at the market value as at the balance sheet date.

#### **STOCKS**

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

**PRINCIPAL ACCOUNTING POLICIES**

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**DEFERRED TAXATION**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

**FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction and exchange differences are dealt with through the profit and loss account.

**LEASED ASSETS**

Operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

**FINANCIAL INSTRUMENTS**

When appropriate the group uses financial instruments to manage exposures to fluctuations in interest rates.

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Interest receivable and payable is accrued and credited/charged to the profit and loss account in the period to which it relates.

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2004

	Note	2004 £	2003 £
Turnover	2	141,518	148,074
Cost of sales		<u>(45,306)</u>	<u>(115,605)</u>
Gross profit		96,212	32,469
Administrative expenses		<u>(711,164)</u>	<u>(1,125,359)</u>
<b>Operating loss</b>		<b>(614,952)</b>	<b>(1,092,890)</b>
Amounts written off investments	13	-	(352,125)
Loss on sale of investments		<b>(655)</b>	-
Other interest receivable and similar income	3	<u>-</u>	<u>831</u>
<b>Loss on ordinary activities before taxation</b>	2	<b>(615,607)</b>	<b>(1,444,184)</b>
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
<b>Loss for the financial period transferred from reserves</b>	17	<b><u>(615,607)</u></b>	<b><u>(1,444,184)</u></b>
Basic loss per share	6	<b>(1.94) pence</b>	<b>(6.22) pence</b>

All of the activities of the group are classified as continuing.

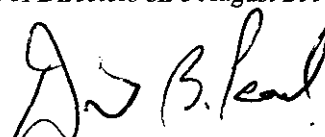
The accompanying accounting policies and notes form an integral part of these financial statements.

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

**CONSOLIDATED BALANCE SHEET AT 31 MARCH 2004**

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed assets</b>					
Intangible assets					
Goodwill	8		-		300,000
Tangible assets	9		<u>24,171</u>		<u>30,260</u>
			<u>24,171</u>		<u>330,260</u>
<b>Current assets</b>					
Stock	11	47,509		41,417	
Debtors	12	28,757		-	
Investments	13	-		97,875	
Cash at bank and in hand		<u>1,253</u>		<u>4</u>	
		<u>77,519</u>		<u>139,296</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(408,158)</u>		<u>(257,036)</u>	
<b>Net current liabilities</b>			<u>(330,639)</u>		<u>(117,740)</u>
<b>Total assets less current liabilities</b>			<u>(306,468)</u>		<u>212,520</u>
<b>Creditors: amounts falling due after more than one year</b>	15		<u>(4,500)</u>		<u>(4,500)</u>
			<u>(310,968)</u>		<u>208,020</u>
<b>Capital and reserves</b>					
Called up share capital	16		1,592,000		1,530,000
Share premium account	17		295,688		333,307
Profit and loss account	17		<u>(2,198,656)</u>		<u>(1,655,287)</u>
<b>Shareholders' funds (deficit)</b>	18		<u>(310,968)</u>		<u>208,020</u>

The financial statements were approved by the Board of Directors on 6 August 2004

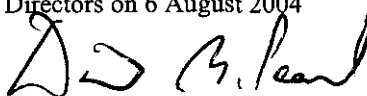
  
D B Pearl  
Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****BALANCE SHEET AT 31 MARCH 2004**

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed assets</b>					
Investments	10		-		100,000
<b>Current assets</b>					
Investments	13	-		97,875	
<b>Net current assets</b>			-		97,875
<b>Total assets less current liabilities</b>			-		197,875
<b>Capital and reserves</b>					
Called up share capital	16		1,592,000		1,530,000
Share premium account	17		295,688		333,307
Profit and loss account	17		(1,887,688)		(1,665,432)
<b>Shareholders' funds</b>			-		197,875

The financial statements were approved by the Board of Directors on 6 August 2004



**D B Pearl**  
Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AT 31 MARCH 2004**

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	<b>Note</b>	<b>2004</b> <b>£</b>	<b>2003</b> <b>£</b>
Loss for the financial year		<b>(615,607)</b>	<b>(1,444,184)</b>
Gain on lapsed share warrants	18	<b>72,238</b>	-
Total recognised gains and losses		<u><b>(543,369)</b></u>	<u><b>(1,444,184)</b></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 March 2004

	Note	2004 £	2003 £
Net cash inflow from operating activities	19	(386,502)	(318,275)
<b>Returns on investments and servicing of finance</b>			
Interest received		-	831
<b>Net cash inflow from returns on investments and servicing of finance</b>		-	831
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,868)	(4,115)
Disposal of current asset investments		97,220	-
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		95,352	(4,115)
<b>Financing</b>			
New loan finance		189,210	82,000
Proceeds from issue of warrants		116,000	-
Expenses paid in connection with warrant issues		(43,762)	-
Proceeds from issue of shares		62,000	-
Expenses paid in connection with share issues		(37,619)	-
<b>Net cash inflow from financing</b>		285,829	82,000
<b>Decrease in cash</b>	20	(5,321)	(239,559)

The accompanying accounting policies and notes form an integral part of these financial statements.



# **CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2004

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### **1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The directors continue to be disappointed with sales volume and are exploring a number of opportunities in order to improve the group's fortunes. In the meantime, the directors and third parties have agreed to continue to financially support the group. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

### **2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

The loss on ordinary activities is stated after:

	2004 £	2003 £
Auditor's remuneration:		
Audit services	10,000	10,300
Non-audit services:		
As nominated advisors	20,000	20,000
Taxation services	1,900	-
Depreciation and amortisation:		
Goodwill	98,310	98,310
Provision for impairment loss on goodwill	201,691	543,821
Tangible fixed assets	7,957	6,780
Other operating lease rentals	<u>22,934</u>	<u>32,911</u>

### **3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	2004 £	2003 £
Bank interest	<u>-</u>	<u>831</u>

# CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

### 4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19% (2003: 19%). The differences are explained below:

Note	2004 £	2003 £
Loss on ordinary activities before tax	<u>(615,607)</u>	<u>(1,444,184)</u>
Loss on ordinary activities multiplied by the standard rate of UK corporation tax	(116,965)	(274,395)
Expenses not deductible for tax purposes	56,132	188,898
Accelerated capital allowances	(133)	(588)
Marginal relief (10% nil band)	-	(43)
Utilisation of tax losses	60,966	86,128
Current tax charge for period	<u>-</u>	<u>-</u>

No recognition of the deferred tax asset has been made in these financial statement due to the uncertainty of its recovery. The unprovided deferred tax asset amounted to £193,068 (2003: £132,381).

### 5 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	2004 £	2003 £
Wages and salaries	142,915	164,485
Social security costs	<u>13,575</u>	<u>14,661</u>
	<u>156,490</u>	<u>179,146</u>

The average number of employees of the group during the period was 7 (2003: 9).

# **CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2004

Remuneration in respect of directors was as follows:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Fees	<b>10,000</b>	20,106
Emoluments	<b>75,000</b>	75,000
	<b>85,000</b>	95,106

### **6 LOSS FOR THE FINANCIAL YEAR**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Loss attributable to ordinary shareholders	<b>(615,607)</b>	(1,444,184)
Weighted average number of shares	<b>31,699,167</b>	23,227,397
Basic loss per share (pence)	<b>(1.94)p</b>	(6.22)p

The weighted average number of shares is calculated by time apportioning each share in issue during the year.  
The options in issue are anti-dilutive.

### **7 LOSS FOR THE FINANCIAL PERIOD**

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The loss for the period was £294,494 (2003: £1,350,728).

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****NOTES TO THE FINANCIAL STATEMENTS***For the year ended 31 March 2004***8 INTANGIBLE FIXED ASSETS**

	<b>Group £</b>
<b>Goodwill on consolidation</b>	
<b>Cost</b>	
At 31 March 2004 and 31 March 2003	<u>983,093</u>
<b>Amortisation</b>	
At 1 April 2003	683,093
Charge for the period	98,309
Provision for impairment losses	<u>201,691</u>
At 31 March 2004	<u>983,093</u>
<b>Net book amount at 31 March 2004</b>	<u>-</u>
Net book amount at 31 March 2003	<u>300,000</u>

Goodwill on consolidation arose from the acquisition of the company's subsidiary, Cabouchon International Limited on 5 November 2001. Goodwill was being amortised on a straight line basis over a period of ten years. Impairment reviews carried out in both the previous and current year have resulted in a full provision for impairment, thus reducing the value to nil at 31 March 2004.

**9 TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Computer equipment £</b>
<b>Cost</b>	
At 1 April 2003	37,915
Additions	1,868
At 31 March 2004	<u>39,783</u>
<b>Depreciation</b>	
At 1 April 2003	7,655
Charged for the period	7,957
At 31 March 2004	<u>15,612</u>
<b>Net book amount at 31 March 2004</b>	<u>24,171</u>
Net book amount at 31 March 2003	<u>30,260</u>

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2004

**10 FIXED ASSET INVESTMENTS**

Total fixed asset investments comprise:

<b>Company</b>	<b>Shares in group under- takings £</b>
Cost or valuation At 31 March 2004 and 31 March 2003	<u>940,000</u>
Amounts written off At 1 April 2003	840,000
Provision for impairment losses At 31 March 2004	<u>100,000</u>
	<u>940,000</u>
Net book amount at 31 March 2004	<u>-</u>
Net book amount at 31 March 2003	<u>100,000</u>

At 31 March 2004 and 31 March 2003 the company held 100% of the allotted equity ordinary share capital of the following:-

<b>Name of undertaking</b>	<b>Nature of business</b>	<b>Capital and reserves</b>	<b>Profit for the financial year</b>
<b>Subsidiary undertaking:</b>			
Cabouchon International Limited	Sale of high quality costume jewellery	(953,493)	(294,372)
The Costume Jewellery Company Limited	Sale of high quality costume jewellery	(25,145)	(25,145)
The Cabouchon Collection plc	Dormant	-	-

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2004

**11 STOCKS**

	<b>Group 2004 £</b>	<b>Company 2004 £</b>	<b>Group 2003 £</b>	<b>Company 2003 £</b>
Finished goods and goods for resale	<u>47,509</u>	<u>-</u>	<u>41,417</u>	<u>-</u>

**12 DEBTORS**

	<b>Group 2004 £</b>	<b>Company 2004 £</b>	<b>Group 2003 £</b>	<b>Company 2003 £</b>
Other debtors	<u>28,757</u>	<u>-</u>	<u>-</u>	<u>-</u>

**13 CURRENT ASSET INVESTMENTS**

	<b>Group 2004 £</b>	<b>Company 2004 £</b>	<b>Group 2003 £</b>	<b>Company 2003 £</b>
Cost or valuation	97,875	97,875	450,000	450,000
Provision against valuation	-	-	(352,125)	(352,125)
Disposals	<u>(97,875)</u>	<u>(97,875)</u>	<u>-</u>	<u>-</u>
Market value of listed investments	<u>-</u>	<u>-</u>	<u>97,875</u>	<u>97,875</u>

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group 2004 £</b>	<b>Company 2004 £</b>	<b>Group 2003 £</b>	<b>Company 2003 £</b>
Bank loans and overdrafts	9,742	-	3,172	-
Trade creditors	72,011	-	90,817	-
Social security and other taxes	30,295	-	62,786	-
Accruals	24,900	-	18,261	-
Directors' loans	271,210	-	82,000	-
	<u>408,158</u>	<u>-</u>	<u>257,036</u>	<u>-</u>

Included within the directors' loan balance are amounts due to Mr D B Pearl of £134,500 (2003: £41,000) and Ms J A Wing of £136,710 (2003: £41,000). These loans are unsecured and no interest is charged.

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2004

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**15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group 2004 £</b>	<b>Company 2004 £</b>	<b>Group 2003 £</b>	<b>Company 2003 £</b>
Director's loan	<u>4,500</u>	<u>-</u>	<u>4,500</u>	<u>-</u>

The director's loan account balance represents an amount due to Ms J A Wing.

**16 SHARE CAPITAL**

	<b>2004 £</b>	<b>2003 £</b>
Authorised 100,000,000 ordinary shares of 5p each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid 31,840,000 (2003: 30,600,000) ordinary shares of 5p each	<u>1,592,000</u>	<u>1,530,000</u>

The company entered into an option agreement dated 14 November 2001 between the company and Christows Group Limited pursuant to which the company has granted Christows Group Limited an option to subscribe for 540,000 Ordinary Shares at 25 pence per share. The option is exercisable at any time during the period expiring on 14 December 2004.

During the year 1,240,000 ordinary shares were issued at their nominal value of 5p each. The proceeds on the issue of shares was £62,000. Transaction costs on the share issue of £37,619 were debited to the share premium account.

On 23 May 2003 the company made a placing of warrants to subscribe for ordinary shares. The warrants entitled the holders to subscribe for 23,200,000 shares at 6p per share at any time up to 6 months from the date of issue. This transaction raised £116,000 in working capital for the group. The related costs of £43,762 were debited to the profit and loss account. The warrants lapsed on 23 November 2003, and the net proceeds have been recognised in the statement of total recognised gains and losses.

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2004

**17 SHARE PREMIUM ACCOUNT AND RESERVES**

<b>Group</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
At 1 April 2003	333,307	(1,655,287)
Retained loss for the period	-	(615,607)
Issue costs	(37,619)	-
Gain on lapsed share warrants	-	72,238
At 31 March 2004	<u>295,688</u>	<u>(2,198,656)</u>
<b>Company</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
At 1 April 2003	333,307	(1,665,432)
Retained loss for the period	-	(294,494)
Issue costs	(37,619)	-
Gain on lapsed share warrants	-	72,238
At 31 March 2004	<u>295,688</u>	<u>(1,887,688)</u>

**18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Group 2004 £</b>	<b>Group 2003 £</b>
Loss for the financial period	(615,607)	(1,444,184)
Issue of shares	62,000	450,000
Gain on lapsed share warrants	72,238	-
Issue costs written off to share premium account	<u>(37,619)</u>	<u>-</u>
Net (decrease) in shareholders' funds	<u>(518,988)</u>	<u>(994,184)</u>
Opening shareholders' funds	<u>208,020</u>	<u>1,202,204</u>
Closing shareholders' funds (deficit)	<u>(310,968)</u>	<u>208,020</u>



**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2004

**19 NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2004 £	2003 £
Operating loss	(614,952)	(1,092,890)
Depreciation	7,957	6,780
Amortisation	98,310	98,310
Provision for impairment loss on goodwill	201,690	543,821
(Increase)/Decrease in stocks	(6,092)	38,061
(Increase)/Decrease in debtors	(28,757)	5,028
(Decrease)/Increase in creditors	(44,658)	82,615
Net cash outflow from continuing operating activities	<u>(386,502)</u>	<u>(318,275)</u>

**20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2004 £	2003 £
Decrease in cash in the period	(5,321)	(239,559)
Cash inflows from increase in debt financing	<u>(189,210)</u>	<u>(82,000)</u>
Movement in net debt in the period	(194,531)	(321,559)
Opening net debt	<u>(89,668)</u>	231,891
Closing net debt	<u>(284,199)</u>	<u>(89,668)</u>

**CABOUCHON PLC (FORMERLY THE CABOUCHON COLLECTION PLC)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2004

**21 ANALYSIS OF CHANGES IN NET DEBT**

	At 1 April 2003 £	Cashflow £	At 31 March 2004 £
Cash at bank and in hand	4	1,249	1,253
Overdrafts	(3,172)	(6,570)	(9,742)
	(3,168)	(5,321)	(8,489)
Debt due in less than one year	(82,000)	(189,210)	(271,210)
Debt due after one year	(4,500)	-	(4,500)
	(89,668)	(194,531)	(284,199)

**22 LEASING COMMITMENTS**

Operating lease payments amounting to £22,000 are due within one year. The leases to which these amounts relate expire as follows:-

	2004 Land and buildings £	2003 Land and buildings £
In five years or more	22,000	22,000

**23 CAPITAL COMMITMENTS**

Neither the group nor the company had any commitments at 31 March 2004 or 31 March 2003.

**24 CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 March 2004 or 31 March 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

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**25 FINANCIAL INSTRUMENTS**

The group uses financial instruments, other than derivatives, comprising cash and various items such as debtors, creditors and other items that arise directly from its operations. The main purpose of these financial instruments is to help finance the group's operations.

The main risks arising from the group's financial instruments are liquidity risk and currency risk. The directors review and agree policies for managing these risks and these are summarised below.

**Short term debtors and creditors**

Short term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

**Liquidity risk**

The group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. During the year this has been assisted by the utilisation of loans from Mr D B Pearl and Ms J A Wing as detailed in notes 14 and 15.

**Currency risk**

The group manages its currency risk by extending no credit terms to overseas customers and does not take credit from overseas suppliers.

**Fair value**

The fair value of the group's financial instruments are considered equal to the book value.