

Company Registration No 04653042

AMC DIAMONDS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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COMPANY INFORMATION

Director	E Lerner Esq
Secretary	Mrs D Lerner
Company number	04653042
Registered office	Lynwood House 373/375 Station Road Harrow, Middlesex HA1 2AW
Auditors	Newman & Partners Lynwood House 373/375 Station Road Harrow, Middlesex HA1 2AW
Business address	London Diamond Bourse 100 Hatton Garden London EC1N 8NX

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AMC DIAMONDS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and financial statements for the year ended 31 December 2006. The financial statements have been prepared in UK Pound Sterling (£), which is the presentation currency of the company.

Principal activities and review of the business

The principal activity of the company continued to be that of the wholesale of jewellery.

Results

The results for the year are set out on page 9.

Future development

The directors expect to improve upon the present level of activity of the company's business.

Directors

The following directors have held office since 1 January 2006:

E Lerner Esq

Directors' interests

The directors' interests in the shares of the company were as stated below:

	'A' Ordinary shares of £ 1 each	
	31 December 2006	1 January 2006
E Lerner Esq	245	245

	'B' Ordinary shares of £ 1 each	
	31 December 2006	1 January 2006
E Lerner Esq	-	-

In addition to the above, the spouse of E Lerner Esq held 245 (2005: 245) 'A' Ordinary shares of £1 each.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts,

and

- pay in accordance with the company's contractual and other legal obligations

On average, trade creditors at the year end represented 95 (2006 '76) days' purchases

Auditors

Newman & Partners were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting


Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards

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

- a) select suitable accounting policies and then apply them consistently
- b) make judgements and estimates that are reasonable and prudent,
- c) state whether applicable accounting standards have been followed,
- d) 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 enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities



By order of the Board

Mrs D Lerner

Secretary
25/5/07,

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

AMC DIAMONDS LIMITED

We have audited the financial statements of AMC Diamonds Limited on pages 8 to 24 for the year ended 31 December 2006. These financial statements have been prepared in accordance with International Financial Reporting Standards under the historical cost convention and 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 auditor's 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

As described in the statement of directors' responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 International Financial Reporting Standards. 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 or 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 International Standards on Auditing (UK and Ireland) 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 company's circumstances, consistently applied and adequately disclosed.

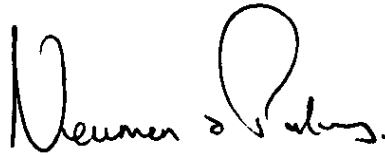
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 affairs of the company as at 31 December 2006 and of its profit for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards

Newman & Partners

Chartered Accountants
Registered Auditor

A handwritten signature in black ink, appearing to read 'Newman & Partners', written in a cursive style.

28 AUG 2007

Lynwood House
373/375 Station Road
Harrow, Middlesex
HA1 2AW

AMC DIAMONDS LIMITED


BALANCE SHEET

		2006		2005	
	Note	£	£	£	£
NON-CURRENT ASSETS					
Property, plant and equipment	3	<u>2,662</u>	2,662	<u>3,235</u>	3,235
CURRENT ASSETS					
Inventories	4	-		7,677	
Trade and other receivables	5	322,034		236,364	
Cash and cash equivalents		<u>134,538</u>	456,572	<u>60,878</u>	304,919
CURRENT LIABILITIES					
Trade and other payables	6	(435,948)		(293,241)	
Liability for current tax	9	<u>(22,062)</u>	(458,010)	<u>(14,581)</u>	(307,822)
Total assets less current liabilities					
			1,224		332
PROVISIONS					
Deferred tax provision			<u>(209)</u>		<u>(310)</u>
Net liabilities					
			<u>1,015</u>		<u>22</u>
ISSUED SHARE CAPITAL AND RESERVES					
Equity attributable to equity holders of the parent					
Share capital	7		510		510
Accumulated profit/(deficit)			8		(499)
Equity attributable to minority interest					
Share capital	7		490		490
Accumulated profit/(deficit)			<u>7</u>		<u>(479)</u>
Total equity					
			<u>1,015</u>		<u>22</u>

The financial statements have been authorised for issue by the board of management on

25 MAY 2007

Date of approval of the
financial statements


E Lerner Esq
Director

AMC DIAMONDS LIMITED

STATEMENT OF INCOME

	Note	2006 £	2005 £
Revenues	12	1,595,506	1,245,942
Cost of sales		<u>(1,443,932)</u>	<u>(1,130,574)</u>
Gross profit		151,574	115,368
Administrative expenses		<u>(76,829)</u>	<u>(48,080)</u>
Operating profit		74,745	67,288
Finance costs	12	<u>(326)</u>	<u>(306)</u>
Profit before taxes		74,419	66,982
Taxes on income	9	<u>(22,426)</u>	<u>(15,796)</u>
Net profit		<u>51,993</u>	<u>51,186</u>
Attributable to Equity holders of the company		<u>51,993</u>	<u>51,186</u>
Net profit		<u>51,993</u>	<u>51,186</u>

AMC DIAMONDS LIMITED

STATEMENT OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the company</u>		
	<u>Share capital</u>	<u>Accumulated profit / (deficit)</u>	<u>Total equity</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Balance as of 1 January 2005	1,000	(164)	836
Net profit	-	51,186	51,186
Dividends paid		<u>(52,000)</u>	<u>(52,000)</u>
Balance as of 31 December 2005	1,000	(978)	22
Net profit	-	51,993	51,993
Dividends paid	-	<u>(51,000)</u>	<u>(51,000)</u>
Balance as of 31 December 2006	<u>1,000</u>	<u>15</u>	<u>1,015</u>

AMC DIAMONDS LIMITED

STATEMENTS OF CASH FLOWS

	2006	2005
	£	£
<u>Cash flows from operating activities</u>		
Operating profit	74,745	67,288
Adjustments to reconcile net operating profit to net cash provided by operating activities (a)	72,982	61,487
Net cash (used in)/provided by operating activities	147,727	128,775
<u>Cash flows from investing activities</u>		
Purchase of fixtures and fittings and additions to fixtures and fittings, net	(315)	(1,175)
Net cash used in investing activities	(315)	(1,175)
<u>Cash flows from financing activities</u>		
Interest paid	(326)	(306)
Net cash used in financing activities	(326)	(306)
<u>Taxes paid</u>	(22,426)	(15,796)
<u>Equity dividends paid</u>	(51,000)	(52,000)
Increase in cash and cash equivalents	73,660	59,498
Cash and cash equivalents at the beginning of the year	60,878	1,380
Cash and cash equivalents at the end of the year	134,538	60,878

STATEMENTS OF CASH FLOWS

	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
(a) <u>Adjustments to reconcile net operating profit to net cash provided by operating activities</u>		
Income and expenses not involving operating cash flows		
Depreciation	888	1,080
Deferred taxes	(101)	10
Changes in operating assets and liabilities		
(Increase) / Decrease in trade receivables	(71,581)	19,987
Increase in other accounts receivable	(14,089)	(386)
(Decrease) / Increase in inventories	7,677	(7,677)
Increase in trade payables	133,057	46,767
Increase in other accounts payable	17,131	1,706
	<u>72,982</u>	<u>61,487</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a AMC Diamonds Limited ("the Company"), a company registered in England and Wales, was established and commenced operations in 2003 and is based in London, England. The Company is engaged in the wholesale of jewellery.

- b Definitions

In these financial statements

The Company - AMC Diamonds Limited

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention in accordance with International Financial Reporting Standards ("IFRS")

These financial statements are the Company's first IFRS financial statements. Prior to the adoption of IFRS's, the Company's financial statements were prepared in accordance with generally accepted accounting principles in the UK ("UK GAAP"). The Company's last annual financial statements under UK GAAP were for the year ended 31 December 2005.

See Note 16 for reconciliation's of profit or loss and equity reported under UK GAAP to the profit or loss and equity under IFRS.

- b Accounting policies

The accounting policies adopted by the Company for all periods presented are in compliance with the IFRS's that are effective at 31 December 2006.

- c Financial statements in UK Pounds Sterling

The Company has selected the UK £ as its presentation currency.

Assets and liabilities are translated into UK £ at the closing rate at each balance sheet date. Income and expenses are translated at average exchange rates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future

The validity of this assumption depends on the continued support of AMC Diamonds Antwerp who are an associated company of AMC Diamonds Limited

If the company were unable to continue in operational existence for the foreseeable future, adjustments would be necessary to reduce the balance sheet values of assets to their recoverable amounts, to reclassify non-current assets as current assets and to provide for further liabilities which might arise

e Cash and cash equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents

f Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified

g Inventories

Inventories are valued at the lower of cost or realisable value. Cost comprises direct costs and those overheads that have been incurred in bringing the inventories to their present location. Cost is calculated using the first-in, first-out (FIFO) formula. Net realisable value represents the expected selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution

h Non-current assets

1 Property and equipment

Equipment is stated at cost net of accumulated depreciation. Depreciation is calculated using the reducing balance method over the estimated useful life of the assets, at the following annual rates

	%
Fixtures, fittings and equipment	25

NOTES TO FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i Recoverable amount of non-current assets

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the higher of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

j Financial instruments

The carrying amounts of cash and cash equivalents, trade receivables, other accounts receivable, trade payables and other current liabilities, approximate their fair value due to the short-term maturity of such instruments.

Management has recognised the financial risks that the company is subjected to from the movement of exchange rates and interest rates. The company has endeavoured to minimise these risks by taking out forward contracts in order to purchase foreign currency at a pre-determined rate.

k Measurement of financial assets and liabilities

Financial assets and liabilities, other than equity instruments held, are measured at fair value.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Equity instruments held are shown at amortised cost, as there is no quoted market price in an active market for which fair value could be reasonably determined.

l Derecognition of financial assets and liabilities

A financial asset is derecognised when either the contractual rights to the assets' cash flows expire, or the asset is transferred and the transfer qualifies for derecognition.

A financial liability is derecognised when, and only when, it is extinguished i.e. when the obligation in the contract is discharged, cancelled or expires.

NOTES TO FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m Deferred income taxes

- 1 The Company provides for deferred income taxes using the liability method of accounting. Under the liability method, deferred taxes are recognised for temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are measured based on enacted tax rates that will be in effect in the year in which the differences are expected to reverse. Deferred tax assets in respect of carryforward losses and other temporary deductible differences are recognised to the extent that it is probable that they will be utilised.

n Foreign currency translation

Assets and liabilities in or linked to foreign currency are translated into the functional currency according to the representative exchange rate as published on the internet by a reliable source on the balance sheet date.

Data regarding exchange rate of the foreign currencies held in relation to the UK £

<u>Currency</u>	<u>Exchange rate of one GBP</u>
US Dollar	1.95910

o Revenue recognition

Revenues from product sales are recognised upon issue of a sales invoice.

p Group accounts

AMC Diamonds Limited has chosen not to prepare consolidated group financial statements. This decision is compliant with International Accounting Standard 27 which allows the company not to prepare consolidated group financial statements as its ultimate controlling interest produces consolidated financial statements which are compliant with International Financial Reporting Standards and are publicly available.

q IFRSs and IFRIC Interpretations not yet effective

The Company has not early adopted IFRSs and IFRIC Interpretations that have been issued but are not effective as of 31 December 2006. Management expects that adoption of those pronouncements will not have a material impact on the financial position and results of operations of the Company in the period of initial application.

NOTES TO FINANCIAL STATEMENTS

NOTE 3:- PROPERTY AND EQUIPMENT

a Composition

	Fixtures and Fittings	Total
	£	
Cost		
Balance at 1 January 2005	5,534	5,534
Additions during the year	315	315
Disposals during the year		
Balance at 31 December 2005	<u>5,849</u>	<u>5,849</u>
Accumulated depreciation		
Balance at 1 January 2006	2,299	2,299
Disposals		
Charge during the year	<u>888</u>	<u>888</u>
Balance at 31 December 2006	<u>3,187</u>	<u>3,187</u>
Depreciated cost at 31 December 2006	<u>2,662</u>	<u>2,662</u>
Depreciated cost at 31 December 2005	<u>3,235</u>	<u>3,235</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4:- INVENTORIES

	2006	2005
	£	£
Items for resale	-	7,677
	-	7,677

NOTE 5:- TRADE AND OTHER RECEIVABLES

	2006	2005
	£	£
Trade receivables	303,161	231,580
Other receivables	12,500	-
Prepayments	6,373	4,784
	322,034	236,364

NOTE 6:- TRADE AND OTHER PAYABLES

	2006	2005
	£	£
Trade payables	180	-
Payables to related parties	369,300	236,423
Other taxes payable	56,983	46,166
Other payables	135	91
Accruals	9,350	10,561
	435,948	293,241

NOTES TO FINANCIAL STATEMENTS

NOTE 7.- SHARE CAPITAL

Authorised share capital	2006 £	2005 £
490 A Ordinary shares of £1 each	490	490
510 B Ordinary shares of £1 each	510	510
	<u>1,000</u>	<u>1,000</u>
Issued share capital	2006 £	2005 £
490 A Ordinary shares of £1 each	490	490
510 B Ordinary shares of £1 each	510	510
	<u>1,000</u>	<u>1,000</u>

The A and B shares rank pari passu in all respects, except that the A shares will be entitled to a yearly dividend which is not based on the proportion of share capital held in the company

NOTE 8:- CHARGES, COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i>	
	2006 £	2005 £
Operating leases which expire		
In one to two years		7,668
In two to five years	<u>5,483</u>	<u> </u>
	<i>Other</i>	
	2006 £	2005 £
Other financial commitments which expire		
Within one year	<u>250,000</u>	<u> </u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9.- TAXES ON INCOME

(a) Tax on profit on ordinary activities
The tax charge is made up as follows

	2006	2005
Domestic current year tax	£	£
UK corporation tax	22,062	14,546
Adjustments for prior years	465	1,240
Current tax charge	<u>22,527</u>	<u>15,786</u>
Deferred tax		
Origination and reversal of timing differences	(101)	10
	<u>22,426</u>	<u>15,796</u>

(b) Factors affecting the tax charge for the year

	2006	2005
	£	£
Profit on ordinary activities before taxation	<u>74,419</u>	<u>66,982</u>
Profit on ordinary activities before taxation multiplied by the effective tax rate of 30.00% (2005: 22.00%)	21,957	15,057
Effects of		
Fixed asset depreciation	262	243
Disallowable expenditure	5	-
Capital allowances	(162)	(253)
Adjustments for prior years	465	1,240
Other adjustments	-	(501)
Current tax charge	<u>22,527</u>	<u>15,786</u>

NOTE 10:- CONTROL

The immediate parent entity of AMC Diamonds Limited is AMC Finance SA. The ultimate controlling parent is PC Investments.

The consolidated financial statements are produced by PC Investments. These can be obtained from AMC Diamonds Antwerp at the following address -

Antwerp Diamond Bourse Suite 349
Pelikaanstraat 78,
B-2018, Antwerpen
Belgium

NOTES TO FINANCIAL STATEMENTS

NOTE 11:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a Balances with related parties

	31 December	
	2006	2005
	£	£
Amounts owed to fellow associates	369,300	236,423

b Transactions with related parties

	Year ended 31 December	
	2006	2005
	£	£
Purchases from fellow associates	1,415,231	1,112,682
Management charges from fellow associates	32,988	7,261

NOTE 12:- SUPPLEMENTARY INFORMATION TO THE STATEMENT OF INCOME

	2006	2005
	£	£
a Revenues		
1 Revenues distribution according to geographical areas		
UK	1,251,543	1,001,801
Europe	30,107	176,935
Rest of the world	313,856	67,206
Total	1,595,506	1,245,942
b Financial expenses		
Bank interest payable	282	282
Other interest payable	44	-
	326	282

NOTES TO FINANCIAL STATEMENTS

NOTE 13.- AUDITORS' REMUNERATION

The fees paid to auditors for their services are detailed below

	2006	2005
	£	£
Audit services	4,000	
Non-audit fees	-	2,500
	<u>4,000</u>	<u>2,500</u>

NOTE 14:- DIRECTORS EMOLUMENTS

	2006	2005
	£	£
Salary	-	-
Benefits in kind	-	116
	<u>-</u>	<u>116</u>

NOTE 15:- NUMBER OF EMPLOYEES AND STAFF COSTS

The monthly average number of employees during the year was as follows

Employees	2006	2005
	£	£
Management staff	1	1
	<u>1</u>	<u>1</u>
Employment costs	2006	2005
	£	£
Wages and salaries	4,350	3,894
Social security costs	97	106
	<u>4,447</u>	<u>4,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 16:- RECONCILIATION TO UK GAAP

As described in Note 2a, these financial statements are the Company's first IFRS financial statements. Accordingly, the Company has presented the following reconciliations from its previous GAAP (UK GAAP) to IFRS as at 1 January 2006 (date of transition to IFRS's) and for the year ended 31 December 2005 (last annual financial statements under UK GAAP)

a Reconciliation of equity

	As at 31 December 2005		
	UK GAAP	Effect of transition to IFRS £	IFRS
Property and equipment	3,235	-	3,235
Financial assets		-	
Inventories	7,677	-	7,677
Trade and other receivables	236,364	-	236,364
Cash and cash equivalents	60,878	-	60,878
Total assets	308,154	-	308,154
Trade and other payables	(247,075)	-	(247,075)
Financial liabilities	(60,747)	-	(60,747)
Total liabilities	(307,822)	-	(307,822)
Total provisions	(310)	-	(310)
Net assets/(liabilities)	22	-	22
Share capital	1,000	-	1,000
Accumulated deficit	(978)	-	(978)
Total equity	22	-	22

NOTES TO FINANCIAL STATEMENTS

NOTE 17:- RECONCILIATION TO UK GAAP (Cont.)

b Reconciliation of profit or loss

	Year ended 31 December 2005		
	UK GAAP	Effect of transition to IFRS £	IFRS
Revenues	1,245,942	-	1,245,942
Cost of revenues	(1,130,574)	-	(1,130,574)
Gross profit	115,368	-	115,368
Administrative expenses	(48,080)	-	(48,080)
Operating profit	67,288	-	67,288
Finance costs	(306)	-	(306)
Profit before taxes	66,982	-	66,982
Tax	(15,796)	-	(15,796)
Profit after taxes	51,186	-	51,186
Net profit	51,186	-	51,186