

## KLG JEWELRY UK LIMITED

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### Directors' Report And Financial Statements

For the year ended 31 December 2011

Company Registration No 05195582 (England And Wales)

# KLG JEWELRY UK LIMITED

## COMPANY INFORMATION

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**Directors** G Tanne  
B Hancock

**Secretary** G Tanne

**Company number** 05195582

**Registered office** Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

**Auditors** Kingston Smith LLP  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

**Bankers** HSBC Bank Plc  
69 Pall Mall  
London  
SW1Y 5EY

Bank Leumi (UK) Plc  
20 Stratford Place  
London  
W1C 1BG

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# KLG JEWELRY UK LIMITED

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# KLG JEWELRY UK LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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The directors present their report and financial statements for the year ended 31 December 2011

### Principal activities

The principal activity of the company continued to be that of the operation of a retail store selling fine jewellery

### Directors

The following directors have held office since 1 January 2011

G Tanne  
B Hancock

Charitable donations	2011 £	2010 £
During the year the company made the following payments		
Charitable donations	5,000	-

Charitable donations - The recipients, amounts and purpose of the charitable donations are as follows  
British Friends of the Art Museum £5,000 for the purpose of the benefit of the arts

### Auditors

The auditors, Kingston Smith LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

# KLJ JEWELRY UK LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

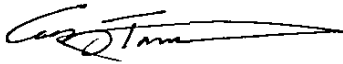
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### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



G Tanne

Director

14/03/2012

# KLG JEWELRY UK LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KLG JEWELRY UK LIMITED

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We have audited the financial statements of KLG Jewelry UK Limited for the year ended 31 December 2011 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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 directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# KLG JEWELRY UK LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF KLG JEWELRY UK LIMITED

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report



**Christopher Lane (Senior Statutory Auditor)**  
for and on behalf of Kingston Smith LLP

19 March 2012

**Chartered Accountants**  
**Statutory Auditor**

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

# KLG JEWELRY UK LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
	Notes	£	as restated £
<b>Turnover</b>	<b>2</b>	3,681,781	814,708
Cost of sales		(2,744,203)	(571,287)
<b>Gross profit</b>		937,578	243,421
Distribution costs		(61,693)	(71,817)
Administrative expenses		(2,228,513)	(1,985,422)
<b>Operating loss</b>	<b>3</b>	(1,352,628)	(1,813,818)
Other interest receivable and similar income	<b>4</b>	374,004	374,004
Interest payable and similar charges		(237,623)	(218,450)
<b>Loss on ordinary activities before taxation</b>		(1,216,247)	(1,658,264)
Tax on loss on ordinary activities	<b>5</b>	-	-
<b>Loss for the year</b>	<b>11</b>	(1,216,247)	(1,658,264)



# KLG JEWELRY UK LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2011

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		2011	2010
	Notes	£	as restated £
Loss for the financial year		(1,216,247)	(1,658,264)
Prior year adjustment	11	(294,357)	(1,140,716)
Total gains and losses recognised since last financial statements		<u>(1,510,604)</u>	<u>(2,798,980)</u>

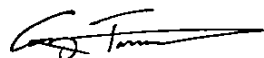
# KLG JEWELRY UK LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2011

		2011		2010 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		1,282,834		1,427,794
<b>Current assets</b>					
Stocks		255,862		-	
Debtors amounts falling due within one year	7	21,336		97,650	
Debtors amounts falling due after more than one year	7	5,315,047		5,492,787	
Cash at bank and in hand		313,995		219,301	
		<u>5,906,240</u>		<u>5,809,738</u>	
<b>Creditors amounts falling due within one year</b>	8	<u>(6,050,361)</u>		<u>(6,980,109)</u>	
<b>Net current liabilities</b>			<u>(144,121)</u>		<u>(1,170,371)</u>
<b>Total assets less current liabilities</b>			<u>1,138,713</u>		<u>257,423</u>
<b>Creditors amounts falling due after more than one year</b>	9		<u>(13,708,491)</u>		<u>(11,610,954)</u>
			<u>(12,569,778)</u>		<u>(11,353,531)</u>
<b>Capital and reserves</b>					
Called up share capital	10		1		1
Profit and loss account	11		<u>(12,569,779)</u>		<u>(11,353,532)</u>
<b>Shareholders' funds</b>	12		<u>(12,569,778)</u>		<u>(11,353,531)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Approved by the Board for issue on *14 March 2012*



G Tanne  
Director

Company Registration No 05195582

# KLG JEWELRY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The company meets its day to day working capital requirements through a bank loan, which is repayable on demand, and an intercompany loan which is classified as due in more than one year

The nature of the company's business results in an unpredictable timing of cash inflows. On the basis of the availability of group support from the parent company the directors consider that the company will continue to operate within the facilities available

On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of these loan facilities

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company

#### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

#### **1.3 Turnover**

Turnover represents amounts receivable for goods net of VAT and trade discounts

#### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Leasehold improvements	Over the term of the lease (15 years straight line)
Computer equipment	33% straight line
Fixtures, fittings & equipment	20% straight line

#### **1.5 Deferred taxation**

In accordance with the Financial Reporting Standard for Smaller Entities, deferred tax is recognised as a liability or asset if transactions or events that give the company the obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date

#### **1.6 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

### **2 Turnover**

In the year to 31 December 2011 91% (2010 - 91%) of the company's turnover was to markets outside the United Kingdom

# KLG JEWELRY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

<b>3 Operating loss</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Operating loss is stated after charging		
Depreciation of tangible assets	151,094	157,548
Auditors' remuneration	13,500	13,000

<b>4 Investment income</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Other interest	374,004	374,004

### 5 Taxation

The company has estimated losses of £ 10,632,092 (2010 - £ 9,550,652) available for carry forward against future trading profits

Based upon these financial statements no provision has been made for corporation tax

### 6 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
<b>Cost</b>			
At 1 January 2011	1,986,796	261,259	2,248,055
Additions	-	6,133	6,133
At 31 December 2011	1,986,796	267,392	2,254,188
<b>Depreciation</b>			
At 1 January 2011	602,932	217,329	820,261
Charge for the year	132,453	18,640	151,093
At 31 December 2011	735,385	235,969	971,354
<b>Net book value</b>			
At 31 December 2011	1,251,411	31,423	1,282,834
At 31 December 2010	1,383,864	43,930	1,427,794

# KLG JEWELRY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

<b>7 Debtors</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Trade debtors	-	6,365
Amounts owed by group undertakings	5,315,047	5,492,787
Other debtors	21,336	91,285
	<u>5,336,383</u>	<u>5,590,437</u>

Debtors include an amount of £5,315 047 (2010 - £5,492,787) which is due after more than one year

<b>8 Creditors amounts falling due within one year</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	5,925,248	6,875,000
Trade creditors	38,221	56,485
Taxation and social security	26,699	5,799
Other creditors	60,193	42,825
	<u>6,050,361</u>	<u>6,980,109</u>

Bank loans are secured on a property owned by Bravepoint Limited, a related company. The company has a rolling loan facility with the bank and although this is regularly renewed, technically these borrowings are repayable within 90 days.

<b>9 Creditors amounts falling due after more than one year</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	<u>13,708,491</u>	<u>11,610,954</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	19,633,491	18,485,954
Included in current liabilities	(5,925,000)	(6,875,000)
	<u>13,708,491</u>	<u>11,610,954</u>

<b>10 Share capital</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

# KLG JEWELRY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

### 11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2011 as previously reported	(11,059,175)
Prior year adjustment	(294,357)
Balance at 1 January 2011 as restated	(11,353,532)
Loss for the year	(1,216,247)
Balance at 31 December 2011	(12,569,779)

### 12 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial year	(1,216,247)	(1,658,264)
Opening shareholders' funds	(11,353,531)	(9,695,267)
Closing shareholders' funds	(12,569,778)	(11,353,531)

Opening shareholders' funds were originally £9,918,458 before deducting prior year adjustments of £1,435,074

The results reflect a change in accounting policy in order that loans with related parties are denominated in US Dollars and translated into sterling at the balance sheet date. The adjustment relating to previous years has been recognised in the accounts as a prior year adjustment and comparative figures for 2010 have been restated. The effect of implementing this accounting policy was to increase debtors by £34,465 and creditors falling due after more than one year by £1,469,538 and to decrease the value of the company's reserves by £1,435,074.

### 13 Financial commitments

At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012

	2011 £	2010 £
Operating leases which expire		
Within one year	408,000	408,000

# KLG JEWELRY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

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### 14 Control

The immediate and ultimate parent company is KLG Jewelry LLC, a company registered in the U S A

### 15 Related party relationships and transactions

At the year end date the company was owed £5,315,047 (2010 £5,346,043) by Bravepoint Limited, a fellow subsidiary undertaking in respect of funding given in order to acquire a property. This loan is due in more than one year. During the year the company paid rent of £408,000 (2010 £408,000) to, and received interest of £374,004 (2010 £374,000) from, Bravepoint Limited.

At the year end date the company owed £13,708,491 (2010 £11,610,954) to KLG Jewelry, LLC USA, its immediate parent undertaking. This loan is due in more than one year.

At the year end date the company was owed £Nil (2010 £146,744) by KLG Jewelry, Russia, a fellow subsidiary undertaking.