

KLJ Jewelry UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2015



KLG Jewelry UK Limited

Company Information

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 St James's London SW1Y 5EY Bank Leumi (UK) Plc 20 Stratford Place London W1C 1BG

KLG Jewelry UK Limited

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KLG Jewelry UK Limited

Strategic Report

For the year ended 31 December 2015

The directors present the strategic report and financial statements for the year ended 31 December 2015.

Review of the business

KLG Jewelry UK LTD is an international luxury jewelry company and is a wholly owned subsidiary of KLG Jewelry LLC, a US company operating under the LEVIEV brand name with a retail outlet in New York.

The brand specializes in one of a kind, high value diamond jewelry. Much of the inventory comes from the US parent, but in recent years a growing number of items have been sourced in the UK. Each item is costed individually and priced based on the current market conditions for the unique stones they contain.

Risks and uncertainties

Given the unique product and the high value / low transaction volume the business is susceptible to significant potential swings in revenue in any short term period. The timing of a few high value sales can alter results significantly. Margins are also subject to similar potential swings as the margin is measured against the historical cost of the item and can fluctuate significantly by item.

Although the overall economy is a factor, the demand for our product is rather inelastic as the target clientele are ultra high net worth individuals that aren't necessarily influenced by general market conditions.

Due to various factors mostly related to maintaining the Bond Street location, KLG Jewelry UK LTD has decided to cease retail trading operations in 2016.

Results

KLG UK LTD has run at a loss on an annual basis in the UK. As mentioned, the parent company has decided to close the trading operations in 2016.

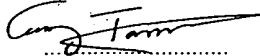
Analysis of performance

Sales for 2015 were £3.2m, which is less than prior year sales of £8.8m.

In 2015 gross margin, or profit as a percentage of sales, increased to 24% exceeding the 21% experienced in 2014.

During 2015, other than product, the main costs for the business were for maintaining and staffing the boutique on Old Bond Street. Staffing consisted of predominantly sales staff with one administrative employee. The boutique was occupied under a License Agreement with Bravepoint Ltd, the property owner. KLG UK was charged a monthly license fee to occupy the property. This agreement ended in 2016 following the sale of the property. Security and significant maintenance were needed given the upscale atmosphere of the boutique. Other expenses included sales and marketing costs to promote the brand and product. The company also recognized foreign currency translation gain/loss on intercompany balances owed to the US parent in US dollar denomination.

On behalf of the board



G Tanne
Director

Sept 13, 2016

KLG Jewelry UK Limited

Directors' Report

For the year ended 31 December 2015

The directors present their annual report and financial statements for the year ended 31 December 2015.

In accordance with section 414C(11) of the Companies Act 2006, the directors have chosen to include information about future developments in the Strategic Report.

Principal activities

During the year the principal activity of the company continued to be the operation of a retail store selling fine jewellery. At the end of February 2016 the company closed this store.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

G Tanne
B Hancock

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

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 Annual 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. 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.

KLG Jewelry UK Limited

Directors' Report (Continued)

For the year ended 31 December 2015

Statement of disclosure to auditors

Each of the directors in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



G Tanne

Director

Sept 13, 2016

KLG Jewelry UK Limited

Independent Auditor's Report

To the Members of KLG Jewelry UK Limited

We have audited the financial statements of KLG Jewelry UK Limited for the year ended 31 December 2015 which comprise the Profit And Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement, 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on financial statements

Included in tangible fixed assets shown in the balance sheet are leasehold improvements of £721,599 relating to a property rented until February 2016. The decision to vacate the property was made before 31 December 2015. In our opinion the leasehold improvements were impaired at 31 December 2015 and should have been written down to their recoverable value, which is £82,890. The directors have, however, decided to impair these assets at the date that the property was vacated. Accordingly, tangible fixed assets should be reduced by £638,709, the loss for the financial year should be increased by £638,709 and profit and loss reserves should be reduced by £638,709.

Qualified opinion on the financial statements

Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006; and

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 Auditor's Report (Continued)

To the Members of KLG Jewelry UK Limited

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.

Christopher Lane

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

Chartered Accountants
Statutory Auditor

15/9/16

Devonshire House
60 Goswell Road
London
EC1M 7AD

KLG Jewelry UK Limited

Profit And Loss Account

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	3	3,155,399	8,755,259
Cost of sales		(2,413,167)	(6,916,485)
Gross profit		<u>742,232</u>	<u>1,838,774</u>
Distribution costs		(75,876)	(72,888)
Administrative expenses		(3,229,749)	(3,362,630)
Operating loss	4	<u>(2,563,393)</u>	<u>(1,596,744)</u>
Interest receivable and similar income	6	380,087	380,087
Interest payable and similar charges	7	(200,750)	(211,286)
Loss before taxation		<u>(2,384,056)</u>	<u>(1,427,943)</u>
Tax on loss	8	-	-
Loss for the financial year	16	<u><u>(2,384,056)</u></u>	<u><u>(1,427,943)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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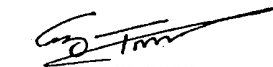
Balance Sheet

As at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible fixed assets	9	733,415	874,894
Current assets			
Stocks	11	1,242,101	995,561
Debtors	12	5,997,555	6,426,147
Cash at bank and in hand		130,560	334,634
		7,370,216	7,756,342
Creditors: falling due within one year	14	(24,745,297)	(4,581,897)
Net current (liabilities)/assets		(17,375,081)	3,174,445
Total assets less current liabilities		(16,641,666)	4,049,339
Creditors: amounts falling due after more than one year	14	-	(18,306,949)
Net liabilities		(16,641,666)	(14,257,610)
Capital and reserves			
Called up share capital	15	1	1
Profit and loss reserves	16	(16,641,667)	(14,257,611)
Total equity		(16,641,666)	(14,257,610)

The financial statements were approved by the board of directors and authorised for issue on Sept. 13, 2016

Signed on its behalf by:



G Tanne
Director

Company Registration No. 05195582

KLG Jewelry UK Limited

Statement of Changes in Equity

For the year ended 31 December 2015

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 January 2014		1	(12,829,668)	(12,829,667)
Loss and total comprehensive income for the year		-	(1,427,943)	(1,427,943)
Balance at 31 December 2014		1	(14,257,611)	(14,257,610)
Loss and total comprehensive income for the year		-	(2,384,056)	(2,384,056)
Balance at 31 December 2015		1	(16,641,667)	(16,641,666)

KLG Jewelry UK Limited

Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £	£	2014 £	£
Cash flows from operating activities					
Cash absorbed by operations	19	(2,531,757)		(2,383,568)	
Interest paid		(200,750)		(211,286)	
Net cash outflow from operating activities		(2,732,507)		(2,594,854)	
Investing activities					
Purchase of tangible fixed assets		(1,270)		-	
Interest received		380,087		380,087	
Net cash generated from investing activities		378,817		380,087	
Financing activities					
Repayment of borrowings		2,583,747		2,903,167	
Repayment of bank loans		(433,000)		(433,000)	
Net cash generated from financing activities		2,150,747		2,470,167	
Net (decrease)/increase in cash and cash equivalents		(202,943)		255,400	
Cash and cash equivalents at beginning of year		333,503		78,103	
Cash and cash equivalents at end of year		130,560		333,503	
Relating to:					
Bank balances and short term deposits		130,560		334,634	
Bank overdrafts		-		(1,131)	

KLG Jewelry UK Limited

Notes to the Financial Statements

For the year ended 31 December 2015

1 Accounting policies

Company information

KLG Jewelry UK Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Devonshire House, 60 Goswell Road, London, EC1M 7AD.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006. This is the first set of financial statements prepared under FRS 102. The date of transition to FRS 102 is 1 January 2014. There were no adjustments on transition to FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified by the recognition of certain tangible fixed assets, investment properties, and financial assets and liabilities measured at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the end of February 2016 the company closed the store through which it had been conducting its trade. Since then, the company has not been actively trading, and has no plans to recommence trading.

The company meets its day to day working capital requirements through debt facilities, including an intercompany loan from its parent company, which is £20,890,696 at the year end.

The nature of the company's business has resulted in unpredictable timings of cash inflows; however on the basis that the parent company has confirmed that it will provide ongoing support, the directors consider that the company will continue to operate within the facilities available.

Because of the decision to close the store, and the directors having no plans to recommence retail trading, the directors consider it inappropriate to prepare the financial statements on a going concern basis. The only adjustment to have resulted from the fact that they have not been prepared on a going concern basis is the reclassification of the long-term intercompany loan to current liabilities.

1.3 Turnover

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

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

1 Accounting policies

(Continued)

1.8 Financial assets

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

1 Accounting policies

(Continued)

Other financial liabilities

Other financial liabilities, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

The annual depreciation charge for fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

3 Turnover

An analysis of the company's turnover is as follows:

	2015 £	2014 £
Turnover		
Sale of goods	3,155,399	8,755,259

	2015 £	2014 £
Other significant revenue		
Interest income	380,087	380,087

Turnover analysed by geographical market

	2015 £	2014 £
United Kingdom	3,155,399	8,755,259

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

4 Operating loss	2015	2014
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses/(gains)	1,080,179	1,087,166
Fees payable to the company's auditors for the audit of the company's annual accounts	10,000	10,000
Depreciation of owned tangible fixed assets	142,749	145,188
Cost of stocks recognised as an expense	2,394,387	6,918,212
Operating lease charges	408,000	408,000
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2015	2014
	Number	Number
Total	6	6
Administration	1	1
	<u> </u>	<u> </u>
	7	7
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2015	2014
	£	£
Wages and salaries	883,204	848,764
Social security costs	115,923	119,413
	<u> </u>	<u> </u>
	999,127	968,177
	<u> </u>	<u> </u>

6 Interest receivable and similar income	2015	2014
	£	£
Interest income		
Other interest income	380,087	380,087
	<u> </u>	<u> </u>

7 Interest payable and similar charges	2015	2014
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	200,750	211,286
	<u> </u>	<u> </u>

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

8	Taxation	2015 £	2014 £
	Current tax		
	UK corporation tax on profits for the current period	-	-
	Total current tax	-	-
	The charge for the year can be reconciled to the loss per the profit and loss account as follows:		
		2015 £	2014 £
	Loss before taxation on continued operations	(2,384,056)	(1,427,943)
	<i>Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 20.00% (2014 - 21.50%)</i>	(476,811)	(307,008)
	Non-deductible expenses	(35,528)	13,765
	Depreciation add back	156,292	31,215
	Capital allowances	(1,947)	(2,219)
	Tax losses increased	357,994	264,247
		476,811	307,008
	Tax expense for the year	-	-

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

9 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2015	1,986,796	219,088	76,716	2,282,600
Additions	-	1,270	-	1,270
At 31 December 2015	1,986,796	220,358	76,716	2,283,870
Depreciation and impairment				
At 1 January 2015	1,132,744	198,706	76,256	1,407,706
Depreciation charged in the year	132,453	9,880	416	142,749
At 31 December 2015	1,265,197	208,586	76,672	1,550,455
Carrying amount				
At 31 December 2015	721,599	11,772	44	733,415
At 31 December 2014	854,052	20,382	460	874,894

10 Financial instruments

	2015 £	2014 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,982,060	6,332,919
Carrying amount of financial liabilities		
Measured at amortised cost	24,745,297	4,581,897

11 Stocks

	2015 £	2014 £
Finished goods and goods for resale	1,242,101	995,561

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

12 Debtors

	Due within one year	
	2015	2014
	£	£
Trade debtors	191,847	591,870
Loans and other receivables	198,216	267,075
Amounts due from fellow group undertakings	5,607,492	5,567,202
	<u>5,997,555</u>	<u>6,426,147</u>

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

13 Loans and overdrafts

	2015	2014
	£	£
Unsecured borrowings at amortised cost		
Bank overdrafts	-	1,131
Bank loans	3,768,000	4,201,000
Loans from fellow group undertakings	20,890,696	18,306,949
	<u>24,658,696</u>	<u>22,509,080</u>

Analysis of loans and overdrafts

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2015	2014
	£	£
Amounts payable within one year	24,658,696	4,202,131
Amounts payable after one year	-	18,306,949
	<u>24,658,696</u>	<u>22,509,080</u>

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

14 Creditors

	Notes	Due within one year		Due after one year	
		2015 £	2014 £	2015 £	2014 £
Loans and overdrafts	13	24,658,696	4,202,131	-	18,306,949
Taxation and social security		45,480	53,424	-	-
Trade creditors		30,121	144,687	-	-
Accruals		11,000	11,000	-	-
Other creditors		-	170,655	-	-
		<u>24,745,297</u>	<u>4,581,897</u>	<u>-</u>	<u>18,306,949</u>

15 Share capital

	2015 £	2014 £
Ordinary share capital		
Issued and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

16 Retained earnings

	2015 £	2014 £
At beginning of year	(14,257,611)	(12,829,668)
Loss for the year	(2,384,056)	(1,427,943)
At end of year	<u>(16,641,667)</u>	<u>(14,257,611)</u>

17 Operating leases commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £	2014 £
Within one year	<u>34,000</u>	<u>34,000</u>

KLG Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

18 Events after the reporting date

At the end of February 2016 the company closed the store through which it had been conducting its retail trade. Since then, the company has been selling its stockholding in the trade and has no plans to recommence retail trading. The directors are confident that the stockholding will be sold in excess of cost and that there will not be any material loss on sale of fixed assets.

19 Cash generated from operations	2015 £	2014 £
Loss for the year	(2,384,056)	(1,427,943)
Adjustments for:		
Finance costs recognised in profit or loss	200,750	211,286
Investment income recognised in profit or loss	(380,087)	(380,087)
Depreciation and impairment of tangible fixed assets	142,749	145,188
Movements in working capital:		
(Increase) in stocks	(246,540)	(249,856)
Decrease/(increase) in debtors	428,592	(821,930)
(Decrease)/increase in creditors	(293,165)	139,774
Cash absorbed by operations	(2,531,757)	(2,383,568)

20 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2015 £	2014 £
Aggregate compensation	569,819	569,479

At the year end date the company was owed £5,607,492 (2014: £5,567,202) 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 (2014: £408,000) to, and received interest of £374,004 (2014: £374,004) from, Bravepoint Limited.

At the year end date the company owed £20,890,696 (2014: £18,306,949) to KLG Jewelry, LLC USA, its immediate parent undertaking. This loan is due in more than one year.

During the financial year ended 31 December 2012, the company loaned R Weinberg £150,000 at an interest rate of 4%. R Weinberg was the Manager of the company's retail store. The loan is repayable on demand. A total of £169,100 (2014: £163,017) was due at the year end, which includes £6,083 (2014: £6,083) of interest charged in the year.

KLJ Jewelry UK Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

21 Control

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