

Aldershot Ayr Baku Belfast Birmingham Bristol
Bury St Edmunds Cardiff Croydon Dublin Edinburgh
Embskallen Glasgow Harpendale Larnington Sea Leeds
London Manchester Middlesbrough Newbury Newcastle
Newmarket Norwich Nottingham Poole Rochdale St Albans
Salisbury Stoke-on-Trent Swansea Telford Wolverhampton
Widmore Wigan

I. HENNIG & CO. LIMITED

1.

NOTICE IS HEREBY GIVEN that the annual general meeting of the company for 1990 will be held at 1, Charterhouse Street, London, EC1P 1BL, on 25 April 1990 for the following purposes:-

1. To receive and adopt the directors' report and statement of accounts for the year ended 31 December 1989.
2. To elect directors.
3. To re-appoint the auditors.
4. To transact any other ordinary business of the company.

By Order of the Board,


Secretary.

1, Charterhouse Street,
London, EC1P 1BL.

3 April 1990.

I. HENNIG & CO. LIMITEDREPORT OF THE DIRECTORS
for the year ended 31 DECEMBER 1989

The directors present with this report the balance sheet of the company as at 31 December 1989 together with the group accounts for the year then ended.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group continues to be that of diamond brokers.

The level of commissions for the year is considered to be reasonable and is expected to remain stable in 1990.

DIVIDENDS

A first interim dividend of £476,000 was paid during the year in respect of the year ended 31 December 1989. A second interim dividend of £884,000 is to be paid on 3 April 1990.

DIRECTORS

F.A. Hambro	(Chairman)
G.L.S. Rothschild	(resigned 31 March 1990)
V.G. Prins	
C.J. Dundas	(Managing Director)
J.A. Abrahams	(resigned 31 January 1990)
C.I. Richmond-Watson	(resigned 31 December 1989)
G. Just	
J.O. Hambro	
G.D. MacRae	(appointed 8 November 1989)
G.G. Hine	(appointed 2 January 1990)

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

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

FIXED ASSETS

The movements in fixed assets are shown in notes 7 and 8 to the accounts on pages 12 to 14.

CHARITABLE AND POLITICAL DONATIONS

During the year the group contributed £51,532 (1988 - £11,110) to charities.

I. HENNIG & CO. LIMITEDREPORT OF THE DIRECTORS
for the year ended 31 DECEMBER 1989
(continued)**AUDITORS**

A resolution to reappoint BDO Binder Hamlyn as auditors will be submitted to the annual general meeting.

By Order of the Board,

1, Charterhouse Street,
London, EC1P 1BL.

General
Secretary.

3 April 1990

**AUDITORS' REPORT TO THE MEMBERS OF
I. HEHNIG & CO. LIMITED**

We have audited the financial statements on pages 5 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

3 April 1990.

Chartered Accountants.

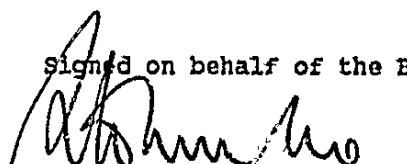
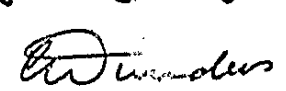
I. HENNIG & CO. LIMITED AND SUBSIDIARIESGROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> £	<u>1988</u> £
Turnover	1(f)	5,374,934	4,469,030
Cost of sales		(624,979)	(241,772)
Gross profit		4,749,955	4,227,258
Administrative expenses		(2,786,534)	(2,227,600)
Other operating expenses		-	(4,084)
Other operating income		209,975	78,913
Income from fixed asset investments		-	1,020
Interest receivable	2	440,644	243,281
Profit on ordinary activities before taxation	2	2,614,040	2,318,788
Tax on profit on ordinary activities	4	(1,025,445)	(825,463)
Profit on ordinary activities after taxation		1,588,595	1,493,325
Minority interests		(7,028)	(7,042)
Profit attributable to members of the company	5	1,581,567	1,486,283
Dividends	6	1,360,000	1,200,200
Profit retained in the business	15	£221,567	£286,083

I. HENNIG & CO. LIMITED AND SUBSIDIARIESGROUP BALANCE SHEET as at 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u>	<u>1988</u>
		£	£
FIXED ASSETS			
Tangible assets	7(a)	272,141	214,173
Investments	8(a)	21,581	20,000
		<u>293,722</u>	<u>234,173</u>
CURRENT ASSETS			
Stocks	9	268,132	38,261
Debtors	10	779,528	1,245,347
Cash at banks and in hand	11	4,395,942	2,902,993
		<u>5,443,602</u>	<u>4,186,601</u>
CREDITORS: amounts falling due within one year	12	<u>3,164,329</u>	<u>2,073,472</u>
NET CURRENT ASSETS		<u>2,279,273</u>	<u>2,113,129</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>£2,572,995</u></u>	<u><u>£2,347,302</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	68,000	68,000
Reserves	15	242	242
Profit and loss account	15	2,493,245	2,266,986
		<u>2,561,487</u>	<u>2,335,228</u>
Minority interests		<u>11,508</u>	<u>12,074</u>
		<u><u>£2,572,995</u></u>	<u><u>£2,347,302</u></u>

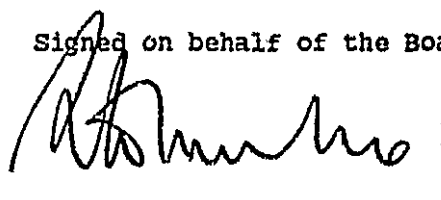
Signed on behalf of the Board


 } Directors
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I. HENNIG & CO. LIMITEDBALANCE SHEET as at 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u>	<u>1988</u>
		£	£
FIXED ASSETS			
Tangible assets	7(b)	237,485	178,741
Investments	8(b)	42,000	40,419
		<u>279,485</u>	<u>219,160</u>
CURRENT ASSETS			
Debtors	10	1,193,010	1,288,818
Cash at banks and in hand	11	4,238,939	2,857,337
		<u>5,431,949</u>	<u>4,146,155</u>
CREDITORS: amounts falling due within one year	12	<u>3,104,254</u>	<u>2,023,451</u>
NET CURRENT ASSETS		<u>2,327,695</u>	<u>2,122,704</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£2,607,180</u>	<u>£2,341,864</u>
CAPITAL AND RESERVES			
Called up share capital	14	68,000	68,000
Profit and loss account	15	2,539,180	2,273,864
		<u>£2,607,180</u>	<u>£2,341,864</u>

Signed on behalf of the Board





Directors

I. KENNIG & CO. LIMITED AND SUBSIDIARIES

STATEMENT OF GROUP SOURCE AND APPLICATION OF FUNDS
for the year ended 31 DECEMBER 1989

	<u>1989</u>	<u>1988</u>
	£	£
Funds generated from operations:		
Profit from ordinary activities before taxation	2,614,040	2,318,788
Net adjustments to fixed assets	66,095	58,531
Total generated from operations	<u>2,680,135</u>	<u>2,377,319</u>
Exchange gain/(loss)	4,692	(1,195)
Tax paid	(851,141)	(849,981)
Group relief	(1,208)	48,638
Net funds generated from operations	<u>1,832,478</u>	<u>1,574,781</u>
Fixed assets acquired:		
Tangible assets and investments	170,488	53,999
Disposal proceeds	(44,844)	(3,577)
	<u>125,644</u>	<u>50,422</u>
Increase/(decrease) in working capital (excluding corporation tax and dividends)		
Stocks	229,871	38,261
Debtors	(504,270)	732,245
Creditors	(692,428)	(181,581)
	<u>(966,827)</u>	<u>588,925</u>
Dividends paid	<u>1,200,200</u>	<u>626,000</u>
Net applications of funds	<u>359,017</u>	<u>1,265,347</u>
	<u>£1,473,461</u>	<u>£309,434</u>
Staff loans - net repayments	(27,082)	(22,853)
Minority interest	7,594	15,249
Increase in bank and cash balances	<u>1,492,949</u>	<u>317,038</u>
	<u>£1,473,461</u>	<u>£309,434</u>

I. HENNIG & CO. LIMITED AND SUBSIDIARIESNOTES TO THE ACCOUNTS
for the year ended 31 DECEMBER 1989

1. STATEMENT OF ACCOUNTING POLICIES

- (a) Accounts are prepared under the historical cost convention.
- (b) Credit is taken in the accounts for brokerage commission when earned.
- (c) Freehold property overseas (including contents) and short leasehold improvements are being written off on a straight line basis over five or ten years.

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

- (d) Stocks are valued at the lower of cost and net realisable value.
- (e) Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.
- (f) turnover is the total commissions receivable less value added tax, by the group in the ordinary course of business for services provided by it as brokers and sales of jewellery. In accordance with section 55(5) of Schedule 4 to the Companies Act, 1985 particulars of geographical markets supplied are not disclosed.
- (g) Assets and liabilities in overseas currencies have been translated to sterling at the following rates ruling at 31 December 1989:-

Belgium francs	- B.frs. 57.4 = £1
U.S. dollars	- U.S.\$ 1.6125 = £1
New Israeli shekels	- N.I.S. 3.118 = £1

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

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

- (h) The group accounts include the accounts of the company and all of its subsidiaries made up to 31 December and also include the accounts of John Abrahams incorporating its results for the year ended 31 December 1989 and its net assets at that date. Goodwill arising on consolidation and representing the excess of the purchase price over the fair value of the net assets acquired is written off immediately to reserves.

I. HENNIG & CO. LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS
for the year ended 31 DECEMBER 1989
(continued)

1. **STATEMENT OF ACCOUNTING POLICIES (continued)**

(i) Pension costs

Certain employees of the company are eligible to be members of the group pension scheme 'Hattron Staff Benefit Plan'. The scheme is a defined benefit scheme and contributions are based on pension costs across the group as a whole. The scheme is funded and contributions are charged to the profit and loss account so as to spread the cost of pensions over the group's employees' working lives with the group. This is assessed in accordance with the advice of a professionally qualified actuary. The most recent review of the scheme's actuarial position was at 31 December 1989. Actuarial surpluses are spread forward over the average remaining working lives of scheme members.

2. **GROUP PROFIT ON ORDINARY ACTIVITIES**

	<u>1989</u>	<u>1988</u>
	£	£
Profit on ordinary activities is stated:-		
after charging:-		
Depreciation of fixed assets	81,078	69,549
Computer equipment written off	44,252	1,434
Exchange losses	-	4,084
Audit fees	11,625	9,705
Rent payable	<u>283,606</u>	<u>252,720</u>
and after crediting:-		
Rent receivable	72,731	78,913
Interest receivable - bank	436,756	241,900
- other	3,888	1,381
Exchange gains	<u>88,793</u>	<u>-</u>

All turnover was derived from overseas customers.

3. **DIRECTORS' REMUNERATION AND STAFF COSTS**

Staff costs during the year:-

Wages and salaries	868,358	665,692
Social security costs	96,477	61,867
Other pension costs	122,286	27,806
Secondment charges and annuities	<u>99,322</u>	<u>98,693</u>

Other pension costs for the period include £108,000 which amount is also included in other creditors, representing the difference between the accumulated pension cost and the amount funded.

Particulars of the actuarial valuation of the scheme are given in the financial statements of Hattron Limited for the year ended 31 December 1989.

The average weekly number of employees was 40 (1988 - 47).

I. HENNIG & CO. LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS
for the year ended 31 DECEMBER 1989
(continued)

3. DIRECTORS' REMUNERATION AND STAFF COSTS (continued)

Staff costs include the following remuneration in respect of the directors of I. Hennig & Co. Limited:-

	<u>1989</u> £	<u>1988</u> £
Fees	4,084	4,000
Management remuneration (including pension contributions paid)	246,181	240,314
Payments to J.O. Hambro & Sons Limited	34,000	34,000
Payment to Natural Diamonds Inc.	7,822	7,193
Annuity paid by John Abrahams	<u>57,500</u>	<u>57,500</u>

Consultancy fees of £17,000 (1988 : £5,000) were also paid to directors.

The emoluments of the chairman and highest paid director were:-

Chairman	<u>£500</u>	<u>£500</u>
Highest paid director	<u>£117,305</u>	<u>£93,203</u>

The number of directors whose emoluments (excluding amounts paid under consultancy arrangements and pension contributions) fell within the following ranges was:-

£nil - £ 5,000	5	5
£ 10,001 - £ 15,000	1	-
£ 30,001 - £ 35,000	1	-
£ 60,001 - £ 65,000	-	2
£ 80,001 - £ 85,000	1	-
£ 90,001 - £ 95,000	-	1
£115,001 - £120,000	1	-

4. TAXATION

	£	£
Corporation tax at 35%	1,020,984	832,733
Payment for group relief	1,208	-
Deferred tax	(37,800)	(32,018)
Double tax relief	<u>(755)</u>	<u>(476)</u>
	983,637	800,239
Overseas taxation	<u>835</u>	<u>5,363</u>
	984,472	805,602
Prior year adjustments	<u>40,973</u>	<u>19,861</u>
	<u>£1,025,445</u>	<u>£825,463</u>

I. HENNIG & CO. LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS
for the year ended 31 DECEMBER 1989
(continued)

5. PROFIT ATTRIBUTABLE TO MEMBERS OF THE HOLDING COMPANY		1989 £	1988 £	
Dealt with in the accounts of the holding company		1,625,316	1,500,395	
Retained by subsidiary companies		(43,749)	(14,112)	
		<u>£1,581,567</u>	<u>£1,486,283</u>	
6. DIVIDEND				
First interim dividend of £7 per share (1988 : £7 per share) paid		476,000	476,000	
Second interim dividend of £13 per share (1988 : £10.65) to be paid		884,000	724,200	
		<u>£1,360,000</u>	<u>£1,200,200</u>	
7. TANGIBLE FIXED ASSETS				
(a) Group	Freehold property overseas (including equipment) £	Short leasehold improve- ments £	Motor cars and equipment £	Total £
Cost -				
At 1 January 1989	165,916	508,507	444,739	1,119,162
Exchange adjustment	-	-	18,722	18,722
Additions	-	45,030	123,877	168,907
Disposals	-	(37,115)	(173,741)	(210,856)
At 31 December 1989	<u>165,916</u>	<u>516,422</u>	<u>413,597</u>	<u>1,095,935</u>
Depreciation -				
At 1 January 1989	162,084	442,274	300,631	904,989
Exchange adjustment	-	-	12,620	12,620
Charge for the year	1,276	21,416	58,386	81,078
Disposals	-	(32,863)	(142,030)	(174,893)
At 31 December 1989	<u>163,360</u>	<u>430,827</u>	<u>229,607</u>	<u>823,794</u>
Net book value -				
At 31 December 1989	<u>£2,556</u>	<u>£85,595</u>	<u>£183,990</u>	<u>£272,141</u>
At 31 December 1988	<u>£3,832</u>	<u>£66,233</u>	<u>£144,108</u>	<u>£214,173</u>

I. HENNIG & CO. LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS
for the year ended 31 DECEMBER 1989
(continued)

7. TANGIBLE FIXED ASSETS (continued)

	Freehold property overseas (including equipment)	Short leasehold improve- ments	Motor cars and equipment	Total
	£	£	£	£
(b) Company				
Cost -				
At 1 January 1989	165,916	508,507	333,942	1,008,365
Additions	-	45,030	118,445	163,475
Disposals	-	(37,115)	(173,741)	(210,856)
At 31 December 1989	165,916	516,422	278,646	960,984
Depreciation -				
At 1 January 1989	162,084	442,274	225,266	829,624
Charge for the year	1,276	21,416	46,076	68,768
Disposals	-	(32,863)	(142,030)	(174,893)
At 31 December 1989	163,360	430,827	129,312	723,499
Net book value -				
At 31 December 1989	£2,556	£85,595	£149,334	£237,485
At 31 December 1988	£3,832	£66,233	£108,676	£178,741

There were no capital commitments contracted but not provided for at 31 December 1989 (1988 - £35,300).

8. INVESTMENTS

	£	£
(a) Group		
Unlisted investments at cost		
At 1 January 1989		20,000
Additions		1,581
At 31 December 1989		£21,581
(b) Company		
Wholly owned subsidiaries		
Cost		
At 1 January 1989 and 31 December 1989		112,603
Provisions for diminution in value		
At 1 January 1989 and 31 December 1989		(92,184)
		20,419
Other unlisted investments held		
Cost		
At 1 January 1989	20,000	
Additions	1,581	
At 31 December 1989		21,581
		£42,000

I. HENNIG & CO. LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS
for the year ended 31 DECEMBER 1989
(continued)

8. INVESTMENTS (continued)

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

	<u>Nature of business</u>
I. Hennig & Co. (U.S.A.) Limited (incorporated in the United States of America)	Agency company
I. Hennig & Co. (Belgium) N.V. (incorporated in Belgium)	Agency company
I. Hennig & Co. (Services) Limited	Service company
I. Hennig & Co. (Jewellery) Limited	Jewellery dealer
Ely Place Trading Company Limited	Non-trading

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

The company also holds 10.37% of the issued ordinary share capital in The London Diamond Club Limited, which is incorporated in England.

9.	STOCKS	<u>1989</u>		<u>1988</u>	
	Goods for resale	<u>£268,132</u>		<u>£38,261</u>	
10.	DEBTORS	<u>Group</u>		<u>Company</u>	
		<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
		£	£	£	£
	Amounts falling due within one year -				
	Trade debtors	376,399	212,489	285,808	211,606
	Amounts owed by subsidiaries	-	-	514,820	206,299
	Amounts owed by fellow subsidiaries	102,517	166,198	102,517	45,821
	Other debtors	152,252	738,983	142,755	697,415
	Prepayments	119,120	81,818	117,870	81,818
		<u>750,288</u>	<u>1,199,488</u>	<u>1,163,770</u>	<u>1,242,959</u>
	Amounts falling due after more than one year -				
	Other debtors	29,240	45,859	29,240	45,859
		<u>£779,523</u>	<u>£1,245,347</u>	<u>£1,193,010</u>	<u>£1,288,818</u>

Other debtors include an amount for deferred tax (note 13) of £37,800 (1988 : £Nil) and an amount for ACT recoverable of £27,733 (1988: £Nil).

A loan of £9,779 (1988 : £Nil) to an officer of the company is also included in other debtors.

I. HENNIG & CO. LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS
for the year ended 31 DECEMBER 1989
(continued)

11. BANK BALANCES

Certain funds have been made available to the company which it has set aside specifically for the purposes of clients although not separately designated for them. These amounts totalling US\$3,545,305 (1988 : US\$ 4,786,732) have not been included in the balance sheet.

12. CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	£	£	£	£
Amounts falling due within one year -				
Trade creditors	239,250	71,209	206,821	37,047
Amounts owed to subsidiaries	-	-	8,381	15,731
Amounts owed to holding company	525,133	71,676	525,133	71,676
Amounts owed to fellow subsidiaries	8,826	4,537	5,088	799
Corporation tax	1,181,969	943,340	1,176,483	935,882
Other taxation and social security	55,707	133,759	50,966	132,419
Other creditors	174,300	84,904	173,232	76,229
Accruals	95,144	39,847	74,150	29,468
Dividend payable	884,000	724,200	884,000	724,200
	<u>£3,164,329</u>	<u>£2,073,472</u>	<u>£3,104,254</u>	<u>£2,023,451</u>

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

13. DEFERRED TAXATION

	<u>1989</u>
	£
Group and company:	
Provision at 1 January 1989	-
Transfer to profit and loss account	<u>37,800</u>
Deferred tax asset at 31 December 1989 (Note 10)	<u>£37,800</u>

14. CALLED UP SHARE CAPITAL

	<u>1989 and 1988</u>
Authorised:	
75,000 Ordinary shares of £1 each	<u>£75,000</u>
Allotted, called up and fully paid:	
68,000 Ordinary shares of £1 each	<u>£68,000</u>

I. HENNIG & CO. LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS
for the year ended 31 DECEMBER 1989
(continued)

15. RESERVES	<u>Group</u>		<u>Company</u>
	<u>General</u>	Profit and loss account	Profit and loss account
	<u>£</u>	<u>£</u>	<u>£</u>
At 1 January 1989	242	2,266,986	2,273,864
Profit for year	-	221,567	265,316
Exchange gain	-	4,692	-
At 31 December 1989	<u>£242</u>	<u>£2,493,245</u>	<u>£2,539,180</u>

16. FINANCIAL COMMITMENTS

The company has guaranteed the payment of the following liabilities of John Abrahams:-

- (i) An annuity of £57,500 payable to Mr. J.A. Abrahams or his family for ten years from 29 September 1982. A further annuity of £25,000 is then payable to Mr. Abrahams until 29 September 1997 or his earlier death.
- (ii) On the death of one of the former partners or his wife, an annuity of £10,000, increased to allow for inflation and currently £20,934, will be payable to the survivor during his or her lifetime or, in the case of the wife, remarriage.

There is no provision in the partnership accounts for the future liability for pensions to former partnership employees currently being paid at the rate of £14,286 per annum.

17. ULTIMATE HOLDING COMPANY

The ultimate holding company is Hattron Limited, a company incorporated in England.

18. OPERATING LEASE COMMITMENTS

The group has commitments to pay rents under property leases amounting currently to approximately £230,000. The leases to which the commitments relate all expire after five years.

19. PROFIT AND LOSS ACCOUNT

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

20. APPROVAL OF ACCOUNTS

At a meeting on 3 April 1990, the directors approved the publication of these accounts.