

I Hennig & Co Limited

Report and Financial Statements

Year Ended

31 December 2011

Company Number 646001

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I Hennig & Co Limited

Report and financial statements for the year ended 31 December 2011

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I Hennig & Co Limited

**Company information
for the year ended 31 December 2011**

Directors

D S Shein
A Sela
S L Stewart
J D Hambro
F J A Howard
R C P Weber

Secretary and registered office

S L Stewart
27 Ely Place
London
EC1N 6TD

Company number

646001

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Bankers

Fortis Bank SA/NV UK Branch
10 Harewood Avenue
London
NW1 6AA

National Westminster Bank Plc
Holborn Circus Branch
1 Hatton Garden
London
EC1P 1DU

Barclays Bank Plc
147 Holborn
EC1N 2NU

Solicitors

Maitland,
Berkshire House
168 - 173 High Holborn
London, WC1V 7AA

I Hennig & Co Limited

Report of the directors for the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year. The profit for the year after taxation amounted to \$6,592,111 (2010 profit of \$3,318,553)

A dividend was paid of \$3,000,000 (2010 \$Nil) during the year

Principal activities and future developments

The group's principal activities continue to be diamond broking. There have been no significant changes in the activities of the group and no significant changes are anticipated by the directors in the foreseeable future.

Review of the business

Hennig operates in the diamond industry. During 2011 the diamond industry continued to recover following the global economic downturn.

Hennig's main source of income is commission from clients who purchase rough diamonds from the De Beers SA group of companies ("De Beers"). Consequently Hennig's performance is somewhat dependent on the performance of De Beers.

Sales of rough diamonds by De Beers were at a record high in 2011. Similarly, Hennig reports a record level of commission.

Demand for rough diamonds in the second half of 2011 decreased when compared to the first half and whilst it improved slightly in the first half of 2012 it did not return to the levels experienced in the first half of 2011. Despite this the directors believe the long term prospects for the diamond industry and the group to be good.

Principal risks and uncertainties

Demand for rough diamonds from wholesalers is volatile and driven by fluctuations in the retail market and liquidity levels. However, the long term outlook is positive given that the demand for diamond jewellery is expected to grow and there are expected to be lower levels of rough diamond supply compared to demand for many years to come.

Charitable and political donations

During the year the group contributed \$62,566 (2010 \$89,022) to charities. There were no political donations during the year.

I Hennig & Co Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Directors

The directors of the company during the year were as follows

D S Shein (Chairman)
A Sela (Managing Director)
S L Stewart
G J F Stubbs (resigned 15th May 2012)
J D Hambro
F J A Howard

Following the year end, the following director was appointed

R C P Weber (appointed 19th July 2012)

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 group and company 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 group and company and of the profit or loss of the group and 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

I Hennig & Co Limited

Report of the directors for the year ended 31 December 2011 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487 (2) they will be automatically re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

On behalf of the Board



S L Stewart

Director

13 FEB 2013

I Hennig & Co Limited

Report of the independent auditors

TO THE MEMBERS OF I HENNIG & CO LIMITED

We have audited the financial statements of I Hennig & Co Limited for the year ended 31 December 2011 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, 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).

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 statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2011 and of the group's profit 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.

Opinion on other matters 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.

I Hennig & Co Limited

Report of the independent auditors (continued)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

BDO LLP

*David Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

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BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

I Hennig & Co Limited

Consolidated profit and loss account for the year ended 31 December 2011

	Note	2011	2010
		\$	\$
Turnover		22,939,361	16,491,641
<hr/>			
Administrative expenses before exceptional items		15,351,761	11,832,428
Exceptional item – provision against investment	11	310,000	-
Exceptional item – reversal of provision on investment	11	(1,300,000)	-
		<hr/>	<hr/>
Total administrative expenses		14,361,761	11,832,428
Other operating income	3	56,663	82,221
		<hr/>	<hr/>
Operating profit	2	8,634,263	4,741,434
Income from other fixed asset investments		-	22,942
Profit on sale of fixed assets		36,536	21,209
		<hr/>	<hr/>
Profit on ordinary activities before interest		8,670,799	4,785,585
Interest receivable and similar income	4	50,016	25,128
Interest payable and similar charges	4	(32)	(1,908)
Other finance costs	15	(51,518)	(78,719)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		8,669,265	4,730,086
Tax on profit on ordinary activities	7	2,077,154	1,411,533
		<hr/>	<hr/>
Profit on ordinary activities after taxation		6,592,111	3,318,553
		<hr/>	<hr/>

All amounts relate to continuing activities

The notes on pages 12 to 30 form part of these financial statements

I Hennig & Co Limited

Consolidated statement of total recognised gains and losses and consolidated reconciliation of movement in shareholders' funds for the year ended 31 December 2011

	Note	2011	2010
		\$	\$
Consolidated statement of total recognised gains and losses			
Profit for the financial year		6,592,111	3,318,553
Actuarial (loss)/gain on defined benefit scheme	15	(3,358,181)	2,660,996
Deferred tax effect of actuarial (loss)/gain	16	873,127	(744,132)
Exchange translation differences on consolidation		(79,307)	11,713
		<hr/>	<hr/>
Total recognised gains for the financial year		4,027,750	5,247,130
		<hr/>	<hr/>
Consolidated reconciliation of movement in shareholders' funds			
Profit for the financial year		6,592,111	3,318,553
Dividends	9	(3,000,000)	
Other net recognised (losses)/gains relating to the year		(2,564,361)	1,928,577
		<hr/>	<hr/>
Net movement in shareholders' funds		1,027,750	5,247,130
		<hr/>	<hr/>
Opening shareholders' funds		11,280,991	6,033,861
		<hr/>	<hr/>
Closing shareholders' funds		12,308,741	11,280,991
		<hr/>	<hr/>

The notes on pages 12 to 30 form part of these financial statements

I Hennig & Co Limited

Consolidated balance sheet at 31 December 2011

<i>Company number 646001</i>	Note	2011	2011	2010	2010
		\$	\$	\$	\$
Fixed assets					
Tangible assets	10		945,314		1,004,456
Investments	11		2,501,645		1,201,645
			<u>3,446,959</u>		<u>2,206,101</u>
Current assets					
Stocks	12	310,274		389,285	
Debtors due in less than one year	13	4,102,595		2,105,086	
Debtors due in more than one year	13	355,557		233,867	
Cash at bank and in hand	20	15,099,579		13,325,113	
		<u>19,868,005</u>		<u>16,053,351</u>	
Creditors, amounts falling due within one year	14	<u>9,000,511</u>		<u>4,993,428</u>	
Net current assets			<u>10,867,494</u>		<u>11,059,923</u>
Net assets excluding pension scheme liabilities			<u>14,314,453</u>		<u>13,266,024</u>
Retirement benefits liabilities	15		<u>2,005,712</u>		<u>1,985,033</u>
Net assets			<u><u>12,308,741</u></u>		<u><u>11,280,991</u></u>
Capital and reserves					
Called up share capital	17		121,067		121,067
Profit and loss account	18		12,187,674		11,159,924
Shareholders' funds (equity)			<u><u>12,308,741</u></u>		<u><u>11,280,991</u></u>

The financial statements were approved by the Board and authorised for issue on

13/2

2013



S L Stewart
Director

The notes on pages 12 to 30 form part of these financial statements

I Hennig & Co Limited

Company balance sheet at 31 December 2011

<i>Company number 646001</i>	Note	2011	2011	2010	2010
		\$	\$	\$	\$
Fixed assets					
Tangible assets	10		512,022		642,214
Investments	11		1,224,360		654,123
			<u>1,736,382</u>		<u>1,296,337</u>
Current assets					
Debtors due in less than one year	13	4,209,645		1,919,431	
Debtors due in more than one year	13	3,005,878		1,685,892	
Cash at bank and in hand		11,584,877		10,702,374	
		<u>18,800,400</u>		<u>14,307,697</u>	
Creditors, amounts falling due within one year	14	6,231,997		3,491,417	
Net current assets			<u>12,568,403</u>		<u>10,816,280</u>
Net assets excluding retirement benefit liabilities			14,304,785		12,112,617
Retirement benefits liabilities	15		2,005,712		1,985,033
Net assets			<u>12,299,073</u>		<u>10,127,584</u>
Capital and reserves					
Called up share capital	17		121,067		121,067
Profit and loss account	18		12,178,006		10,006,517
Shareholders' funds (equity)			<u>12,299,073</u>		<u>10,127,584</u>

The financial statements were approved by the Board and authorised for issue on

13/2

2013



S L Stewart
Director

The notes on pages 12 to 30 form part of these financial statements

I Hennig & Co Limited

Consolidated cash flow statement for the year ended 31 December 2011

	Note	2011 \$	2011 \$	2010 \$	2010 \$
Net cash inflow from operating activities	19		7,998,731		6,794,117
Returns on investments and servicing of finance					
Dividends from other investments		-		22,942	
Interest received		50,016		25,128	
Interest paid		(32)		(1,908)	
Net cash inflow from returns on investment and servicing of finance			49,984		46,162
Taxation					
Corporation tax paid		(1,128,384)		(217,125)	
Group relief paid to parent		-		(859,762)	
			(1,128,384)		(1,076,887)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(349,304)		(294,044)	
Sale of tangible fixed asset		111,332		25,000	
Purchase of trade investment		(300,000)		-	
Loans advanced		(50,000)		-	
Loans payments received		45,500		71,126	
Net cash inflow from capital expenditure and financial investment			(542,472)		(197,918)
Equity dividends paid			(3,000,000)		-
Exceptional cash outflow					
Contribution to defined benefit pension scheme			(1,567,000)		-
Increase in cash in the year	20		1,810,859		5,565,474

The notes on pages 12 to 30 form part of these financial statements

I Hennig & Co Limited

Notes forming part of the financial statements for the year ended 31 December 2011

1 Accounting policies

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

The directors have given consideration to the cashflow forecasts and budgeted profitability of the company and the I Hennig group for a period of not less than 12 months from the date of approval of these financial statements. Based on this the directors are of the opinion that both the group and company are going concerns and therefore that it is appropriate to prepare on a going concern basis.

Reporting currency

The financial statements have been prepared in US Dollars. As a matter of industry convention, diamonds have for many years been priced in US Dollars. As substantially all the group's income is charged and received in US Dollars the directors feel that US Dollars represent the most appropriate reporting currency. The year end exchange rate is \$1.55 to £1.

Basis of consolidation and goodwill

The financial statements consolidate the accounts of the company and all of its subsidiaries up to 31 December 2011.

On acquisition of a business, fair values are attributed to the Group's share of the identifiable assets and liabilities of the business existing at the date of acquisition and reflecting the condition as at that date. Where the cost of acquisition exceeds the fair value attributable to such net assets the difference is treated as purchased goodwill and capitalised in the balance sheet. Goodwill is then amortised through the profit and loss account over the directors' estimate of its useful economic life. Prior to the implementation of FRS 10, "Accounting for goodwill and intangible assets" purchased goodwill was written off directly to reserves and has not been reinstated.

The group provides for the minority's share of net liabilities only to the extent there is a commercial or legal obligation (formal or implied) to make good the minority's share of liabilities through the provision of additional finance that may not be recoverable. Any provision made with respect to minority debit balances is set directly against the minority interest in the profit and loss account and the balance sheet.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition to the date of disposal.

Turnover

Turnover represents amounts receivable, less value added tax, by the group for services provided as brokers and consultants.

Dividends

Equity dividends are recognised when they become legally payable.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all assets evenly over their useful lives. It is calculated as follows:

Long leasehold property	-	over the length of the lease
Motor vehicles and equipment	-	20%-33% straight line
Short leasehold improvements	-	over the length of the lease

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

1 Accounting policies (*continued*)

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply in the periods in which the timing differences reverse. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

Foreign currency translation

Transactions in currencies other than the group's functional currency are recorded at the spot rate ruling at the beginning of the month in which the transaction occurred, which is not materially different from the rate on the date on which the transaction occurred. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

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

The principal US Dollar exchange rates used were as follows

<i>Closing exchange rates</i>	Rate to 1 US\$	
	2011	2010
Pounds Sterling	0.643	<i>0 639</i>
Euro	0.770	<i>0 745</i>
South African Rand	8.073	<i>6 616</i>
Botswana Pula	7.474	<i>6 454</i>
Indian Rupee	53.105	<i>44 714</i>
Thai Baht	31.550	<i>30 144</i>
Israeli Shekel	3.824	<i>3 541</i>

Finance and operating leases

Where the group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases, net of finance charges, are included in creditors with the corresponding asset values recorded in tangible fixed assets and depreciated over the shorter of their estimated useful lives or their lease terms. Payments are apportioned between the finance element, which is charged to the profit and loss account as interest and the capital element, which reduces the outstanding obligation for future instalments. Operating lease payments are charged to the profit and loss account in equal annual amounts over the period of the leases.

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

1 Accounting policies (*continued*)

Pension costs and other post retirement benefits

Contributions to the group's defined contribution scheme are charged to the profit and loss account in the year in which they become payable

Under FRS 17, pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. Each pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, net of deferred tax and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the profit and loss account and the statement of total recognised gains and losses. The full service cost of the pension provision is charged to operating profit. The net impact of the unwinding of the discount rate on scheme liabilities and the expected return on the scheme assets is charged/credited to other finance costs.

I Hennig & Co Ltd has long paid the professional fees incurred in running the Hattron Group Staff Benefit Plan. These costs were expensed through the profit and loss account as they were incurred. However, the Hattron Group Staff Benefit Plan is now closed to future accrual and the full expected future cost of these professional fees have been discounted and included in the liability.

2 Operating profit

	2011 \$	2010 \$
This is arrived at after charging/ (crediting)		
Depreciation of fixed assets	304,536	219,202
Auditors' remuneration		
- audit services	77,046	73,376
- services related to taxation	30,908	-
Operating lease rentals		
- land and buildings	944,851	886,585
Exchange (gains)/losses	226,175	(266,241)
Defined contribution pension scheme cost	657,478	508,224
	<u> </u>	<u> </u>

3 Other operating income

	2011 \$	2010 \$
Other operating income consists of		
Rent	3,862	3,706
Other income	52,801	78,515
	<u> </u>	<u> </u>
	56,663	82,221
	<u> </u>	<u> </u>

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

4 Interest

	2011 \$	2010 \$
Interest receivable and similar income		
From banks	42,277	16,220
Other interest receivable	7,739	8,908
	<u>50,016</u>	<u>25,128</u>
Interest payable and similar charges on borrowings wholly repayable within five years		
To banks	<u>32</u>	<u>1,908</u>

5 Employees

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Staff costs consist of				
Wages and salaries	9,897,517	7,836,113	6,080,098	4,240,175
Social security costs	696,629	494,133	542,162	236,319
Pension costs	657,478	422,916	297,224	152,851
	<u>11,251,624</u>	<u>8,753,162</u>	<u>6,919,484</u>	<u>4,629,345</u>

Included within pension costs is a charge of \$657,478 (2010 \$508,224) relating to defined contribution pension schemes

The average monthly number of employees (including directors) during the year was as follows,

	Group 2011	Group 2010	Company 2011	Company 2010
Brokers	18	17	5	4
Administrative staff	28	30	11	9
	<u>46</u>	<u>47</u>	<u>16</u>	<u>13</u>

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

6 Directors

	2011 \$	2010 \$
Directors' remuneration consists of		
Emoluments	3,793,597	3,017,417
Pension contributions	135,423	136,259
	<u>3,929,020</u>	<u>3,153,676</u>

During the year 1 director was a member of the group's defined benefit pension scheme (2010 - 1) and 2 directors were members of the group's defined contribution scheme (2010 - 2)

<i>Highest paid director</i>	2011 \$	2010 \$
Emoluments	1,984,656	1,535,458
Pension contributions	14,845	29,063
	<u>1,999,501</u>	<u>1,564,521</u>

The highest paid director is not a member of the defined benefit scheme

7 Taxation

	2011 \$	2010 \$
<i>Current tax</i>		
UK corporation tax	978,639	716,407
Adjustments in respect of previous periods	217,717	-
Foreign tax	233,401	87,610
	<u>1,429,757</u>	<u>804,017</u>
Total current tax (<i>next page</i>)	1,429,757	804,017
<i>Deferred tax</i>		
Current year deferred tax	(176,908)	415,984
Prior year deferred tax	824,305	191,532
	<u>2,077,154</u>	<u>1,411,533</u>
Tax on profit on ordinary activities	2,077,154	1,411,533

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

7 Taxation (*continued*)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below

	2011	2010
	\$	\$
Profit on ordinary activities before tax	8,669,265	4,730,086
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26% (2010: 28%)	2,254,009	1,324,424
<i>Effects of</i>		
Expenses not deductible for tax purposes	182,466	61,204
Losses utilised	(123,986)	2,228
Non-taxable gains	(341,165)	(106,708)
Short term timing differences	(841,704)	(438,926)
Tax rate difference	73,505	(38,025)
Under provision in prior year	217,717	-
Losses carried forward	8,915	(180)
Current year tax charge (<i>see previous page</i>)	1,429,757	804,017

8 Profit for the financial year

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes the parent company profit after tax of \$7,678,504 (2010: profit after tax of \$2,960,101)

9 Dividends

	2011	2010
	\$	\$
<i>Equity shares</i>		
Ordinary shares		
Dividend paid of \$44.12 (2010: nil) per share	3,000,000	-

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

10 Tangible assets

Group	Long leasehold property \$	Short leasehold improvements \$	Motor vehicles and equipment \$	Total \$
<i>Cost</i>				
At 1 January 2011	70,099	1,331,932	2,344,531	3,746,562
Exchange adjustment	-	(22,009)	(113,293)	(135,302)
Additions	-	52,571	296,733	349,304
Disposals	-	-	(131,308)	(131,308)
At 31 December 2011	70,099	1,362,494	2,396,663	3,829,256
<i>Depreciation</i>				
At 1 January 2011	15,747	761,161	1,965,198	2,742,106
Exchange adjustment	-	(15,147)	(91,042)	(106,189)
Charge for the year	716	175,329	128,491	304,536
Disposals	-	-	(56,511)	(56,511)
At 31 December 2011	16,463	921,343	1,946,136	2,883,942
<i>Net book value</i>				
At 31 December 2011	53,636	441,151	450,527	945,314
At 31 December 2010	54,352	570,771	379,333	1,004,456
Company				
<i>Cost</i>				
At 1 January 2011	70,099	1,063,681	597,934	1,731,714
Exchange adjustment	-	(5,057)	(23,274)	(28,331)
Additions	-	52,571	15,409	67,980
Disposals	-	-	(23,721)	(23,721)
At 31 December 2011	70,099	1,111,195	566,348	1,747,642
<i>Depreciation</i>				
At 1 January 2011	15,747	552,753	521,000	1,089,500
Exchange adjustment	-	(899)	(12,361)	(13,260)
Charge for the year	716	162,890	18,422	182,028
Disposals	-	-	(22,648)	(22,648)
At 31 December 2011	16,463	714,744	504,413	1,235,620
<i>Net book value</i>				
At 31 December 2011	53,636	396,451	61,935	512,022
At 31 December 2010	54,352	510,928	76,934	642,214

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

11 Fixed assets investments

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Subsidiary undertakings	-	-	1,222,715	652,478
Other investments	2,501,645	1,201,645	1,645	1,645
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	2,501,645	1,201,645	1,224,360	654,123
	<hr/>	<hr/>	<hr/>	<hr/>
Subsidiary undertakings - company				\$
<i>Cost</i>				
At 1 January 2011 & 31 December 2011				4,504,780
				<hr/>
<i>Provisions</i>				
At 1 January 2011				3,852,302
Provisions reversed				(570,237)
				<hr/>
At 31 December 2011				3,282,065
				<hr/>
<i>Net book value</i>				
At 31 December 2011				1,222,715
				<hr/>
At 31 December 2010				652,478
				<hr/>

I Hennig & Co Limited has investments in the following companies

Name	Country of incorporation	%*	Nature of business
I Hennig & Co (USA) Limited	USA	100	Agency company
I Hennig & Co (Belgium) NV	Belgium	100	Agency company
I Hennig & Co (Pty) Limited	Botswana	100	Agency company
I Hennig & Co (Thailand) Limited	Thailand	100	Agency company
I Hennig & Co (Hong Kong) Limited	Hong Kong	100	Dormant company
I Hennig & Co (Overseas) Limited	Israel	100	Agency company
IHBS Inc	USA	65	Diamond merchants and consultants
Diamond Realisations Limited	England & Wales	100	Investment holding company
Clemente Business Limited	British Virgin Islands	100	Investment holding company

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 *(continued)*

11 Fixed asset investments *(continued)*

Diamond Realisations Limited has the following subsidiaries

Name	Country of incorporation	%*	Nature of business
Diamond Realisations (Belgium) NV	Belgium	100	Diamond merchants
Diamond Realisations (Overseas) Limited	Israel	100	Diamond merchants
Diamond Realisations (India) Pvt Limited	India	100	Diamond merchants
Diamond Realisations (Hong Kong) Ltd	Hong Kong	100	Diamond merchants
Diamond Realisations (USA) Inc	USA	100	Diamond merchants
Diamond Realisations (South Africa) Pty Limited	South Africa	100	Diamond merchants

* Proportion of voting rights and ordinary share capital held

Other investments & exceptional items

	Group Unlisted Investments \$	Company Unlisted Investments \$
<i>Cost</i>		
At 1 January 2011	2,886,473	386,473
Additions	310,000	-
At 31 December 2011	3,196,473	386,473
<i>Provisions</i>		
At 1 January 2011	1,684,828	384,828
Further provision made	310,000	-
Provisions reversed	(1,300,000)	-
At 31 December 2011	694,828	384,828
<i>Net book value</i>		
At 31 December 2011	2,501,645	1,645
At 31 December 2010	1,201,645	1,645

Clemente Business Limited (an I Hennig & Co Limited 100% subsidiary as listed above) owns 37% of the issued share capital of MDS Group Holdings Limited. MDS Group Holdings Limited has been accounted for as an investment and is included in the consolidated balance sheet at its cost of investment less diminution in value as, in the opinion of the directors, the group does not exercise significant influence over the management and operations of the company.

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

11 Fixed assets investments (continued)

Exceptional Items

Provision made against investment

In 2011, the I Hennig Group invested \$310,000 into a high risk start-up venture, Verichannel LLC. Due to the current level of profitability, full provision has been made against the amounts invested.

Release of provision on investments

The carrying value of the group's investment in MDSG Holdings has been increased from \$1,200,000 to \$2,500,000 following significantly improved trading results and a corresponding rise in the group's share of the net assets of the company.

12 Stocks

	Group 2011 \$	Group 2010 \$
Goods for resale	310,274	389,285

13 Debtors

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
<i>Amounts falling due within one year</i>				
Trade debtors	3,145,552	757,284	543,734	468,971
Amounts owed by subsidiary undertakings	-	-	3,125,470	312,372
Other debtors	791,707	999,689	392,998	825,494
Prepayments	165,336	348,113	147,443	312,594
	4,102,595	2,105,086	4,209,645	1,919,431
<i>Amounts falling due after more than one year</i>				
Amounts owed by subsidiary undertakings	-	-	2,651,187	1,540,476
Long term loan	-	9,153	-	9,153
Deferred tax asset (note 16)	355,557	137,214	354,691	136,263
Other debtors	-	87,500	-	-
	355,557	233,867	3,005,878	1,685,892
Total debtors	4,458,152	2,338,953	7,215,523	3,605,323

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

14 Creditors, amounts falling due within one year

	Group 2011 \$	Group 2010 \$	Company 2011 \$	Company 2010 \$
Trade creditors	1,579,983	1,470,417	192,680	183,740
Amounts owed to subsidiary undertakings	-	-	227,265	156,266
Amount owed to parent undertaking	134,347	99,232	83,620	43,840
Corporation tax	402,060	138,256	410,172	240,029
Other taxation and social security	113,676	223,007	89,331	176,475
Other creditors	182,607	61,555	448	438
Accruals and deferred income	6,587,838	3,000,961	5,228,481	2,690,629
	<u>9,000,511</u>	<u>4,993,428</u>	<u>6,231,997</u>	<u>3,491,417</u>

15 Retirement benefits

The company has four different classes of retirement benefits

- A defined contribution pension scheme
- A funded defined benefit pension scheme
- Unfunded post-retirement health insurance
- Other unfunded defined benefit pensions

The first class of benefit, the “defined contribution pension scheme”, has been accounted for in accordance with Financial Reporting Standard 17 (FRS 17) and contributions are therefore charged to the profit and loss account in the year in which they become payable

The second class of benefit, the “funded defined benefit pension scheme”, operates through the company making contributions to The Hattron Group Staff Benefits Plan. However, the scheme closed to new members in 2003 and from 1 April 2009 ceased accruing further benefits for active members of the scheme

The defined benefit scheme funds are administered by trustees and are independent of the company’s finances. Deficit contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser and the plan agreed with the trustees. In 2012 the company will meet the administration costs of running the scheme

The third class of benefit, “post retirement health insurance”, pays for the costs of healthcare for life for some retirees and their spouses. Currently the arrangement is insured through and premiums paid to BUPA

The fourth class of benefit, the “other unfunded defined benefit pensions”, represents unfunded pension obligations of the company to three individuals

These last three types of retirement benefit have been accounted for as defined benefit schemes in accordance with FRS 17. Accordingly, liabilities have been calculated using the projected unit valuation method and scheme assets are valued at fair value. The rest of this note gives further information about these three schemes

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

15 Retirement benefits (*continued*)

Financial and Actuarial Assumptions

Based on actuarial advice updated as at 31 December 2011, the financial assumptions used in calculating retirement benefits liabilities were

	2011	2010	2009	2008	2007
Price inflation	2.9%	3.4%	3.6%	2.8%	3.2%
Discount rate	4.7%	5.5%	5.6%	6.4%	5.9%
Pension increases	2.9%	3.3%	3.5%	2.6%	3.1%
Salary growth	n/a	n/a	n/a	3.8%	4.2%
Medical advance inflation over retail price inflation	2.6%	2.5%	2.5%	2.5%	2.5%
Life expectancy of male aged 60 at accounting date	28.3 yrs	28.2 yrs	28.1 yrs	29.1 yrs	29 yrs
Life expectancy of male aged 60 at 20 years after accounting date	30.5 yrs	30.4 yrs	30.3 yrs	31.3 yrs	31.2 yrs

The long-term rates of return expected (ER) on the main classes of the Hattron Group pension scheme assets, fair valued (FV) as at 31 December 2011, were as follows

	ER	2011 FV	ER \$'000	2010 FV \$'000	ER \$'000	2009 FV \$'000	ER	2008 FV \$'000	ER	2007 FV
Equities	6.00%	7,839	7.20%	8,461	8.0%	12,489	7.4%	9,084	7.6%	17,259
MA fund*	6.00%	7,710	7.20%	7,625	7.2%	1,994	7.2%	1,761	7.4%	2,331
Bonds	4.65%	4,030	5.45%	3,631	5.6%	3,440	6.4%	2,723	5.9%	3,969
Gilts	3.00%	9,626	4.20%	7,808	4.3%	7,303	3.6%	6,815	4.4%	8,550
Cash	0.50%	1,812	0.50%	(487)	2.2%	(1,017)	2.1%	(203)	4.4%	330
Total		31,017		27,038		24,209		20,180		32,439

* Multi Asset Fund

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

15 Retirement benefits (*continued*)

Assets and liabilities of group pension schemes

	Funded and unfunded pensions benefits 2011 \$	Unfunded pensioners health insurance 2011 \$	Total 2011 \$	Total 2010 \$
Fair value of pension scheme assets	(31,016,899)	-	(31,016,899)	(27,038,074)
Irrecoverable surplus on scheme assets	924,690	-	924,690	-
Present value of liabilities	31,854,387	996,178	32,850,565	29,768,448
	<u>1,762,178</u>	<u>996,178</u>	<u>2,758,356</u>	<u>2,730,374</u>
Deficit as at 31 December				
Related deferred tax asset (note 16)			(752,644)	(745,341)
Net pension liability			<u>2,005,712</u>	<u>1,985,033</u>
Analysis of the amount charged to other finance costs				
Expected return on pension scheme assets	(1,580,971)	-	(1,580,971)	(1,568,196)
Interest cost on pension scheme liabilities	1,580,971	51,518	1,632,489	1,646,915
Net finance cost	<u>-</u>	<u>51,518</u>	<u>51,518</u>	<u>78,719</u>

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses ("STRGL")

Actual return less expected return on pension scheme assets	(487,815)	-	(487,815)	(1,558,935)
Experience gains and losses arising on scheme liabilities	1,466,664	37,029	1,503,693	(129,655)
Changes in assumptions underlying the present value of scheme liabilities	1,531,062	-	1,531,062	(960,058)
Actual versus expected expenses	-	-	-	(12,348)
Expected return less interest	(113,449)	-	(113,449)	-
Irrecoverable surplus	924,690	-	924,690	-
Actuarial losses/(gains) recognised in the STRGL	<u>3,321,152</u>	<u>37,029</u>	<u>3,358,181</u>	<u>(2,660,996)</u>

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

15 Retirement benefits (*continued*)

	2011 \$	2011 \$	2010 \$
Movement in defined benefit obligation			
Opening defined benefit obligation		29,768,448	31,404,324
Interest cost		1,632,489	1,646,915
Actuarial losses/(gains)		2,921,307	(1,102,061)
Benefits and fund expenses paid		(1,154,330)	(1,224,442)
Exchange (gains)		(317,349)	(956,288)
		<u> </u>	<u> </u>
Closing defined benefit obligation		32,850,565	29,768,448
		<u> </u>	<u> </u>
 Movement in fair value of plan assets			
Opening fair value of plan assets	27,038,074		24,208,966
Expected return on plan assets	1,580,971		1,568,196
Actuarial gain	487,815		1,558,935
Contributions by the employer	3,275,442		1,617,266
Benefits and fund expenses paid	(1,154,330)		(1,224,442)
Exchange (losses)	(211,073)		(690,847)
	<u> </u>		<u> </u>
Closing fair value of plan assets	31,016,899		27,038,074
Less irrecoverable surplus on plan assets	(924,690)		-
	<u> </u>		<u> </u>
Carrying value of plan assets		30,092,209	27,038,074
		<u> </u>	<u> </u>
 Scheme deficit as at 31 December		2,758,356	2,730,374
		<u> </u>	<u> </u>

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

15 Retirement benefits (continued)

History of plan position, assets, liabilities and experience gains and losses:

	2011	2010	2009	2008	2007
	\$000's	\$000's	\$000's	\$000's	\$000's
Gross deficit	2,758	2,730	7,195	1,690	1,557
Fair value of pension scheme assets	30,092	27,038	24,209	20,180	32,439
Present value of pension scheme liabilities	32,851	29,768	31,404	21,870	33,996
Actual less expected return on scheme assets	488	1,559	1,510	5,706	533
Percentage of scheme assets	1.57%	5.77%	6.24%	28.28%	1.64%
Experience gains/(losses) on scheme liabilities	(1,504)	130	372	85	801
Percentage of scheme liabilities	4.58%	0.44%	1.18%	0.39%	2.36%
Total amount recognised in the STRGL*	(3,358)	(2,661)	3,551	(1,370)	(1,151)
Percentage of scheme liabilities	10.22%	8.94%	11.31%	6.26%	3.39%

*Statement of Total Recognised Gains and Losses

16 Deferred tax

The movements in deferred tax assets were as follows

	Group 2011 \$	Company 2011 \$
Asset as at 1 January 2011	882,555	881,604
Amount charged to the profit and loss account	(647,481)	(647,397)
Amount credited to the statement of total recognised gains and losses	873,127	873,127
Asset as at 31 December 2011	1,108,201	1,107,334
<i>Reported in these financial statements within</i>		
Debtors (note 13)	355,557	354,691
Retirement benefits liability (note 15)	752,644	752,644
Total deferred tax balance	1,108,201	1,107,335

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

16 Deferred tax (*continued*)

The elements of the deferred tax balance are as follows

	Group 2011	Group 2010	Company 2011	Company 2010
	\$	\$	\$	\$
Accelerated capital allowances	50,558	52,553	49,692	51,603
Other timing differences	1,057,643	830,001	1,057,643	830,001
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred tax asset	1,108,201	882,555	1,107,335	881,604
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Share capital

	2011 \$	2010 \$
<i>Allotted, called up and fully paid</i>		
68,000 ordinary shares of £1 each	121,067	121,067
	<u> </u>	<u> </u>

18 Reserves

	Group Profit and loss account \$	Company Profit and loss account \$
At 1 January 2011	11,159,924	10,006,517
Profit for the year	6,592,111	7,678,504
Dividends	(3,000,000)	(3,000,000)
Other recognised losses	(2,564,361)	(2,507,015)
	<u> </u>	<u> </u>
At 31 December 2011	12,187,674	12,178,006
	<u> </u>	<u> </u>

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

19 Reconciliation of operating profit to net cash flow from operating activities

	2011	2010
	\$	\$
Operating profit	8,634,263	4,741,434
Depreciation	304,536	219,202
Decrease in stocks	79,011	144,726
(Increase)/decrease in debtors	(1,902,984)	870,157
Increase in creditors	3,715,551	2,710,307
(Decrease) in provisions	(2,814,719)	(1,882,708)
Exchange and translation adjustments	(16,927)	(9,001)
Net cash inflow from operating activities	7,998,731	6,794,117

20 Analysis of changes in net funds

	At 1 January 2011 \$	Cash flows \$	Exchange movements \$	At 31 December 2011 \$
Cash	13,325,113	1,810,859	(36,393)	15,099,579

21 Commitments under operating leases

As at 31 December 2011, the group had annual commitments under non-cancellable operating leases as set out below

	2011 \$	2010 \$
Operating leases which expire		
After one year but less than five years	410,282	-
After more than five years	-	413,345

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (continued)

22 Related party transactions

The company has taken advantage of the exemption within the Financial Reporting Standard No 8 "Related Party Disclosures" not to disclose any transactions with entities that are included in the consolidated financial statements of I Hennig & Co Limited where 100% of the voting rights are owned by the group

Transactions with directors

The managing director, Arik Sela, was advanced a loan by I Hennig & Co Limited in 1999. The loan was secured on his house in Israel.

Interest was charged on the loan at the same rate as the 3 month US LIBOR (London Interbank Offered Rate). The transactions that occurred during the year are as follows:

	\$
Balance at 1 January 2011	87,154
Repayment received	(45,500)
Interest charged	170
	<hr/>
Balance at 31 December 2011	<u>41,824</u>

The loan was fully repaid in 2012.

IHBS Inc

The following transactions took place between I Hennig & Co Limited and IHBS Inc, a company which is 65% owned by the group:

Investment loan

I Hennig & Co Limited is providing IHBS Inc with an investment loan to help fund its operations in its early years of operation. The loan is provided at a fixed interest rate of 8% and is repayable by 2019. In 2011 the following loan transactions occurred:

	2011 \$
Balance at 1 January 2011	1,089,560
Interest charged	89,468
Other intercompany transactions (see next page)	(25,693)
	<hr/>
Balance at 31 December 2011	<u>1,153,335</u>

I Hennig & Co Limited

Notes forming part of the financial statements
for the year ended 31 December 2011 (*continued*)

22 Related party transactions (*continued*)

The movements in the IHBS Inc investment loan provision were as follows

	\$
Provision at 1 January 2011	1,089,560
Release provision in full	(1,089,560)
	<hr/>
Provision at 31 December 2011	-
	<hr/>

Other intercompany transactions

Other intercompany transactions includes, amongst other things, a charge by IHBS Inc to I Hennig & Co Limited for its share of commission invoiced by I Hennig & Co Limited. In 2011 this charge amounted to \$60,000 (2010 \$200,000)

23 Ultimate parent undertaking

The directors regard Hattron Limited, a company registered in England and Wales, as the company's immediate parent undertaking

Copies of that company's financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ

Theseus Limited, a company incorporated in the British Virgin Islands, is, in its capacity as trustee of the Westridge Fund, considered to be the ultimate controlling party of I Hennig & Co Limited