I Hennig & Co Limited

Report and Financial Statements

Year Ended

31 December 2009

Company no 646001

I Hennig & Co Limited

Annual report and financial statements for the year ended 31 December 2009

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I Hennig & Co Limited

Company information for the year ended 31 December 2009

Directors	D S Shein A Sela S L Stewart G J F Stubbs J D Hambro F J A Howard
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 5 Aldermanbury Square London EC2V 7HR 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 2009

The directors present their report together with the audited financial statements for the year ended 31 December 2009

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year The profit for the year after taxation amounted to $161,323 (2008 $3,828,024)

No dividend was paid during the year (2008 $1,000,000)

The directors do not recommend the payment of a final dividend (2008 nil)

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 Along with most other industries the diamond industry was severely affected in 2009 by the global recession

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 made by De Beers decreased by 44% in 2009 to $3 2bn as a result of the continuing world economic downturn Over the first six months of the year De Beers sales of gem diamonds were substantially lower than in 2008 as demand for rough stones was depressed due to low levels of retail demand and adverse conditions in the cutting centres In the second half of the year demand increased and sales were 24% higher than in the first half

Hennig responded quickly to the drop in income and successfully cut costs The directors are therefore pleased to report an operating profit in 2009 of $0 4m This compares with $4 5m in 2008 There was a cash outflow from operating activities of $1 1m compared with a cash inflow of $1 6m in the previous year

The directors believe the long term prospects for the diamond industry and therefore the group to be good Demand for rough diamonds has improved in the first half of 2010

Principal risks and uncertainties

Demand for retail diamond jewellery is beginning to recover, particularly in the developing markets of India and China 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 diamond supply for many years to come

Hennig's income is in US dollars but the vast majority of its expenses are not As a result, Hennig is exposed to the risk of adverse movements in Sterling, Euros, Shekels, Rupees, Baht, South African Rand and Botswana Pula Hennig's board has considered the risk resulting from the movement in these exchange rates but has decided not to hedge against these risks

Charitable and political donations

During the year the group contributed $3,267 (2008 $97,259) to charities There were no political donations during the year

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
J D Hambro
F J A Howard
R A Hambro

Sadly, Richard Alexander Hambro, the then Chairman, died on 25 April 2009 J D Hambro held a beneficial interest in 6,800 £1 ordinary shares of the company at 31 December 2009 (2008 6,800 £1 ordinary shares) No other directors had a beneficial interest in the share capital of the company

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

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next annual general meeting 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

On behalf of the Board

S L Stewart
Director

Date 26/8/10

I Hennig & Co Limited

Report of the independent auditors

Independent Auditor's Report 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 2009 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, the consolidated reconciliation of movements in shareholders funds 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 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

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 group's and parent 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

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 2009 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

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
Date 26/8/10

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 2009

	Note		2009 $		2008 $
Turnover	2		**19,818,329**		79,550,699
Cost of sales			**10,697,487**		62,917,731
Gross profit			**9,120,842**		16,632,968
Administrative expenses					
Before exceptional items		**9,440,922**		13,860,462	
Exceptional item – amounts recovered on investments	12	-		(1,002,000)	
After exceptional items			**9,440,922**		12,858,462
			(320,080)		3,774,506
Other operating income	4		**519,274**		676,979
Operating profit	3		**199,194**		4,451,485
Income from other fixed asset investments			**240,500**		-
Loss on sale of fixed assets			**(45,619)**		-
Profit on ordinary activities before interest			**394,075**		**4,451,485**
Interest receivable and similar income	5		**57,193**		196,629
Interest payable and similar charges	5		**(899)**		(4,281)
Other finance (costs)/income	16		**(184,110)**		123,654
Profit on ordinary activities before taxation			**266,259**		4,767,487
Tax on profit on ordinary activities	8		**104,936**		939,463
Profit on ordinary activities after taxation			**161,323**		3,828,024

All amounts relate to continuing activities

The notes on pages 11 to 26 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 2009

	Note	2009 $	2008 $
Consolidated statement of total recognised gains and losses			
Profit for the financial year		**161,323**	3,828,024
Actuarial (loss) on defined benefit scheme	16	**(3,174,194)**	(1,369,990)
Deferred tax effect of actuarial loss	17	**888,774**	383,597
Exchange translation differences on consolidation		**32,047**	(106,587)
Total recognised (losses)/gains since last financial statements		**(2,092,050)**	2,735,044

	Note	2009 $	2008 $
Consolidated reconciliation of movement in shareholders' funds			
Profit for the financial year		**161,323**	3,828,024
Dividends	9	-	(1,000,000)
Other net recognised (losses) relating to the year		**(2,253,373)**	(1,092,980)
Net movement in shareholders' funds		**(2,092,050)**	1,735,044
Opening shareholders' funds		**10,202,890**	8,467,846
Closing shareholders' funds		**8,110,840**	10,202,890

The notes on pages 11 to 26 form part of these financial statements

I Hennig & Co Limited
Company Number 646001
Consolidated balance sheet at 31 December 2009

	Note	2009 $	2009 $	2008 $	2008 $
Fixed assets					
Tangible assets	11		927,286		1,182,344
Investments	12		1,201,645		1,201,645
			2,128,931		2,383,989
Current assets					
Stocks	13	534,011		620,067	
Debtors due in less than one year	14	3,373,471		4,532,061	
Debtors due in more than one year	14	393,286		318,145	
Cash at bank and in hand	21	7,740,877		8,784,754	
		12,041,645		14,255,027	
Creditors amounts falling due within one year	15	2,949,761		5,318,282	
Net current assets			9,091,884		8,936,745
Net assets excluding pension scheme liabilities			11,220,815		11,320,734
Retirement benefits liabilities	16		3,109,975		1,117,844
Net assets			8,110,840		10,202,890
Capital and reserves					
Called up share capital	18		121,067		121,067
Profit and loss account	19		7,989,773		10,081,823
Shareholders' funds (equity)			8,110,840		10,202,890

The financial statements were approved by the Board and authorised for issue on 26/8/10

SL Stewart
Director

The notes on pages 11 to 26 form part of these financial statements

I Hennig & Co Limited
Company Number 646001
Company balance sheet at 31 December 2009

	Note	2009	2009	2008	2008
		$	$	$	$
Fixed assets					
Tangible assets	11		**679,388**		837,985
Investments	12		**654,124**		653,910
			1,333,512		1,491,895
Current assets					
Debtors due in less than one year	14	**2,802,039**		1,400,191	
Debtors due in more than one year	14	**1,702,378**		2,022,795	
Cash at bank and in hand		**6,228,633**		8,057,344	
		10,733,050		11,480,330	
Creditors amounts falling due within one year	15	**1,628,989**		2,038,607	
Net current assets			**9,104,061**		9,441,723
Net assets excluding retirement benefit liabilities			**10,437,573**		10,933,618
Retirement benefits liabilities	16		**3,109,975**		1,117,844
Net assets			**7,327,598**		9,815,774
Capital and reserves					
Called up share capital	18		**121,067**		121,067
Profit and loss account	19		**7,206,531**		9,694,707
Shareholders' funds (equity)			**7,327,598**		9,815,774

The financial statements were approved by the Board and authorised for issue on 26/8/10

S L Stewart
Director

The notes on pages 11 to 26 form part of these financial statements

I Hennig & Co Limited

Consolidated cash flow statement for the year ended 31 December 2009

	Note	2009 $	2009 $	2008 $	2008 $
Net cash (outflow)/inflow from operating activities	20		**(1,317,902)**		1,619,351
Returns on investments and servicing of finance					
Dividends from other investments		**240,500**			
Interest received	5	**57,193**		196,629	
Interest paid	5	**(899)**		(4,281)	
Net cash inflow from returns on investment and servicing of finance			**296,794**		192,348
Taxation					
Corporation tax (paid)		**(57,352)**		(327,439)	
Group relief paid to parent		**-**		(831,918)	
			(57,352)		(1,159,357)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(36,321)**		(186,381)	
Sale of tangible fixed assets		**31,541**		-	
Loans payments received		**30,730**		211,101	
Net cash inflow from capital expenditure and financial investment			**25,950**		24,720
Equity dividends paid			**-**		(1,000,000)
(Decrease) in cash in the year	21		**(1,052,510)**		(322,938)

The notes on pages 11 to 26 form part of these financial statements

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 the company is a going concern 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 6149 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 2009

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

Results of subsidiaries are included in the consolidated profit and loss account up to the date of relinquishing control The profit or loss on the disposal or closure of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account

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 in the ordinary course of business for goods sold or supplied by it as principal and for services provided by it as brokers Credit is taken for dividends when received, for valuation fees and brokerage commission when earned, and merchanting sales when effected

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	-	2% straight line
Motor vehicles and equipment	-	20%-33% straight line
Short leasehold improvements	-	over the length of the lease

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

	Rate to 1 US$	
Closing exchange rates	**2009**	**2008**
Pounds Sterling	**0.619**	0 696
Euro	**0 697**	0 719
South African Rand	**7.366**	9 245
Botswana Pula	**6 662**	7 582
Indian Rupee	**46 534**	48 720
Thai Baht	**33.339**	34 780
Israeli Shekel	**3 788**	3 777

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

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

2 Turnover

	2009 $	2008 $
Class of business		
Diamond broking	**8,783,443**	16,101,364
Diamond merchanting	**11,034,886**	63,449,335
	19,818,329	79,550,699

3 Operating profit

		2009 $	2008 $
This is arrived at after charging/ (crediting)			
Depreciation of fixed assets		**221,115**	269,395
Auditors' remuneration	- audit services	**85,297**	71,206
	- services related to taxation	**-**	5,390
Operating lease rentals	- land & buildings	**516,245**	536,943
Exchange losses/(gains)		**68,864**	(118,006)
Defined contribution pension scheme cost		**476,206**	438,868
Defined retirement benefits scheme (credit)/cost		**(181,239)**	517,374
Administration costs of defined retirement benefits scheme		**220,260**	-

4 Other operating income

	2009 $	2008 $
Other operating income consists of		
Consultancy fees	**451,667**	463,510
Rent	**3,751**	4,464
Other income	**63,856**	209,005
	519,274	676,979

5 Interest

	2009 $	2008 $
Interest receivable and similar income		
From banks	**32,269**	182,802
Other interest receivable	**24,924**	13,827
	57,193	196,629
Interest payable and similar charges on borrowings wholly repayable within five years		
To banks	**899**	4,281

6 Employees

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Staff costs consist of				
Wages and salaries	**5,256,767**	7,339,168	**1,957,352**	3,997,374
Social security costs	**441,782**	636,098	**273,074**	507,449
Pension costs	**498,484**	870,290	**264,517**	634,154
	6,197,033	8,845,556	**2,494,943**	5,138,977

Included within pension costs is a charge of $476,206 (2008 $438,868) relating to defined contribution pension schemes

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

	Group 2009	Group 2008	Company 2009	Company 2008
Brokers	**17**	18	**4**	5
Administrative staff	**25**	31	**10**	16
	42	49	**14**	21

7 Directors

	2009 $	2008 $
Directors' remuneration consists of		
Emoluments	**1,815,095**	1,613,635
Pension contributions	**140,733**	67,954
	1,955,828	1,681,589

During the year 2 directors were members of the group's defined benefit pension scheme (2008 2) and 3 directors were members of the group's defined contribution scheme (2008 2)

Highest paid director	2009 $	2008 $
Emoluments	**821,005**	1,028,180
Pension contributions	**67,494**	19,006
	888,499	**1,047,186**

The highest paid director is also a member of the defined benefit pension scheme and had an accrued pension entitlement at 31 December 2009 of $107,757 (2008 $83,134)

8 Taxation

	2009 $	2008 $
Current tax		
UK corporation tax	-	842,297
Adjustments in respect of previous periods	(232,955)	(148,988)
Foreign tax	125,003	46,915
Total current tax *(see below)*	(107,952)	740,224
Deferred tax		
Current year deferred tax	199,931	192,848
Prior year deferred tax	12,957	6,391
Tax on profit on ordinary activities	104,936	939,463

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

	2009 $	2008 $
Profit on ordinary activities before tax	266,259	4,767,487
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 28 5%)	74,552	1,358,735
Effects of		
Expenses not deductible for tax purposes	68,071	73,967
Losses utilised	(12,395)	-
Non taxable losses/(gains)	73,056	(428,168)
Short term timing differences	(199,791)	(154,849)
Tax rate difference	4,889	32,881
Over provision in prior year	(232,955)	(142,342)
Losses carried forward	116,621	-
Current year tax (credit)/charge *(as above)*	(107,952)	740,224

9 Dividends

	2009 $	2008 $
Equity shares		
Ordinary shares		
Dividend paid of $nil (2008 $14 71) per share	-	1,000,000

10 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 loss after tax of $202,756 (2008 profit $2,205,563)

11 Tangible assets

Group	Long leasehold property $	Short leasehold improvements $	Motor vehicles and equipment $	Total $
Cost				
At 1 January 2009	70,099	1,310,059	2,273,331	3,653,489
Exchange adjustment	-	2,095	18,807	20,902
Additions	-	1,468	34,853	36,321
Disposals	-	-	(211,810)	(211,810)
At 31 December 2009	**70,099**	**1,313,622**	**2,115,181**	**3,498,902**
Depreciation				
At 1 January 2009	14,190	581,763	1,875,192	2,471,145
Exchange adjustment	-	(1,356)	15,362	14,006
Charge for the year	778	84,342	135,995	221,115
Disposals	-	-	(134,650)	(134,650)
At 31 December 2009	**14,968**	**664,749**	**1,891,899**	**2,571,616**
Net book value				
At 31 December 2009	**55,131**	**648,873**	**223,282**	**927,286**
At 31 December 2008	55,909	728,296	398,139	1,182,344

Company	Long leasehold property $	Short leasehold improvements $	Motor vehicles and equipment $	Total $
Cost				
At 1 January 2009	70,099	1,058,474	750,472	1,879,045
Exchange adjustment	-	2,356	4,107	6,463
Additions	-	-	20,170	20,170
Disposals	-	-	(132,275)	(132,275)
At 31 December 2009	**70,099**	**1,060,830**	**642,474**	**1,773,403**
Depreciation				
At 1 January 2009	14,123	410,756	616,181	1,041,060
Exchange adjustment	-	(24)	2,599	2,575
Charge for the year	845	70,757	33,893	105,495
Disposals	-	-	(55,115)	(55,115)
At 31 December 2009	**14,968**	**481,489**	**597,558**	**1,094,015**
Net book value				
At 31 December 2009	**55,131**	**579,341**	**44,916**	**679,388**
At 31 December 2008	55,976	647,718	134,291	837,985

12 Fixed assets investments

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Subsidiary undertakings	-	-	**652,479**	652,265
Other investments	**1,201,645**	1,201,645	**1,645**	1,645
Net book value	**1,201,645**	1,201,645	**654,124**	653,910

Subsidiary undertakings

	$
Cost	
At 1 January 2009	4,342,067
Additions	214
At 31 December 2009	**4,342,281**
Provisions	
At 1 January 2009 and 31 December 2009	**3,689,802**
Net book value	
At 31 December 2009	**652,479**
At 31 December 2008	652,265

I Hennig & Co Limited has investments in the following companies

Name	Country of incorporation	%*	Nature of business
I Hennig & Co (USA) Ltd	USA	100	Agency company
I Hennig & Co (Belgium) NV	Belgium	100	Agency company
I Hennig & Co (Pty) Ltd	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 & Consultants
Diamond Realisations Limited	England & Wales	100	Investment holding company

12 Fixed asset investments *(Continued)*

Name	Country of incorporation	%*	Nature of business
Clemente Business Limited	British Virgin Islands	100	Investment holding company

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 (Private) Limited	India	100	Diamond merchants

* *Proportion of voting rights and ordinary share capital held*

Other investments

	Group Unlisted Investments $	Company Unlisted Investments $
Cost		
At 1 January 2009 & 31 December 2009	**2,886,473**	**386,473**
Provisions		
At 1 January 2009 and 31 December 2009	**1,684,828**	**384,828**
Net book value		
At 31 December 2009 and 2008	**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

Exceptional item

The carrying value of the investment in MDS Group Holdings was increased in 2008 by $1,002,000 to $1,200,000 following significantly improved trading results and a corresponding increase in the value of the group's share of the net assets of the company

13 Stocks

	Group 2009 $	Group 2008 $
Goods for resale	**534,011**	620,067

14 Debtors

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Amounts falling due within one year				
Trade debtors	**1,286,395**	3,520,226	**289,050**	382,227
Amounts owed by subsidiary undertakings	-	-	**684,178**	384,628
Corporation tax	**400,174**	181,162	**289,765**	-
Other debtors	**1,435,214**	570,950	**1,307,179**	405,858
Prepayments	**251,688**	259,723	**231,867**	227,478
	3,373,471	4,532,061	**2,802,039**	1,400,191
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	**1,397,260**	1,704,893
Long term loan	**80,269**	110,895	**80,269**	110,985
Deferred tax asset (note 17)	**225,517**	207,250	**224,849**	206,917
Other debtors	**87,500**	-	-	-
	393,286	318,145	**1,702,378**	2,022,795
Total debtors	**3,766,757**	4,850,206	**4,504,417**	3,422,986

15 Creditors amounts falling due within one year

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Trade creditors	**1,130,751**	3,191,857	**160,825**	107,012
Amounts owed to subsidiary undertakings	-	-	**167,263**	142,196
Amount owed to parent undertaking	**912,472**	764,419	**859,761**	764,419
Corporation tax	-	-	-	(86,844)
Other taxation and social security	**372,261**	228,092	**246,361**	228,092
Other creditors	**69,543**	92,953	**4,498**	3,694
Accruals	**464,734**	1,040,961	**190,281**	880,038
	2,949,761	5,318,282	**1,628,989**	2,038,607

16 Retirement benefits

The company has four different classes of retirement benefits

- A defined contribution pension scheme
- A funded defined benefit pension scheme
- An unfunded obligation to provide 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 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 2010 the company will make a deficit contribution of £175,000 In addition the company will meet the administration costs of running the scheme From 2011 to 2020 the company will make an annual deficit contribution of £124,000 and continue to 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

Financial and Actuarial Assumptions

Based on actuarial advice updated as at 31 December 2009, the financial assumptions used in calculating retirement benefits liabilities were

	2009	2008	2007	2006	2005
Price inflation	3 6%	2 8%	3 2%	2 9%	2 8%
Discount rate	5 6%	6 4%	5 9%	5 2%	4 8%
Pension increases	3 5%	2 6%	3 1%	2 9%	2 8%
Salary growth	n/a	3 8%	4 2%	3 9%	3 8%
Medical advance inflation over retail price inflation	2 5%	2 5%	2 5%	2 5%	2 5%
Life expectancy of male aged 60 at accounting date	28 1 yrs	29 1 yrs	29 yrs	25 6 yrs	25 5 yrs
Life expectancy of male aged 60 at 20 years after accounting date	30 3 yrs	31 3 yrs	31 2 yrs	26 8 yrs	26 8 yrs

16 Retirement benefits *(Continued)*

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 2009, were as follows

	ER	2009 FV $'000	ER	2008 FV $'000	ER	2007 FV $'000	ER	2006 FV $'000	ER	2005 FV $'000
Equities	8 0%	**12,489**	7 4%	9,084	7 6%	17,259	7 5%	17,127	7 3%	18,622
Hedge funds	7 2%	**1,994**	7 2%	1,761	7 4%	2,331	7 3%	2,081	n/a	-
Bonds	5 6%	**3,440**	6 4%	2,723	5 9%	3,969	5 2%	3,670	4 8%	716
Gilts	4 3%	**7,303**	3 6%	6,815	4 4%	8,550	4 3%	7,451	n/a	-
Property	n/a	-	n/a	-	n/a	-	n/a	-	5 7%	252
Cash	2 2%	**(1,017)**	2 1%	(203)	4 4%	330	5 2%	(143)	4 2%	2,326
Total		**24,209**		**20,180**		**32,439**		**30,186**		**21,916**

Assets & liabilities of group pension schemes

	Funded & unfunded pensions benefits 2009 $	Unfunded pensioners health insurance 2009 $	Total 2009 $	Total 2008 $
Fair value of pension scheme assets	**(24,208,966)**	**-**	**(24,208,966)**	(20,179,523)
Present value of liabilities	**27,449,335**	**1,099,846**	**28,549,181**	21,869,654
Deficit as at 31 December	**3,240,369**	**1,099,846**	**4,340,215**	1,690,131
Related deferred tax asset (note 17)			**(1,230,240)**	(572,287)
Net pension liability			**3,109,975**	1,117,844

Analysis of the amounts (credited)/charged to operating profit

Current service cost	**61,832**	**-**	**61,832**	517,374
Curtailment gain	**(243,071)**	**-**	**(243,071)**	-
	(181,239)	**-**	**(181,239)**	517,374

16 Retirement benefits *(Continued)*

	Funded & unfunded pensions benefits 2009 $	Unfunded pensioners health insurance 2009 $	Total 2009 $	Total 2008 $
Analysis of the amount charged to other finance costs				
Expected return on pension scheme assets	(1,279,651)	-	(1,279,651)	(1,941,200)
Interest cost on pension scheme liabilities	1,394,130	69,631	1,463,761	1,817,546
Net finance costs/(income)	114,479	69,631	184,110	(123,654)
Analysis of the amount recognised in the Statement of Total Recognised Gains & Losses ("STRGL")				
Actual return less expected return on pension scheme assets	(1,510,176)	-	(1,510,176)	5,705,840
Experience gains and losses arising on scheme liabilities	(674,326)	-	(674,326)	84,640
Changes in assumptions underlying the present value of scheme liabilities	5,411,858	(53,162)	5,358,696	(4,420,490)
Actuarial loss / (gain) recognised in the STRGL	3,227,356	(53,162)	3,174,194	1,369,990
Movement in defined benefit obligation				
Opening defined benefit obligation			21,869,654	33,996,279
Employers' part of current service cost			(181,239)	517,374
Interest cost			1,463,761	1,817,546
Actuarial loss / (gains)			4,684,370	(4,335,850)
Benefits and fund expenses paid			(2,098,851)	(1,456,689)
Exchange losses / (gains)			2,811,486	(8,668,997)
Closing defined benefit obligation			28,549,181	21,869,663
Movement in fair value of plan assets				
Opening fair value of plan assets			20,179,523	32,438,818
Expected return on plan assets			1,279,651	1,941,200
Actuarial gain/(loss)			1,510,176	(5,705,840)
Contributions by the employer			827,233	1,074,462
Benefits and fund expenses paid			(2,098,851)	(1,456,689)
Exchange gains/(losses)			2,511,234	(8,112,419)
Closing fair value of plan assets			24,208,966	20,179,532
Scheme deficit as at 31 December			4,340,215	1,690,131

16 Retirement benefits *(Continued)*

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

	2009	2008	2007	2006	2005
	$000's	$000's	$000's	$000's	$000's
Gross deficit	**4,340**	1,690	1,557	2,713	8,958
Fair value of pension scheme assets	**24,209**	20,180	32,439	30,186	21,916
Present value of pension scheme liabilities	**28,549**	21,870	33,996	32,899	30,874
Actual less expected return on scheme assets	**(1,510)**	(5,706)	(533)	939	2,384
Percentage of scheme assets	**6 24%**	28 28%	1 64%	3 11%	10 90%
Experience gains & losses on scheme liabilities	**(674)**	(85)	(801)	1,170	(231)
Percentage of scheme liabilities	**2.36%**	0 39%	2 36%	3 60%	0 70%
Total amount recognised in the STRGL*	**3,174**	(1,370)	(1,151)	4,375	(590)
Percentage of scheme liabilities	**11 12%**	6 26%	3 39%	13 30%	1 90%

*Statement of Total Recognised Gains & Losses

17 Deferred tax

The movements in deferred tax assets were as follows

	Group 2009	Company 2009
	$	$
Asset as at 1 January 2009	779,537	779,202
Amount charged to the profit & loss account	(212,553)	(212,888)
Amount credited to the statement of total recognised gains & losses	888,774	888,774
Asset as at 31 December 2009	**1,455,758**	**1,455,088**
Reported in these financial statements within		
Debtors (note 14)	225,517	224,849
Retirement benefits liability (note 16)	1,230,240	1,230,240
Total deferred tax balance	**1,455,757**	**1,455,089**

17 Deferred tax *(Continued)*

The elements of the deferred tax balance are as follows

	Group 2009 $	Group 2008 $	Company 2009 $	Company 2008 $
Accelerated capital allowances	59,777	102,015	59,109	101,682
Other timing differences	1,395,980	677,522	1,395,980	677,522
Total deferred tax asset	**1,455,757**	779,537	**1,455,089**	779,204

18 Share capital

	2009 $	2008 $
Allotted, called up and fully paid		
68,000 ordinary shares of £1 each	**121,067**	121,067

19 Reserves

	Group Profit and loss account $	Company Profit and loss account $
At 1 January 2009	10,081,823	9,694,707
Profit for the year	161,323	(202,756)
Dividends	-	-
Other recognised (losses)	(2,253,373)	(2,284,420)
At 31 December 2009	**7,989,773**	**7,206,531**

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

	2009 $	2008 $
Operating profit	**199,194**	4,451,485
Depreciation	**221,115**	269,395
Decrease in stocks	**86,056**	156,705
Decrease/(increase) in debtors	**1,291,615**	(1,405,929)
(Decrease)/increase in creditors	**(2,517,270)**	443,366
(Decrease) in provisions	**(708,220)**	(2,115,675)
Exchange & translation adjustments	**109,608**	(179,996)
Net cash (outflow)/inflow from operating activities	**(1,317,902)**	1,619,351

21 Analysis of changes in net funds

	At 1 January 2009	Cash flows $	Exchange movements $	At 31 December 2009 $
Cash	**8,784,754**	(1,052,510)	8,633	**7,740,877**

22 Commitments under operating leases

As at 31 December 2009, the group had annual commitments under non-cancellable operating leases as set out below

	2009 $	2008 $
Operating leases which expire		
After more than five years	**516,245**	536,943

23 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 is secured on his home in Israel and is repayble by 30 April 2014

Interest is 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 2008	**188,994**
Repayment received	(32,500)
Interest charged	1,812
Balance at 31 December 2009	**158,306**

23 Related party transactions (continued)

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 2009 the following loan transactions occurred

	2009
	$
Balance at 1 January 2009*	**441,758**
Funds advanced	549,960
Interest charged	53,274
Other intercompany transactions (see below)	(167,322)
Balance at 31 December 2009	**877,670**

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

	$
Provision at 1 January 2009*	**441,758**
Further provision made	435,912
Provision at 31 December 2009	**877,670**

* The balance of the loan account as at 1 January 2009 has been adjusted for an amount of £162,500 in respect of subscribed share capital in IHBS Inc and 2008 unaccrued interest of $14,258 The loan was fully provided against both before and after the revision

Other intercompany transactions

Other intercompany transactions includes a charge by IHBS Inc to I Hennig & Co Limited for its share of commission invoiced by I Hennig & Co Limited In 2009 this charge amounted to $200,000 (2008 $400,000)

24 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, the ultimate controlling party of I Hennig & Co Limited