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**KLG JEWELRY UK LIMITED**



**Directors' Report And Financial Statements**

**For the year ended 31 December 2012**

**Company Registration No 05195582 (England And Wales)**

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# KLJ JEWELRY UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	G Tanne B Hancock
<b>Secretary</b>	G Tanne
<b>Company number</b>	05195582
<b>Registered office</b>	Devonshire House 60 Goswell Road London EC1M 7AD
<b>Auditors</b>	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
<b>Bankers</b>	HSBC Bank Plc 69 Pall Mall London SW1Y 5EY  Bank Leumi (UK) Plc 20 Stratford Place London W1C 1BG

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# KLG JEWELRY UK LIMITED

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# KLG JEWELRY UK LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and financial statements for the year ended 31 December 2012

### Principal activities

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

### Directors

The following directors have held office since 1 January 2012

G Tanne  
B Hancock

Charitable donations	2012 £	2011 £
During the year the company made the following payments		
Charitable donations	41,570	5,000

The amounts and purposes of the charitable donations include £38,320 for the purpose of the benefit of the arts, £2,500 for the purpose of supporting people with learning disabilities, and £750 for the purpose of responding to the needs of Jewish communities at risk

### Auditors

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

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# KLG JEWELRY UK LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

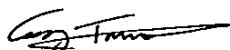
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### Statement of disclosure to auditors

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

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

On behalf of the board



G Tanne

Director

March 7, 2013

# KLG JEWELRY UK LIMITED

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

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We have audited the financial statements of KLG Jewelry UK Limited for the year ended 31 December 2012 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

### **Respective responsibilities of directors and auditors**

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

## KLG JEWELRY UK LIMITED

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

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

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

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



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

26 March 2013

Chartered Accountants  
Statutory Auditor

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

# KLG JEWELRY UK LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
<b>Turnover</b>	<b>2</b>	6,511,103	3,681,781
<b>Cost of sales</b>		(4,919,332)	(2,744,203)
<b>Gross profit</b>		1,591,771	937,578
Distribution costs		(72,949)	(61,693)
Administrative expenses		(1,650,624)	(2,228,513)
<b>Operating loss</b>	<b>3</b>	(131,802)	(1,352,628)
Other interest receivable and similar income	<b>4</b>	374,854	374,004
Interest payable and similar charges		(259,826)	(237,623)
<b>Loss on ordinary activities before taxation</b>		(16,774)	(1,216,247)
Tax on loss on ordinary activities	<b>5</b>	-	-
<b>Loss for the year</b>	<b>11</b>	(16,774)	(1,216,247)



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## KLG JEWELRY UK LIMITED

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012

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	Notes	2012 £	2011 £
Loss for the financial year		(16,774)	(1,216,247)
Prior year adjustment	11	-	(294,357)
Total gains and losses recognised since last financial statements		<u>(16,774)</u>	<u>(1,510,604)</u>

# KLG JEWELRY UK LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £	£	2011 £	£
<b>Fixed assets</b>					
Tangible assets	6		1,158,195		1,282,834
<b>Current assets</b>					
Stocks		464,204		255,862	
Debtors amounts falling due within one year	7	177,416		21,336	
Debtors amounts falling due after more than one year	7	5,284,051		5,315,047	
Cash at bank and in hand		385,931		313,995	
		<u>6,311,602</u>		<u>5,906,240</u>	
<b>Creditors amounts falling due within one year</b>	8	<u>(5,281,344)</u>		<u>(6,050,361)</u>	
<b>Net current assets/(liabilities)</b>			<u>1,030,258</u>		<u>(144,121)</u>
<b>Total assets less current liabilities</b>			<u>2,188,453</u>		<u>1,138,713</u>
<b>Creditors amounts falling due after more than one year</b>	9		<u>(14,775,005)</u>		<u>(13,708,491)</u>
			<u>(12,586,552)</u>		<u>(12,569,778)</u>
<b>Capital and reserves</b>					
Called up share capital	10		1		1
Profit and loss account	11		<u>(12,586,553)</u>		<u>(12,569,779)</u>
<b>Shareholders' funds</b>	12		<u>(12,586,552)</u>		<u>(12,569,778)</u>

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

Approved by the Board for issue on *March 7, 2013*



G Tanne  
Director

Company Registration No 05195582

# KLG JEWELRY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### **1 Accounting policies**

#### **1.1 Accounting convention**

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

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

#### **Going concern**

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

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

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

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

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

#### **1.3 Turnover**

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

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

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

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

#### **1.5 Deferred taxation**

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

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

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

### **2 Turnover**

In the year to 31 December 2012 90% (2011 - 91%) of the company's turnover was to markets outside the United Kingdom

# **KLJ JEWELRY UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012**

<b>3 Operating loss</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Operating loss is stated after charging		
Depreciation of tangible assets	146,024	151,094
Auditors' remuneration	10,500	13,500

<b>4 Investment income</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Other interest	374,854	374,004

### **5 Taxation**

The company has estimated losses of £ 10,480,457 (2011 - £ 10,632,092) available for carry forward against future trading profits

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

### **6 Tangible fixed assets**

	<b>Land and buildings</b>	<b>Plant and machinery etc</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2012	1,986,796	267,392	2,254,188
Additions	-	21,385	21,385
At 31 December 2012	1,986,796	288,777	2,275,573
<b>Depreciation</b>			
At 1 January 2012	735,385	235,969	971,354
Charge for the year	132,453	13,571	146,024
At 31 December 2012	867,838	249,540	1,117,378
<b>Net book value</b>			
At 31 December 2012	1,118,958	39,237	1,158,195
At 31 December 2011	1,251,411	31,423	1,282,834

# KLG JEWELRY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

<b>7 Debtors</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade debtors	8,000	-
Amounts owed by group undertakings	5,284,051	5,315,047
Other debtors	169,416	21,336
	<u>5,461,467</u>	<u>5,336,383</u>

Debtors include an amount of £5,284,051 (2011 - £5,315,047) which is due after more than one year

<b>8 Creditors: amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	5,069,754	5,925,248
Trade creditors	121,638	38,221
Taxation and social security	40,631	26,699
Other creditors	49,321	60,193
	<u>5,281,344</u>	<u>6,050,361</u>

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

<b>9 Creditors: amounts falling due after more than one year</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	<u>14,775,005</u>	<u>13,708,491</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	19,842,005	19,633,491
Included in current liabilities	(5,067,000)	(5,925,000)
	<u>14,775,005</u>	<u>13,708,491</u>

<b>10 Share capital</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

# KLG JEWELRY UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Profit and loss account £
Balance at 1 January 2012	(12,569,779)
Loss for the year	(16,774)
Balance at 31 December 2012	<u>(12,586,553)</u>

### 12 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Loss for the financial year	(16,774)	(1,216,247)
Opening shareholders' funds	<u>(12,569,778)</u>	<u>(11,353,531)</u>
Closing shareholders' funds	<u>(12,586,552)</u>	<u>(12,569,778)</u>

### 13 Financial commitments

At 31 December 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2013

	2012 £	2011 £
Operating leases which expire Within one year	<u>408,000</u>	<u>408,000</u>

### 14 Control

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

## KLG JEWELRY UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

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#### **15 Related party relationships and transactions**

At the year end date the company was owed £5,284,051 (2011 £5,315,047) by Bravepoint Limited, a fellow subsidiary undertaking in respect of funding given in order to acquire a property. This loan is due in more than one year. During the year the company paid rent of £408,000 (2011 £408,000) to, and received interest of £374,004 (2011 £374,004) from, Bravepoint Limited.

At the year end date the company owed £14,775,005 (2011 £13,708,491) to KLG Jewelry, LLC USA, its immediate parent undertaking. This loan is due in more than one year.

During the year, the company loaned R Weinberg £150,000 at an interest rate of 4%. R Weinberg is the Manager of company's retail store. The loan is repayable on demand. A total of £150,850 was due at the year end, which includes £850 of interest charged in the year.