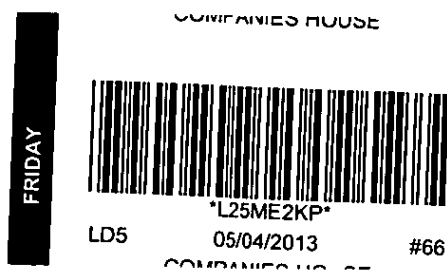


# Diamondline Switzerland Limited

## REPORT AND FINANCIAL STATEMENTS

For the year ended  
31 December 2012



Company Registration No 06686730

# Diamondline Switzerland Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

F Graff  
N Paine

### COMPANY SECRETARY

B Bamberger

### REGISTERED OFFICE

29 Albemarle Street  
London  
United Kingdom  
W1S 4JA

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

# Diamondline Switzerland Limited

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

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The directors submit their report and the audited financial statements of Diamondline Switzerland Limited for the year ended 31 December 2012

The company registration number is 06686730

### PRINCIPAL ACTIVITIES

The principal activities of the company during the year were the wholesale of high quality jewellery, watches and objets d'art

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The results of the company show a pre-tax profit on ordinary activities before taxation of \$4.3 million (2011: \$2.7 million) for the year and sales of \$44.3 million (2011: \$33.3 million). The directors are satisfied with the results for the year.

The future development of the company is correlated with its immediate parent company Graff Diamonds Limited and Venberg S.A. in Switzerland, a fellow subsidiary.

### PRINCIPAL RISKS AND UNCERTAINTY AND FINANCIAL RISK MANAGEMENT

The management of the business and the execution of the company's strategies are not subject to any material risk. However, the company has transactions in Swiss Francs and the functional currency of the company is US dollars, there is a risk of a negative or positive foreign exchange exposure.

The impact of any foreign exchange exposure will be taken to the profit and loss as a foreign exchange gain/loss. The cost to implement a mitigation strategy against this risk would outweigh the benefits and is not appropriate at this time. If the size or nature of the business changes, the directors will review the position on this risk.

The company is a wholesale intermediate company and as such is exposed only to the risk of sales volume in the market it supplies.

### KEY PERFORMANCE INDICATORS

Given the nature of the business, the company's directors are of the opinion that analysis using key performance indicators are not necessary for an understanding of the development, performance or position of the business.

### DIVIDENDS

An interim dividend of \$20,000 per share (2011: \$20,000) was paid during the year. The directors do not propose the payment of a final dividend (2011: \$nil).

### DIRECTORS

The following directors have held office during the year and up to the date of signing the financial statements:

F Graff  
N Paine

# Diamondline Switzerland Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

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## DISCLOSURE OF INFORMATION TO AUDITORS

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

By order of the board



B Bamberger

Secretary

Date 28 March 2013

# Diamondline Switzerland Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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 prepared 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

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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.

# Diamondline Switzerland Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAMONDLINE SWITZERLAND LIMITED

We have audited the financial statements of Diamondline Switzerland Limited for the year ended 31 December 2012 which comprises the Profit and Loss Account, the Balance Sheet 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).

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### 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 report and financial statements 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 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 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.

### 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



Alison Lees (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date 28.3.13

# Diamondline Switzerland Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2012

	Notes	For the year ended 31 December 2012 \$'000	For the year ended 31 December 2011 \$'000
TURNOVER	2	44,298	33,320
Cost of sales		(39,946)	(30,052)
GROSS PROFIT		4,352	3,268
Administrative expenses		33	(315)
OPERATING PROFIT		4,385	2,953
Interest receivable and similar income	4	69	-
Interest payable and similar charges	4a	(129)	(237)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	4,325	2,716
Tax on profit on ordinary activities	6	(1,060)	(720)
PROFIT FOR THE FINANCIAL YEAR	11	3,265	1,996

The results for the year arise from the company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

# Diamondline Switzerland Limited

## BALANCE SHEET

As at 31 December 2012

	Notes	2012 \$'000	2011 \$'000
CURRENT ASSETS			
Debtors	8	13,346	3,265
Cash at bank and in hand		2	2
		<u>13,348</u>	<u>3,267</u>
CREDITORS			
Amounts falling due within one year	9	(11,946)	(3,130)
NET ASSETS		<u>1,402</u>	<u>137</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	1,402	137
TOTAL SHAREHOLDERS' FUNDS	12	<u>1,402</u>	<u>137</u>

The financial statements on pages 6 to 12 were approved by the board on 24/3/13 and were signed on its behalf by



N Paine  
Director

Company Registration No 06686730



# Diamondline Switzerland Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

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### 1 ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and on the going concern basis

The financial statements have been prepared in accordance with applicable laws and accounting standards in the United Kingdom and the Companies Act 2006. The principal accounting policies, which have been consistently applied to the prior year unless otherwise stated, are set out below

#### 1.2 FUNCTIONAL/PRESENTATIONAL CURRENCY

The financial statements are presented in US dollars as in the opinion of the directors, the vast majority of the company's trading transactions take place in US dollars

#### 1.3 TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold to customers. Turnover is recognised upon the sale of goods

#### 1.4 FOREIGN CURRENCY

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

#### 1.5 DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax asset is not recognized to the extent that it is regarded as more likely than not it will be recovered

#### 1.6 CASH FLOW STATEMENT

The company is a wholly owned subsidiary of Graff Diamonds Limited. The cash flows of the company are included in the consolidated group cash flow of Graff Diamonds International Limited which is the parent undertaking of the smallest and largest group to consolidate these financial statements and which are publicly available in the EU. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (revised 1996) from publishing a cash flow statement

# Diamondline Switzerland Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2012

### 2 TURNOVER

The company's turnover was all derived from its principal activity, as described in the directors' report  
Sales were made in the following geographical markets

<u>By Destination</u>	2012 \$'000	2011 \$'000
Switzerland	44,298	33,320

All sales originate in the United Kingdom and were made to a fellow subsidiary

3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2012 \$'000	2011 \$'000
	Profit on ordinary activities before taxation is stated after charging/(crediting)		
	Auditors' remuneration - audit fee borne by the parent company in 2012	-	3
	Operating lease rentals on land and buildings	-	42
	Staff costs (note 5)	-	107
	Foreign exchange (gain) / loss	(32)	48

The operating lease rentals shown above relate to payments made to the company's parent undertaking for the use of office space. On the basis that this arrangement is non-contractual, the future lease commitments relating to these premises are disclosed in the financial statements of the parent undertaking since this more accurately reflect the substance of the commitments

4	INTEREST RECEIVABLE AND SIMILAR INCOME	2012 \$'000	2011 \$'000
	Interest receivable from group undertakings	69	-
		<u>69</u>	<u>-</u>

4a	INTEREST PAYABLE AND SIMILAR CHARGES	2012 \$'000	2011 \$'000
	Interest payable to group undertakings	129	237
		<u>129</u>	<u>237</u>

# Diamondline Switzerland Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2012

5	EMPLOYEES	2012 No	2011 No
	The average monthly number of persons (excluding the directors) employed by the company during the year was	-	1
		<u>2012</u> \$'000	<u>2011</u> \$'000
	Staff costs for the above person		
	Wages and salaries	-	94
	Social security costs	-	13
		<u>-</u>	<u>107</u>

The directors received \$nil emoluments during the year (2011: \$nil) in respect to their services to the company. The directors are remunerated by the immediate parent company, Graff Diamonds Limited, and their emoluments are disclosed in that company's financial statements.

6	TAX ON PROFIT ON ORDINARY ACTIVITIES	2012 \$'000	2011 \$'000
	(a) Analysis of charge in the year:		
	Current tax		
	UK corporation tax on profits of the year	1,060	720
		<u>1,060</u>	<u>720</u>
	(b) Factors affecting tax charge for year:	2012 \$'000	2011 \$'000
	Profit on ordinary activities before tax	4,325	2,716
	Profit on ordinary activities multiplied by standard rate of UK corporation tax during the year of 24.5% (2011: 26.5%)	1,060	720
		<u>1,060</u>	<u>720</u>

The Finance Act 2012 includes provision for the main rate of corporation tax to reduce from 26% to 24% on 1 April 2012 and to 23% on 1 April 2013. It has also been announced that there will be a further 1% reduction to bring the main rate of corporation tax to 22% from 1 April 2014. This will reduce the Company's future tax charge accordingly. The rate of 24% was substantially enacted on 26 March 2012 and the rate of 23% substantially enacted on 6 July 2012.

7	DIVIDENDS	2012 \$'000	2011 \$'000
	Paid in year		
	Interim dividend (\$20,000 per share) (2011: \$20,000 per share)	2,000	2,000
		<u>2,000</u>	<u>2,000</u>

# Diamondline Switzerland Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2012

8	DEBTORS	2012 \$'000	2011 \$'000
	Amounts owed by group undertakings	13,346	3,265
	The amounts due from group undertaking are unsecured and repayable on demand. Interest is charged at 1.25% over LIBOR. Interest received in the year was \$0.1 million (2011: \$0.2 million).		
9	CREDITORS: Amounts falling due within one year	2012 \$'000	2011 \$'000
	Amounts owed to group undertakings	10,886	2,410
	Corporation tax	1,060	720
		11,946	3,130
	The amounts due to group undertaking are unsecured and repayable on demand. Interest is charged at 1.25% over LIBOR. Interest paid in the year was \$0.1 million (2011: \$0.2 million).		
10	CALLED UP SHARE CAPITAL	2012 \$	2011 \$
	Authorised 1,000 ordinary shares of £1 each, Exchange rate £1 = \$1.8516	1,852	1,852
	Allotted, issued and fully paid 100 ordinary shares of £1 each, converted at exchange £1 = \$1.8516	185	185
11	PROFIT AND LOSS ACCOUNT	2012 \$'000	2011 \$'000
	At 1 January	137	141
	Profit for the financial year	3,265	1,996
	Dividends paid (see note 7)	(2,000)	(2,000)
	At 31 December	1,402	137
12	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2012 \$'000	2011 \$'000
	Profit for the financial year	3,265	1,996
	Dividends paid (see note 7)	(2,000)	(2,000)
	Net addition / (reduction) to shareholders' funds	1,265	(4)
	Opening shareholders' funds	137	141
	Closing shareholders' funds	1,402	137

# Diamondline Switzerland Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2012

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### 13 RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Graff Diamonds International Limited, which prepares consolidated financial statements, and utilises the exemptions contained in FRS8 - Related Party Disclosures, not to disclose any transactions with entities that are part of the Graff Diamonds International Group

### 14 IMMEDIATE AND ULTIMATE PARENT

At the balance sheet date the company's immediate parent company was Graff Diamonds Limited (100% effective holding) and incorporated in Great Britain and registered in England, and its ultimate parent company is Graff Diamonds Holdings Limited incorporated in British Virgin Islands. Graff Diamonds International Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements and is incorporated in Great Britain and registered in England

Copies of the group financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ

The company's ultimate controlling party is Mr L Graff