Company Registration No. 00057545 (England and Wales)

Garrard & Co. Limited

Annual report and financial statements for the year ended 31 March 2018

Garrard & Co. Limited

Company information

Directors	Stephen Webster Stephanie Bond
Company number	00057545
Registered office	24 Albemarle Street London W1S 4HT
Independent auditor	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE
Bankers	HSBC Bank plc 60 Queen Victoria Street London EC4N 4TR
Solicitors	DAC Beachcroft LLP Portwall Place Portwall Lane Bristol BS1 9HS

Garrard & Co. Limited

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Garrard & Co. Limited

Strategic report
For the year ended 31 March 2018

The directors present the strategic report for the year ended 31 March 2018.

Fair review of the business

The company's key performance indicators during the year were as follows:

	2018	2017
	£'000	£'000
Turnover	6,412	6,287
Operating (Loss)/Profit before intercompany provision and waiver	(2,061)	363

Key operational highlights

In the context of the well documented challenges within the UK retail environment and wider macroeconomic environment the directors are pleased to report positive turnover growth of 2% during the year.

Despite this challenging external environment the directors continue to pursue a strategy to drive the future growth of the company as well as actively manage operating costs, inventory and working capital.

Future developments

The directors expect the challenging trading environment to continue throughout 2018 and 2019; however remain confident that the new strategy that they are implementing, in particular the focus on expanding worldwide partnership agreements and increasing UK retail opportunities, will deliver improved revenues and continue to drive profitability in future years.

Principal risks and uncertainties

The directors routinely identify and evaluate the material risks and uncertainties facing the business. The following are the principal risks that could materially affect the company's business. These are not exhaustive of the risks the company faces and some that the company does not currently believe to be material could later turn out to be material. These risks could materially affect the company's business, its earnings, net assets liquidity and capital resources.

- The loss of key personnel is a risk that is mitigated by the regular review of remuneration packages and succession planning within the management team;
- The adverse effect of poor economic conditions in the UK and London retail markets could have a significant impact on the business given the concentration of our business in these areas. The company's on-going strategy is to increase our international distribution in sales;
- The adverse effect of poor economic conditions in countries where Garrard has its main business, such as the Middle East and Russia. We mitigate this risk by thoroughly controlling credit limits and asking for upfront payment;
- The disruption to or discontinuation of supplies from third party manufacturers could have a significant impact on the company's ability to meet our sales targets. We mitigate this risk by maintaining a spread of suppliers where this is possible and maintaining our own internal workshop;
- The failure or interruptions of the company's information technology systems would have a significant impact on the company's operations. The company has a disaster recovery plan in place including duplication and backup of key records and information stored at a remote location;
- The company is exposed to various financial risks. Details of these risks and how the company mitigates them are addressed below in the section entitled 'Policy on financial risk management'.

Management will continue to closely manage working capital and monitor on-hand inventory levels during the year ahead.

Diamond Policy

The Kimberley Process is an international certification scheme that regulates the trade in rough diamonds. Its aim is to prevent the trade in conflict diamonds, while helping to protect the legitimate trade in rough diamonds.

We are proud to confirm that we only source diamonds from those countries that participate fully in The Kimberley Process certification scheme. Our in house workshops operate to the highest standards and we strive to ensure that all out vendors and suppliers also uphold these standards.

Today over 99% of all diamonds are certified through this process to be from conflict free sources. We only buy our diamonds from trusted cutters and legitimate diamond suppliers, who also adhere to The Kimberley Process.

Our diamond sourcing strategy ensures that we purchase the most beautiful diamonds available which we are able to label by mine or origin.

Our Eternal Cut, as with all our other diamonds, is supplied and invoiced from approved mines.

Policy on financial risk management

The company is exposed to a variety of risks and uncertainties which may have a financial impact on the company and which also impact on the achievement of social, economic and environmental objectives. These risks include strategic, commercial, operational and financial risks and are further categorised into risk areas to facilitate consolidated risk reporting across the Delltrade group.

Foreign exchange

UK Sterling is the functional currency of the company. However, the company had substantial transactions in US Dollars, which expose the company to fluctuations in foreign exchange rates. To manage this risk the company operates various US Dollar bank accounts and wherever possible matches all incoming and outgoing USD currency payments, thereby keeping its currency risk exposure as low as possible.

Credit risk

Credit risk for the company is managed through periodic review of customer profiles and accounts receivable balances. The company trades only with recognised, creditworthy third parties and manages its customer accounts closely, applying strict credit control procedures.

Interest rate and liquidity risk

The company has no significant interest rate risk as at 31 March 2018 or 2017. Loan finance from shareholders is on a fixed basis. Payables are generally due to mature from one to three months. Liquidity risk is managed through short and medium term forecasting, which forms the basis to meet funding needs. Actions to limit operational cost and manage working capital levels have been taken in order to ensure that liquidity is maintained going forward throughout the recessionary period.

On behalf of the board

Stephen Webster
Director
21/11/18

The directors present their annual report and financial statements for the year ended 31 March 2018.

Principal activities
The principal activity of the company continued to be that of goldsmiths, silversmiths, jewellers, retailers of jewellery and other luxury goods predominantly in the UK but also worldwide as part of the company's development strategy.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Stephen Webster
Stephanie Bond

Results and dividends
The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor
Saffery Champness LLP have expressed their willingness to continue in office.

Statement of directors' responsibilities
The directors are responsible for preparing the annual 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;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually 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 auditor is aware of that information.

Going concern

The directors believe that, after making enquiries of their ultimate parent undertaking, Yucaipa American Alliance Fund II, LP and its Parallel Fund, they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has obtained a letter from its ultimate parent undertaking confirming that they will provide funding for the entity for a period of at least 12 months from date of signing these financial statements.

Accordingly, the financial statements have been prepared on a going concern basis.

On behalf of the board

Stephen Webster
Director
Date: 21/11/18

Independent auditor's report
To the members of Garrard & Co. Limited

Opinion

We have audited the financial statements of Garrard & Co. Limited (the 'company') for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Saffery Champness LLP.

Roger Weston (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

21 November 2018

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Garrard & Co. Limited

Statement of comprehensive income
For the year ended 31 March 2018

	Notes	2018 £	2017 £
Turnover	3	6,412,373	6,287,488
Cost of sales		(3,396,749)	(3,296,554)
Gross profit		3,015,624	2,990,934
Administrative expenses		(5,076,904)	(2,628,158)
Operating profit/(loss) before intercompany provision and waiver		(2,061,280)	362,776
Intercompany loan waiver	4	(4,130,581)	-
Intercompany loan reversal/(provision)	4	41,957,471	(2,921,707)
Profit/(loss) before taxation		35,765,610	(2,558,931)
Tax on profit/(loss)	7	-	-
Profit/(loss) for the financial year		35,765,610	(2,558,931)
Total comprehensive income for the year		35,765,610	(2,558,931)

The Income Statement has been prepared on the basis that all operations are continuing operations.

Garrard & Co. Limited

Statement of financial position
As at 31 March 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Investments	8		-		-
Current assets					
Stocks	10	4,938,059		5,015,279	
Debtors	11	1,746,338		956,796	
Cash at bank and in hand		475,513		466,383	
		7,159,910		6,438,458	
Creditors: amounts falling due within one year	12	(3,203,122)		(38,247,280)	
Net assets/(liabilities)			3,956,788		(31,808,822)
Capital and reserves					
Called up share capital	14		26,045,647		26,045,647
Profit and loss reserves			(22,088,859)		(57,854,469)
Total equity/(deficit)			3,956,788		(31,808,822)

The financial statements were approved by the board of directors and authorised for issue on 21/11/18 and are signed on its behalf by:

Stephen Webster
Director

Company Registration No. 00057545

Garrard & Co. Limited

Statement of changes in equity
For the year ended 31 March 2018

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 April 2016	26,045,647	(55,295,538)	(29,249,891)
Year ended 31 March 2017:			
Loss and total comprehensive income for the year	-	(2,558,931)	(2,558,931)
Balance at 31 March 2017	26,045,647	(57,854,469)	(31,808,822)
Year ended 31 March 2018:			
Profit and total comprehensive income for the year	-	35,765,610	35,765,610
Balance at 31 March 2018	26,045,647	(22,088,859)	3,956,788

1 Accounting policies

Company information

Garrard & Co. Limited is a private company limited by shares incorporated in England and Wales. The registered office is 24 Albemarle Street, London, W1S 4HT.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value, where applicable. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has also taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006, and these financial statements therefore present information about the company as an individual undertaking and not its group.

The financial statements of the company are consolidated in the financial statements of Delltrade Limited, a company incorporated in England and Wales. These consolidated financial statements are available from its registered office, 24 Albemarle Street, London, W1S 4HT.

1 Accounting policies (continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors believe that, after making enquiries of their ultimate parent undertaking, Yucaipa American Alliance Fund II, LP and its Parallel Fund, they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has obtained a letter from its ultimate parent undertaking confirming that they will provide funding for the entity for a period of at least 12 months from date of signing these financial statements.

Accordingly, the financial statements have been prepared on a going concern basis.

1.3 Turnover

Turnover comprises the sale of goods to third parties, net of discounts and returns and exclusive of value added tax, and royalties receivable from fellow group companies. Turnover is recognised at the point of transfer of risks and rewards of ownership.

1.4 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1 Accounting policies (continued)

1.5 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of direct overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred prior to sale. Cost is determined using a weighted average cost. Stock provisions are made for obsolete and defective stock.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

From time to time the company enters into agreements whereby goods are supplied to the company on a consignment basis. No deposits are paid by the company under these agreements. These goods are not recorded as stock on the company's balance sheet at the period end.

1.6 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies (continued)

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies (continued)

Other financial liabilities

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1 Accounting policies (continued)

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock provision

Included within stock at the balance sheet date is a provision in respect of obsolete and slow-moving stock lines. The provision is based on an assessment of the projected volume, timing and value of future sales of stock and the cost of realisation and is estimated based on historical sales data and the experience of management.

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of future tax planning strategies. Management has judged that a deferred tax asset should not be recognised for the value of tax losses carried forward due to uncertainty regarding the level and timing of future taxable profits against which these losses can be utilised.

3 Turnover and other revenue

	2018	2017
	£	£
Turnover analysed by geographical market		
UK	1,544,704	2,344,472
Europe	2,642,440	2,812,821
Far East	1,300,678	194,302
Middle East	908,153	935,893
US	16,398	-
	6,412,373	6,287,488

4 Intercompany loan waiver and provision

	2018	2017
	£	£
Intercompany loan waiver	(4,130,581)	-
Intercompany loan reversal/(provision)	41,957,471	(2,921,707)
	37,826,890	(2,921,707)

Intercompany loan waiver
As at 31 March 2018, Garrard & Co. Limited was indebted to Delltrade Limited, it's ultimate parent company, and Stephen Webster Limited, its fellow group company, £29,943,482 and £8,069,792 respectively. Delltrade Limited and Stephen Webster Limited irrevocably waived their respective debt and all accrued but unpaid interest with immediate effect as at this date.

As at 31 March 2018, Garrard & Co. Limited was owed £42,143,855 by Garrard Holdings Limited, its immediate parent company. Garrard & Co. Limited irrecovably waived this debt and all accrued but unpaid interest with immediate effect as at this date.

The net impact of the intercompany debt waivers at the year end was £4,130,581.

Intercompany loan provision reversal
As at 31 March 2018 Garrard & Co. Limited recorded a reversal of historic intercompany loan provisions totalling £41,957,471. The reversal of historic provisions was following the legal waiver of a number of intercompany debts at 31 March 2018 as detailed above.

5 Operating profit/(loss)

Operating profit/(loss) for the year is stated after charging/(crediting):	2018 £	2017 £
Exchange losses/(gains)	1,281,124	(1,458,755)
Cost of stocks recognised as an expense	3,396,749	3,293,301
Operating lease charges	943,272	1,123,274

Auditors remuneration for the Delltrade Group of £48,500 (2017: £45,780) is borne by a fellow group undertaking. Remuneration for non-audit services of £8,950 (2017: £nil) is also borne by a fellow group undertaking.

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £1,281,124 (2017 - £1,458,755).

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Retail	6	8
Administrative	25	25
	31	33

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,586,903	1,858,826
Social security costs	192,855	200,341
Pension costs	61,161	69,551
	1,840,919	2,128,718

7 Taxation

	2018	2017
	£	£
UK corporation tax on profits for the current period	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax charge	-	-

A deferred tax asset has not been recognised on tax losses carried forward as, in the opinion of the directors, it is unlikely that these losses will reverse in the foreseeable future.

The total unrecognised deferred tax asset for the company as at 31 March 2018 is £3,828,424 (2017: £3,841,809).

The company has tax losses of approximately £22,498,835 (2017: £20,090,000) to carry forward against future trading profits.

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
Profit/(loss) before taxation	35,765,610	(2,558,931)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	6,795,466	(486,197)
Tax effect of expenses that are not deductible in determining taxable profit	1,218	555,202
Unutilised tax losses carried forward	410,709	-
Permanent capital allowances in excess of depreciation	(565)	-
Movement in short term timing differences	(19,757)	(11,239)
Profits/(losses) during the year	-	(57,766)
Intercompany loan provision	(7,187,071)	-
Taxation charge for the year	-	-

8 Fixed asset investments

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 April 2017 & 31 March 2018	270,000
Impairment	
At 1 April 2017 & 31 March 2018	270,000
Carrying amount	
At 31 March 2018	-
At 31 March 2017	-

9 Subsidiaries

Details of the company's subsidiaries at 31 March 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Garrard Trading Limited	England & Wales	Dormant	Ordinary	100

10 Stocks

	2018 £	2017 £
Finished goods and goods for resale	4,938,059	5,015,279

As at 31 March 2018, the amount of consignment stock held by the company was £960,992 (2017: £nil). Consignment stock is not included in the balance sheet as ownership is not transferred until the point of sale.

The above amount includes a stock provision amount of £171,813 (2017: £356,734), and the expense has been recognised in costs of sales in the Income Statement.

No amount of the inventories has been pledged as security in 2018 or 2017.

11 Debtors

Amounts falling due within one year:	2018 £	2017 £
Trade debtors	1,350,098	669,259
Other debtors	193,674	81,709
Prepayments and accrued income	202,566	205,828
	1,746,338	956,796

Amounts owed by group undertakings is £10,215,527 (2017: £52,172,798) which has been provided in full at the year end on the basis this is not considered to be recoverable.

The total above amount includes a bad debt provision amount of £nil (2017: £102,956) and the amount has been recognised in administrative expenses within the income statement.

As detailed in note 4, during the year an intercompany loan balance of £42,143,855 due from fellow group entities was legally waived. The corresponding debit has been recorded on the face of the income statement in the year.

12 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	1,696,498	875,842
Amounts due to group undertakings	521,038	36,741,551
Other taxation and social security	62,620	66,837
Other creditors	138,353	176,279
Accruals and deferred income	784,613	386,771
	3,203,122	38,247,280

As detailed in note 4, during the year intercompany loan balances of £38,013,274 owed to fellow group entities was legally waived. The corresponding debit has been recorded on the face of the income statement in the year.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

In March 2011, an English law governed debenture and a Californian law governed share pledge were entered into between Delltrade Limited and its subsidiaries as borrowers and Yucaipa American Alliance Fund II, LP ('Yucaipa') as lender, to provide further security in favour of Yucaipa in relation to the existing loan agreement and any future borrowings. This transaction resulted in the shareholder funding being secured on the assets of the company. Interest relating to this balance is charged at the rate of 15% per annum compounded monthly with a maturity date at 31 March 2019. This interest expense is borne by the parent undertaking.

13 Retirement benefit schemes

	2018	2017
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	61,161	69,551

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

14 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
26,045,647 Ordinary shares of £1 each	26,045,647	26,045,647

Each share is equal to one vote.

15 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£	£
Within one year	-	77,083

16 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018	2017
	£	£
Aggregate compensation	343,905	257,125

The costs for the directors emoluments for qualifying services performed are trivial and are borne by an affiliate of Yucaipa American Alliance Fund II, LP, the ultimate parent.

17 Controlling party

At the balance sheet date, the immediate holding company was Garrard Holdings Limited. Delltrade Limited is the intermediate parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 March 2018. The consolidated financial statements of Delltrade Limited are available from the registered address as listed on page 1 of these financial statements.

The ultimate parent undertaking and controlling party is Yucaipa American Alliance Fund II, LP and its Parallel Fund, a limited partnership formed in the United States.