

Company Registration No. 10437403 (England and Wales)

SMALLWORLD ACCESSORIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

SMALLWORLD ACCESSORIES LIMITED

COMPANY INFORMATION

Directors	Mr P D Galvin
Secretary	Rix & Kay Company Secretarial Services Limited
Company number	10437403
Registered office	The Courtyard River Way Uckfield East Sussex TN22 1SL
Auditor	MHA Carpenter Box 5 Peveril Court 6-8 London Road Crawley West Sussex RH10 8JE
Business address	New Barn Brighton Road Newtimber Hassocks West Sussex BN6 9BS

SMALLWORLD ACCESSORIES LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 - 25

SMALLWORLD ACCESSORIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020

The directors present the strategic report for the year ended 29 February 2020.

Strategy

Smallworld Accessories Limited is a supplier of fashion accessories. The company operates concessions with major UK retailers.

The strategy of the business is:

- To grow by supplying sustainably-sourced accessory ranges to customers that enhance their brand positioning and clothing offer.
- To grow online sales through existing customers.
- To explore additional profitable opportunities to expand the width of the company's accessories product offer and grow the customer base both in the UK and internationally.

Business review

The adult jewellery market continued to be challenging and was very promotion driven. This had a negative impact on margins whilst the core kids and events business was more robust. Across the year the core business generated a positive EBITDA, however the reduced sales performance against the prior year, and subsequent loss, was a result of switching stock investment into a product category which did not meet expectations. This investment was focused on the Christmas period. In response to the underperforming category performance, management took action in December 2019 to refocus the company's future stock investment on core categories, as well as to rationalise the company's cost base, in order to ensure that the company would generate the required return for 2020/21.

The company continues to focus on sourcing sustainable materials for products and generating new sales channels.

Since the year-end, structural changes have been implemented in the operating model and additional funding has been received in order to offset the impact of COVID-19. Given this, the director believes that the company will generate sufficient cash to meet all future loan repayments.

Management KPIs

The following are the financial key performance indicators ('KPIs') used by management to assess and regulate the company's performance:

- Contribution per customer contract - these measures are not disclosed externally, but are used internally to ensure each contract delivers a sustainable level of contribution to support the ongoing profitability of the business.
- Gross profit as a % of turnover – 24.6% for the period, down 4.0% on the previous years' accounts. This has been significantly impacted by the stock investment in the underperforming product category and promotional activity.
- Trade debtor days: 21.
- Administrative expenses as a % of turnover – 27.1% for the period, an increase of 3.8% from the previous year driven by incremental costs incurred in order to service the underperforming product category area where the company did not see the expected sales return, as well as the up-front investment in development of a new gifting brand, which is focused on gifting for kids, adults and pets.

SMALLWORLD ACCESSORIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

Principal risks and uncertainties:

Market risk

Since January 2020, COVID-19 has had a significant impact on the business, largely impacting on the performance through 2020/21 to date. The director expects it to continue to impact the company in the first 6 months of the 2021/22 financial year.

Early in the initial lockdown, management implemented actions to ensure continuity of supply from the Far East, resize the business to reflect the impact on sales of footfall restrictions, and secured additional funding to offset the actual and forecasted sales decline.

To meet the increased pace of online growth that COVID-19 has driven throughout 2020/21 to date, the company is working with customers to increase online presence on their platforms and to develop the gifting brand.

Brexit risk

The majority of the company's products are from sources outside of the EU and the company is not expecting any additional legislative changes to impact on imports. However, additional time may be required for stock to clear customs in the UK because of forecasted delays caused by the significant increase in customs declaration volumes post Brexit, as well as the impact of limited haulage capacity. To address this potential issue, the company will be building stocks in December 2020 to support sales in early 2021.

Foreign exchange risk

The company imports the majority of its products from the Far East and pays for this in US Dollars. The company has forward US Dollar contracts in place to mitigate the impact of currency fluctuations on its cost of product.

Regulatory risk

The company designs, manufactures and tests its products to ensure that they meet all legal requirements for the markets it operates in. The company is a member of the Ethical Trading Initiative.

On behalf of the board

Mr P D Galvin

Director

8 December 2020

SMALLWORLD ACCESSORIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020

The directors present their annual report and financial statements for the year ended 29 February 2020.

Principal activities

The principal activity is that of a supplier of adults' and children's fashion jewellery, accessories and event merchandise.

Directors

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

Mr P D Galvin

Results and dividends

The results for the year are set out on page 8.

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

Financial instruments

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. The ultimate controlling entity has provided finance to assist cash flow and liquidity management.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. The concession stands are operated from the premises of large supermarket chains and some high street stores and sales are reported by the stores themselves based upon the goods passing through the tills. Due to the customer mix the company has not experienced debtor recovery issues but trade debtors are monitored on an ongoing basis and provision will be made for doubtful debts where necessary.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Auditor

The auditor, MHA Carpenter Box, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

SMALLWORLD ACCESSORIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and foreign exchange risk.

Statement of disclosure to auditor

So far as the sole 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 director has taken all the necessary steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

COVID-19 assessment

The director has undertaken a robust assessment of the company's future trading prospects and have concluded that the company remains a going concern. See note 1.2 to the financial statements for further detail.

On behalf of the board

Mr P D Galvin

Director

8 December 2020

SMALLWORLD ACCESSORIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 29 FEBRUARY 2020

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.

SMALLWORLD ACCESSORIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SMALLWORLD ACCESSORIES LIMITED

Opinion

We have audited the financial statements of Smallworld Accessories Limited (the 'company') for the year ended 29 February 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 29 February 2020 and of its loss 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.

SMALLWORLD ACCESSORIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SMALLWORLD ACCESSORIES LIMITED

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.

Robert Dowling FCA (Senior Statutory Auditor)
for and on behalf of MHA Carpenter Box
Chartered Accountants
Statutory Auditor
Crawley

9 December 2020

MHA Carpenter Box is a trading name of Carpenter Box Limited

SMALLWORLD ACCESSORIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2020

		Year ended 29 February 2020 £	Year ended 28 February 2019 £
	Notes		
Turnover	3	19,577,047	20,884,533
Cost of sales		(14,771,697)	(14,925,065)
Gross profit		4,805,350	5,959,468
Administrative expenses		(5,306,478)	(4,865,302)
Other operating income		19,020	52,469
Operating (loss)/profit	4	(482,108)	1,146,635
Interest receivable and similar income	7	1,178	2,339
Interest payable and similar expenses	8	(58,001)	(119,615)
(Loss)/profit before taxation		(538,931)	1,029,359
Tax on (loss)/profit	9	(12,700)	(244,514)
(Loss)/profit for the financial year		(551,631)	784,845
Other comprehensive income			
Fair value losses on foreign exchange contract		(238,187)	(141,191)
Tax relating to other comprehensive income		45,256	26,826
Total comprehensive income for the year		(744,562)	670,480

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

SMALLWORLD ACCESSORIES LIMITED

BALANCE SHEET

AS AT 29 FEBRUARY 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Goodwill	10	533,687		609,928	
Tangible assets	11	148,891		78,094	
			682,578		688,022
Current assets					
Stocks	13	1,980,182		1,492,611	
Debtors falling due after more than one year	14	938,133		862,484	
Debtors falling due within one year	14	815,150		920,680	
Cash at bank and in hand		213,682		1,068,375	
			3,947,147		4,344,150
Creditors: amounts falling due within one year	15	(2,218,445)		(3,375,002)	
Net current assets			1,728,702		969,148
Total assets less current liabilities			2,411,280		1,657,170
Creditors: amounts falling due after more than one year	16	(2,321,630)		(835,658)	
Provisions for liabilities	18	(27,900)		(15,200)	
Net assets			61,750		806,312
Capital and reserves					
Called up share capital	21	1		1	
Hedging reserve	22	(307,296)		(114,365)	
Profit and loss reserves		369,045		920,676	
Total equity			61,750		806,312

The financial statements were approved and signed by the director and authorised for issue on 8 December 2020

Mr P D Galvin
Director

Company Registration No. 10437403

SMALLWORLD ACCESSORIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Share capital	Hedging reserve	Capital contribution reserve	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 March 2018	1	-	64,033	71,798	135,832
Period ended 28 February 2019:					
Profit for the period	-	-	-	784,845	784,845
Other comprehensive income:					
Fair value losses on foreign exchange contracts	-	(141,191)	-	-	(141,191)
Tax relating to other comprehensive income	-	26,826	-	-	26,826
Total comprehensive income for the period	-	(114,365)	-	784,845	670,480
Other movements	-	-	(64,033)	64,033	-
Balance at 28 February 2019	1	(114,365)	-	920,676	806,312
Period ended 29 February 2020:					
Loss for the period	-	-	-	(551,631)	(551,631)
Other comprehensive income:					
Fair value losses on foreign exchange contracts	-	(238,187)	-	-	(238,187)
Tax relating to other comprehensive income	-	45,256	-	-	45,256
Total comprehensive income for the period	-	(192,931)	-	(551,631)	(744,562)
Balance at 29 February 2020	1	(307,296)	-	369,045	61,750

SMALLWORLD ACCESSORIES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	27		(649,426)		1,525,603
Interest paid			(58,001)		(119,615)
Income taxes paid			(52,288)		(56,201)
Net cash (outflow)/inflow from operating activities			(759,715)		1,349,787
Investing activities					
Purchase of tangible fixed assets		(115,624)		(39,459)	
Interest received		1,178		2,339	
Net cash used in investing activities			(114,446)		(37,120)
Financing activities					
Repayment of borrowings		25,702		(1,201,824)	
Net cash generated from/(used in) financing activities			25,702		(1,201,824)
Net (decrease)/increase in cash and cash equivalents			(848,459)		110,843
Cash and cash equivalents at beginning of year			1,062,141		951,298
Cash and cash equivalents at end of year			213,682		1,062,141
Relating to:					
Cash at bank and in hand			213,682		1,068,375
Bank overdrafts included in creditors payable within one year			-		(6,234)

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

Company information

Smallworld Accessories Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Courtyard, River Way, Uckfield, East Sussex, TN22 1SL.

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 £1.

The financial statements have been prepared under the historical cost convention adjusted for certain financial instruments measured at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The financial statements have been prepared on the going concern basis. The director has considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. The COVID-19 pandemic has had a significant impact on the company's operations, both from the original impact on the company's Far East supply chain from the beginning of 2020, then through to the lockdown impact in the UK, which resulted in the closure of 32% of the company's concessions sales locations throughout this period, and resulting in a significant reduction in customer footfall. Actions were implemented early on in response to these challenges, including: ensuring continuity of supply from the Far East, resizing the business to reflect the impact on sales of footfall restrictions, extending the loan terms with the ultimate controlling entity and securing additional funding to offset the COVID-19 driven sales decline.

In response to the COVID-19 pandemic, the director has performed a robust analysis of forecast future cash flows, taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the entity, the director has concluded that there is no material uncertainty in relation to the appropriateness of continuing to adopt the going concern basis in preparing the annual report and accounts.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of customer returns, VAT and other sales related taxes. It is shown prior to any commissions paid.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

The goodwill amortisation charge is included within administrative expenses in the Statement of Comprehensive Income.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Straight line over the term of the lease
Plant and equipment	15% diminishing balance
Fixtures and fittings	Straight line over 5 years
Computers	Straight line over 3 years

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell after making allowances for obsolete and slow moving stock.

1.8 Cash at bank and in hand

Cash and cash equivalents 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.

1.9 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 balance sheet 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.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

Other financial assets

Other financial assets 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.

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.

Basic financial liabilities

Basic financial liabilities 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.

Other financial liabilities

Derivatives, including 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.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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.

1.13 Retirement benefits

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

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

1.15 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 profit and loss account for the period.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

2 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.

Stocks

The company monitors stock levels and impairment on an ongoing basis. Units held on concession stands are vulnerable to damage, pilfering and misplacement within the stores and provisions are maintained to reflect this. At the end of a season the company writes off the bulk of the remaining goods as new product lines are introduced. The estimation includes judgement on a number of factors including historical sales patterns, expected sales profiles and potential obsolescence. At the reporting date, the carrying amount of inventory was £1,980,182 (2019 - £1,492,611).

Intangible assets (goodwill)

The director has reviewed the estimated useful life of goodwill, and determined that goodwill should continue to be amortised over 10 years from the inception date. Despite the significant post year-end impact of COVID-19 on the sales in 2020/21, the director has deemed this a non-continuing isolated event, and not a continuing structural decline in either the business or customers' businesses. For this reason, the director expects the goodwill value to the business to recover post-COVID, and therefore no impairment of goodwill has been recognised.

3 Turnover

	2020 £	2019 £
Turnover analysed by class of business		
Concessions	19,259,212	20,768,842
Wholesale	317,835	115,691
	<u>19,577,047</u>	<u>20,884,533</u>

All turnover is derived from the sale of goods.

	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	19,498,921	20,813,647
Republic of Ireland	78,126	70,886
	<u>19,577,047</u>	<u>20,884,533</u>

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

4 Operating (loss)/profit

	2020	2019
	£	£
Operating (loss)/profit for the period is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	26,000	23,100
Depreciation of owned tangible fixed assets	44,827	28,989
Amortisation of intangible assets	76,241	76,241
Operating lease charges	132,614	125,627
	<u>280,682</u>	<u>254,957</u>

5 Employees

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

	2020	2019
	Number	Number
Head office / Distribution / Field management	70	71
Visual merchandisers	350	388
	<u>420</u>	<u>459</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	3,459,612	3,421,648
Social security costs	243,105	235,051
Pension costs	47,120	30,552
	<u>3,749,837</u>	<u>3,687,251</u>

6 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	204,500	200,000
	<u>204,500</u>	<u>200,000</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020	2019
	£	£
Remuneration for qualifying services	204,500	200,000
	<u>204,500</u>	<u>200,000</u>

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

6 Directors' remuneration (Continued)

The director is also considered to represent the key management personnel of the company.

7 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	1,178	2,339
	<u>1,178</u>	<u>2,339</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	1,178	2,339
	<u>1,178</u>	<u>2,339</u>

8 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	58,001	119,615
	<u>58,001</u>	<u>119,615</u>

9 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	-	209,150
Adjustments in respect of prior periods	-	31,764
	<u>-</u>	<u>240,914</u>
Total current tax	<u>-</u>	<u>240,914</u>
Deferred tax		
Origination and reversal of timing differences	12,700	3,600
	<u>12,700</u>	<u>3,600</u>
Total tax charge	<u>12,700</u>	<u>244,514</u>

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

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

	2020 £	2019 £
(Loss)/profit before taxation	(538,931)	1,029,359
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(102,397)	195,578
Tax effect of expenses that are not deductible in determining taxable profit	1,620	764
Unutilised tax losses carried forward	99,499	-
Depreciation on assets not qualifying for tax allowances	152	-
Amortisation on assets not qualifying for tax allowances	14,486	14,487
Other non-reversing timing differences	-	1,921
Adjustments in respect of prior periods	-	31,764
Deferred tax adjustments in respect of prior years	(674)	-
Rounding	14	-
Taxation charge for the period	12,700	244,514

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £	2019 £
Deferred tax arising on:		
Fair value adjustments on foreign exchange contracts	(45,256)	(26,826)

10 Intangible fixed assets

	Goodwill £
Cost	
At 1 March 2019 and 29 February 2020	762,410
Amortisation and impairment	
At 1 March 2019	152,482
Amortisation charged for the year	76,241
At 29 February 2020	228,723
Carrying amount	
At 29 February 2020	533,687
At 28 February 2019	609,928

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

11 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 March 2019	32,187	566	32,270	70,351	135,374
Additions	1,283	-	112,026	2,315	115,624
At 29 February 2020	33,470	566	144,296	72,666	250,998
Depreciation and impairment					
At 1 March 2019	10,623	554	6,374	39,729	57,280
Depreciation charged in the year	7,952	10	18,886	17,979	44,827
At 29 February 2020	18,575	564	25,260	57,708	102,107
Carrying amount					
At 29 February 2020	14,895	2	119,036	14,958	148,891
At 28 February 2019	21,564	12	25,896	30,622	78,094

12 Financial instruments

	2020	2019
	£	£
Carrying amount of financial liabilities		
Measured at fair value through other comprehensive income		
- Other financial liabilities	379,378	141,191

13 Stocks

	2020	2019
	£	£
Finished goods and goods for resale	1,980,182	1,492,611

14 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	442,538	488,970
Amounts owed by group undertakings	1	1
Other debtors	287,884	356,969
Prepayments and accrued income	84,727	74,740
	815,150	920,680

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

14 Debtors		(Continued)	
		2020 £	2019 £
Amounts falling due after more than one year:			
Other debtors		866,051	835,658
Deferred tax asset (note 19)		72,082	26,826
		<u>938,133</u>	<u>862,484</u>
Total debtors		<u>1,753,283</u>	<u>1,783,164</u>

Other debtors falling due after more than one year includes a deposit of £866,051 (2019: £835,658) with a key supplier to provide security on orders placed by the company. This is funded by a loan from the ultimate controlling entity of the same amount, which is recorded in creditors: amounts falling due after more than one year within other borrowings.

15 Creditors: amounts falling due within one year		2020 £	2019 £
	Notes		
Bank overdrafts	17	-	6,234
Other borrowings	17	-	1,460,270
Trade creditors		878,045	987,182
Corporation tax		156,862	209,150
Other taxation and social security		307,338	286,119
Derivative financial instruments		379,378	141,191
Other creditors		29,227	298
Accruals and deferred income		467,595	284,558
		<u>2,218,445</u>	<u>3,375,002</u>

16 Creditors: amounts falling due after more than one year		2020 £	2019 £
	Notes		
Other borrowings	17	<u>2,321,630</u>	<u>835,658</u>

Other borrowings relates to a loan from the ultimate controlling entity. The terms of the loan were renegotiated after the reporting date and the loan term was extended to 31 December 2023. The loan has been recorded as due after more than one year based on the extended terms.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

17 Loans and overdrafts

	2020 £	2019 £
Bank overdrafts	-	6,234
Loans from group undertakings	2,321,630	2,295,928
	<u>2,321,630</u>	<u>2,302,162</u>
Payable within one year	-	1,466,504
Payable after one year	2,321,630	835,658
	<u>2,321,630</u>	<u>2,302,162</u>

As disclosed within note 14, the ultimate controlling entity has provided a loan to the company to fund a deposit that is held with a key supplier.

18 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	19	27,900	15,200
		<u>27,900</u>	<u>15,200</u>

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Balances:				
Accelerated capital allowances	27,900	15,200	-	-
Fair value loss on foreign exchange contracts	-	-	72,082	26,826
	<u>27,900</u>	<u>15,200</u>	<u>72,082</u>	<u>26,826</u>
Movements in the year:				2020 £
Asset at 1 March 2019				(11,626)
Charge to profit or loss				12,700
Credit to other comprehensive income				(45,256)
Asset at 29 February 2020				<u>(44,182)</u>

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

19 Deferred taxation (Continued)

The timing of the expected reversal of the deferred tax asset is expected to be in the next 12 months. The deferred tax liability is expected to reverse over the useful lives of the tangible fixed assets.

20 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	47,120	30,552

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.

21 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
1 Ordinary shares of £1 each	1	1

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

22 Hedging reserve

	2020 £	2019 £
At the beginning of the year	(114,365)	-
Gains and losses on cash flow hedges	(238,187)	(141,191)
Tax on gains and losses on cash flow hedges	45,256	26,826
At the end of the year	(307,296)	(114,365)

The company entered into forward foreign exchange contracts to mitigate exchange rate risk for foreign currency payments, all contracts mature within 12 months of the reporting date.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

23 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:

	2020 £	2019 £
Within one year	130,318	123,910
Between two and five years	188,829	130,455
	<u>319,147</u>	<u>254,365</u>

24 Events after the reporting date

After the reporting date the company obtained a loan of £750,000 under the Coronavirus Business Interruption Loan Scheme (CBILS) to assist in mitigating the risks of COVID-19.

25 Related party transactions

At the reporting date the company had loans outstanding with the ultimate controlling entity amounting to £2,321,630 (2019 £2,295,929). The repayment dates of the loans were renegotiated after the reporting date and, as a result, the loans fall due in more than one year. The loan interest paid during the year was £58,001 (2019: £98,720).

26 Ultimate controlling party

The immediate parent company is Smallworld Accessories Holdings Limited, a company incorporated in England and Wales. Smallworld Accessories Holdings Limited prepares consolidated financial statements, which include the results of the company, copies of which are available from Companies House.

The ultimate controlling entity is Chuan Men Investment Inc, a company incorporated in Taiwan.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 FEBRUARY 2020

27 Cash (absorbed by)/generated from operations

	2020 £	2019 £
(Loss)/profit for the year after tax	(551,631)	784,845
Adjustments for:		
Taxation charged	12,700	244,514
Finance costs	58,001	119,615
Investment income	(1,178)	(2,339)
Amortisation and impairment of intangible assets	76,241	76,241
Depreciation and impairment of tangible fixed assets	44,827	28,989
Movements in working capital:		
Increase in stocks	(487,571)	(169,361)
Decrease in debtors	75,137	127,425
Increase in creditors	124,048	315,674
Cash (absorbed by)/generated from operations	(649,426)	1,525,603

28 Analysis of changes in net debt

	1 March 2019 £	Cash flows £	29 February 2020 £
Cash at bank and in hand	1,068,375	(854,693)	213,682
Bank overdrafts	(6,234)	6,234	-
	1,062,141	(848,459)	213,682
Borrowings excluding overdrafts	(2,295,928)	(25,702)	(2,321,630)
	(1,233,787)	(874,161)	(2,107,948)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.