

Company Registration No. 10437403 (England and Wales)

SMALLWORLD ACCESSORIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

SMALLWORLD ACCESSORIES LIMITED

COMPANY INFORMATION

Director	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 2 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

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SMALLWORLD ACCESSORIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019

The director presents the strategic report for the year ended 28 February 2019.

Strategy and business model

Smallworld Accessories Limited is a supplier of fashion accessories. The company operates concessions in 1,260 stores within the UK and Republic of Ireland.

The strategy of the business is

- To provide accessories ranges to our customers that enhances their brand positioning and clothing offer.
- To explore additional profitable opportunities to expand the width of our accessories product offer and grow our customer base both in the UK and internationally.

Business review

In the second full year of operation sales for the period of £20,885k were £3,058k lower than for the prior 16 month reported period, £2,136k lower against the prior 12 months. This sales decline is a reflection of the challenging retail conditions in the UK and the impact of reduced stock holding to deliver a higher gross margin. The key focus of management in this period has been to manage the flow of stock to continue to deliver the service and product offering to meet customer requirements, whilst ensuring that we deliver profitability from all contracts. The focus to improve the gross margin, in conjunction with close control of the fixed and administrative costs of the business has meant that despite the decline in headline sales, PBT of £1,029k is similar to the prior 12 month period and at a better % margin of 4.9% against 4.5% in the prior year.

Due to the potential operational uncertainty of Brexit, specifically around imports, management made the decision to bring forward the stock intake into February that would normally be delivered in March and early April.

The company added one new concession customer, in February 2019, and continues to review opportunities to grow the business through development of online sales channels, an increased licensed offering and new category growth.

Given the operating model and the existing contracts the director believes that the business will generate sufficient cash to meet all future loan repayments. The business has generated sufficient cash in the period to pay off £1,250k of the loan in the last 12 months. £750k of these loan repayments were paid earlier than contracted.

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 may not be 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 – 28.5% for the period, up 0.5% on the previous years' accounts.
- Trade Debtor Days: 20
- Administrative expenses as a % of Turnover – 23.3%, down 3.7% on the previous years' accounts.

Principal risks and uncertainties:

Market risk

Within a challenging trading environment effective stock management is key. The stock risk is mitigated by placing small initial order quantities with the ability to repeat orders on a reduced lead time. This stock management process, alongside the continuous focus on store placement of stock and visual merchandising resource, is continuing to deliver profitable contracts in the current retail environment. The company has started to develop online offers with a number of its customers to service the increased demand in this channel, whilst also widening its product offering into new categories.

SMALLWORLD ACCESSORIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

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

6 June 2019

SMALLWORLD ACCESSORIES LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019

The director presents his annual report and financial statements for the year ended 28 February 2019.

Principal activities

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

Director

The director who held office during the year and up to the date of signature of the financial statements was 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 director does 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

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

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.

On behalf of the board

Mr P D Galvin

Director

6 June 2019

SMALLWORLD ACCESSORIES LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2019

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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. He is 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 28 February 2019 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 28 February 2019 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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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 director is 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's 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 director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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 him 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

6 June 2019

SMALLWORLD ACCESSORIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2019

		Year ended 28 February 2019 £	Period ended 28 February 2018 £
	Notes		
Turnover	3	20,884,533	23,942,691
Cost of sales		(14,925,065)	(17,237,521)
Gross profit		5,959,468	6,705,170
Administrative expenses		(4,865,302)	(6,453,962)
Other operating income		52,469	15,866
Operating profit	4	1,146,635	267,074
Interest receivable and similar income	7	2,339	378
Interest payable and similar expenses	8	(119,615)	(159,617)
Profit before taxation		1,029,359	107,835
Tax on profit	9	(244,514)	(36,037)
Profit for the financial year		784,845	71,798
Other comprehensive income			
Fair value losses on foreign exchange contract		(141,191)	-
Tax relating to other comprehensive income		26,826	-
Total comprehensive income for the year		670,480	71,798

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

SMALLWORLD ACCESSORIES LIMITED

BALANCE SHEET

AS AT 28 FEBRUARY 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Goodwill	10	609,928		686,169	
Tangible assets	11	78,094		67,624	
			688,022		753,793
Current assets					
Stocks	13	1,492,611		1,323,250	
Debtors falling due after more than one year	14	862,484		-	
Debtors falling due within one year	14	920,680		1,883,763	
Cash at bank and in hand		1,068,375		951,298	
			4,344,150		4,158,311
Creditors: amounts falling due within one year	15	(3,375,002)		(2,572,064)	
Net current assets			969,148		1,586,247
Total assets less current liabilities			1,657,170		2,340,040
Creditors: amounts falling due after more than one year	16	(835,658)		(2,192,608)	
Provisions for liabilities	18	(15,200)		(11,600)	
Net assets			806,312		135,832
Capital and reserves					
Called up share capital	21	1		1	
Hedging reserve	22	(114,365)		-	
Capital contribution reserve		-		64,033	
Profit and loss reserves		920,676		71,798	
Total equity			806,312		135,832

The financial statements were approved and signed by the director and authorised for issue on 6 June 2019

Mr P D Galvin
Director

Company Registration No. 10437403

SMALLWORLD ACCESSORIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Notes	Share capital £	Hedging reserve £	Capital contribution reserve £	Profit and loss reserves £	Total £
Balance at 20 October 2016		-	-	-	-	-
Period ended 28 February 2018:						
Profit and total comprehensive income for the period		-	-	-	71,798	71,798
Issue of share capital	21	1	-	-	-	1
Capital contribution arising during the period		-	-	64,033	-	64,033
Balance at 28 February 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
Transfer between reserves		-	-	(64,033)	64,033	-
Balance at 28 February 2019		1	(114,365)	-	920,676	806,312

SMALLWORLD ACCESSORIES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	25		1,525,603		(2,185,378)
Interest paid			(119,615)		(159,617)
Income taxes paid			(56,201)		-
Net cash inflow/(outflow) from operating activities			1,349,787		(2,344,995)
Investing activities					
Purchase of business		-		(165,926)	
Purchase of tangible fixed assets		(39,459)		(76,988)	
Proceeds on disposal of tangible fixed assets		-		41,076	
Interest received		2,339		378	
Net cash used in investing activities			(37,120)		(201,460)
Financing activities					
Proceeds from issue of shares		-		1	
Proceeds from borrowings		-		6,217,602	
Repayment of borrowings		(1,201,824)		(2,719,850)	
Net cash (used in)/generated from financing activities			(1,201,824)		3,497,753
Net increase in cash and cash equivalents			110,843		951,298
Cash and cash equivalents at beginning of year			951,298		-
Cash and cash equivalents at end of year			1,062,141		951,298
Relating to:					
Cash at bank and in hand			1,068,375		951,298
Bank overdrafts included in creditors payable within one year			(6,234)		-

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

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

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

1.3 Reporting period

The previous period was 16 months from the start of trade and therefore this year's figures are not directly comparable to those of the prior period.

1.4 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.

1.5 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.

1.6 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.

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

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

1.7 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.

1.8 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.

1.9 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.

1.10 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.

Basic financial assets

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

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

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 the statement of comprehensive income as appropriate.

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.

Derecognition of financial liabilities

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

1.11 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.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

1 Accounting policies

(Continued)

1.12 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.

1.13 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.

1.14 Retirement benefits

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

1.15 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.

1.16 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 28 FEBRUARY 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is 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 £1,492,611 (2018 - £1,323,250).

Intangible assets (goodwill)

The director has estimated the useful life of goodwill to be 10 years. The useful life of goodwill may vary depending on a number of factors including timing of future returns and market demands.

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Concessions	20,768,842	23,131,674
Wholesale	115,691	811,017
	<u>20,884,533</u>	<u>23,942,691</u>

All turnover is derived from the sale of goods.

	2019	2018
	£	£
Other significant revenue		
Interest income	<u>2,339</u>	<u>378</u>

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

3 Turnover and other revenue		(Continued)	
	2019	2018	
	£	£	
Turnover analysed by geographical market			
United Kingdom	20,813,647	23,877,631	
Republic of Ireland	70,886	65,060	
	<u>20,884,533</u>	<u>23,942,691</u>	

4 Operating profit		2019	2018
		£	£
Operating profit for the period is stated after charging/(crediting):			
Fees payable to the company's auditor for the audit of the company's financial statements	23,100	23,100	
Depreciation of owned tangible fixed assets	28,989	51,715	
Profit on disposal of tangible fixed assets	-	(23,424)	
Amortisation of intangible assets	76,241	76,241	
Cost of stocks recognised as an expense	5,329,300	6,164,138	
Operating lease charges	125,627	192,907	
	<u>125,627</u>	<u>192,907</u>	

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 £159,807 (2018 - £98,800).

5 Employees

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

	2019	2018
	Number	Number
Head office / Distribution / Field management	71	75
Visual merchandisers	388	493
	<u>459</u>	<u>568</u>

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

5 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	3,421,648	4,304,115
Social security costs	235,051	290,261
Pension costs	30,552	13,814
	<u>3,687,251</u>	<u>4,608,190</u>

6 Director's remuneration

	2019 £	2018 £
Remuneration for qualifying services	<u>200,000</u>	<u>266,667</u>

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

	2019 £	2018 £
Remuneration for qualifying services	<u>200,000</u>	<u>266,667</u>

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

7 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	<u>2,339</u>	<u>378</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>2,339</u>	<u>378</u>
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8 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	<u>119,615</u>	<u>159,617</u>

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	209,150	24,437
Adjustments in respect of prior periods	31,764	-
	<u>240,914</u>	<u>24,437</u>
Total current tax	240,914	24,437
Deferred tax		
Origination and reversal of timing differences	3,600	11,600
	<u>3,600</u>	<u>11,600</u>
Total tax charge	<u>244,514</u>	<u>36,037</u>

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

	2019 £	2018 £
Profit before taxation	<u>1,029,359</u>	<u>107,835</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.20%)	195,578	20,704
Tax effect of expenses that are not deductible in determining taxable profit	764	727
Amortisation on assets not qualifying for tax allowances	14,487	14,606
Other non-reversing timing differences	1,921	-
Adjustments in respect of prior periods	31,764	-
	<u>244,514</u>	<u>36,037</u>
Taxation charge for the period	244,514	36,037

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:

	2019 £	2018 £
Deferred tax arising on:		
Fair value adjustments on foreign exchange contracts	<u>(26,826)</u>	<u>-</u>

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

10 Intangible fixed assets

	Goodwill £
Cost	
At 1 March 2018 and 28 February 2019	762,410
Amortisation and impairment	
At 1 March 2018	76,241
Amortisation charged for the year	76,241
At 28 February 2019	152,482
Carrying amount	
At 28 February 2019	609,928
At 28 February 2018	686,169

11 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Computers £	Total £
Cost					
At 1 March 2018	30,547	566	12,070	52,732	95,915
Additions	1,640	-	20,200	17,619	39,459
At 28 February 2019	32,187	566	32,270	70,351	135,374
Depreciation and impairment					
At 1 March 2018	4,215	485	1,768	21,823	28,291
Depreciation charged in the year	6,408	69	4,606	17,906	28,989
At 28 February 2019	10,623	554	6,374	39,729	57,280
Carrying amount					
At 28 February 2019	21,564	12	25,896	30,622	78,094
At 28 February 2018	26,332	81	10,302	30,909	67,624

12 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,681,598	1,806,687
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	141,191	-
Measured at amortised cost	2,738,542	2,098,723

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

13 Stocks

	2019 £	2018 £
Finished goods and goods for resale	1,492,611	1,323,250

14 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	488,970	655,642
Amounts owed by group undertakings	1	1
Other debtors	356,969	1,133,075
Prepayments and accrued income	74,740	95,045
	920,680	1,883,763

	2019 £	2018 £
Amounts falling due after more than one year:		
Other debtors	835,658	-
Deferred tax asset (note 19)	26,826	-
	862,484	-

Total debtors	1,783,164	1,883,763
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Other debtors falling due after more than one year includes a deposit of £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

	Notes	2019 £	2018 £
Bank overdrafts	17	6,234	-
Other borrowings	17	1,460,270	1,305,144
Trade creditors		987,182	566,896
Corporation tax		209,150	24,437
Other taxation and social security		286,119	448,904
Derivative financial instruments		141,191	-
Other creditors		298	34,432
Accruals and deferred income		284,558	192,251
		3,375,002	2,572,064

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

16 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Other borrowings	17	835,658	2,192,608

17 Loans and overdrafts

	2019 £	2018 £
Bank overdrafts	6,234	-
Loans from group undertakings	2,295,928	3,497,752
	2,302,162	3,497,752
Payable within one year	1,466,504	1,305,144
Payable after one year	835,658	2,192,608

As disclosed within note 14, the ultimate controlling entity has provided a deposit with a key supplier to provide a credit facility and security on orders placed by the company. A separate funding loan was also provided attracting interest at a rate of 4% per annum. In accordance with Section 11 of FRS 102 the loan has been discounted to the present value of the future payments, discounted at a market rate of interest.

18 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	19	15,200	11,600

19 Deferred taxation

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

	Liabilities 2019 £	Assets 2019 £	Assets 2018 £
Balances:			
Accelerated capital allowances	15,200	-	-
Fair value loss on foreign exchange contracts	-	26,826	-
	15,200	26,826	-

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

19	Deferred taxation	(Continued)
		2019
	Movements in the year:	£
	Liability at 1 March 2018	11,600
	Charge to profit or loss	3,600
	Credit to other comprehensive income	(26,826)
	Liability/(Asset) at 28 February 2019	<u>(11,626)</u>

The deferred tax asset set out above is expected to reverse over the useful lives of the related tangible fixed assets

20	Retirement benefit schemes	2019	2018
	Defined contribution schemes	£	£
	Charge to profit or loss in respect of defined contribution schemes	<u>30,552</u>	<u>13,814</u>

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	2019	2018
		£	£
	Ordinary share capital		
	Issued and fully paid		
	1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

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

22	Hedging reserve	2019	2018
		£	£
	At the beginning of the year	-	-
	Gains and losses on cash flow hedges	(141,191)	-
	Tax on gains and losses on cash flow hedges	26,826	-
	At the end of the year	<u>(114,365)</u>	<u>-</u>

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. In the comparative period the gain on cash flow hedges was immaterial.

SMALLWORLD ACCESSORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2019

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:

	2019 £	2018 £
Within one year	123,910	123,910
Between two and five years	130,455	250,683
	<u>254,365</u>	<u>374,593</u>

24 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.

25 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	784,845	71,798
Adjustments for:		
Taxation charged	244,514	36,037
Finance costs	119,615	159,617
Investment income	(2,339)	(378)
Gain on disposal of tangible fixed assets	-	(23,424)
Amortisation and impairment of intangible assets	76,241	76,241
Depreciation and impairment of tangible fixed assets	28,989	51,715
Movements in working capital:		
(Increase) in stocks	(169,361)	(1,323,250)
Decrease/(increase) in debtors	127,425	(1,883,763)
Increase in creditors	315,674	650,029
Cash generated from/(absorbed by) operations	<u>1,525,603</u>	<u>(2,185,378)</u>

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.