Company Registration No. 1391526 (England and Wales)

PEERS HARDY(UK) LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

PEERS HARDY(UK) LIMITED

CONTENTS

PEERS HARDY(UK) LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their report and financial statements for the year ended 31 December 1999.

Principal activities and review of the business

The principal activity of the company continued to be that of manufacturers, importers and distributors of clocks and watches.

The directors are disappointed to report a reduced operating profit for the year which has been due to gross profit margins being significantly eroded.

Results and dividends

The results for the year are set out on page 4.

Interim ordinary dividends were paid amounting to £70,000. The directors do not recommend payment of a final dividend.

Future developments

The directors anticipate that the year to 31 December 2000 will be another difficult year and it is anticipated that the company will make a small operating profit.

Directors

The following directors have held office since 1 January 1999:

J E Story	
K M Nock	(Resigned 12 June 2000)
N R Woolley	
N C Baker	

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	'A' ordinary shares of 10p each	
	31 December 1999	**1 January 1999**
K M Nock	-	-
J E Story	640,000	640,000
N R Woolley	220,000	220,000
N C Baker	-	-

	'B' ordinary shares of 10p each	
	31 December 1999	**1 January 1999**
K M Nock	-	-
J E Story	140,000	140,000
N R Woolley	-	-
N C Baker	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Clement Keys be reappointed as auditors of the company will be put to the Annual General Meeting.

PEERS HARDY(UK) LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1999

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

By order of the board

A Dhariwal
Secretary
22 February 2001

PEERS HARDY(UK) LIMITED

AUDITORS' REPORT TO PEERS HARDY(UK) LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 4 to 16, together with the financial statements of the company for the year ended 31 December 1999 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 4 to 16 are properly prepared in accordance with that provision.

"In our opinion the company is entitled to the exemption from preparing group accounts conferred by section 248 of the Companies Act 1985."

Clement Keys
Chartered Accountants
Registered Auditor

22 February 2001

Swinford House
Albion Street
Brierley Hill
West Midlands
DY5 3EL

PEERS HARDY(UK) LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £	1998 £
Gross profit		2,739,477	3,952,662
Administrative expenses		(2,985,806)	(2,864,752)
Other operating income		4,010	-
Operating (loss)/profit	2	(242,319)	1,087,910
Other interest receivable and similar income		20,609	85,824
Amounts written off investments	3	(115,721)	-
Interest payable and similar charges	4	(28,171)	(16,728)
(Loss)/profit on ordinary activities before taxation		(365,602)	1,157,006
Tax on (loss)/profit on ordinary activities	5	55,202	(398,445)
(Loss)/profit on ordinary activities after taxation		(310,400)	758,561
Dividends	6	(70,000)	(227,000)
Retained (loss)/profit for the year	16	(380,400)	531,561

PEERS HARDY(UK) LIMITED

ABBREVIATED BALANCE SHEET
AS AT 31 DECEMBER 1999

	Notes	1999 £	1999 £	1998 £	1998 £
Fixed assets					
Intangible assets	7		361,926		-
Tangible assets	8		493,584		492,969
Investments	9		3,765		8,365
			859,275		501,334
Current assets					
Stocks	10	1,573,324		1,872,508	
Debtors	11	2,884,339		2,030,193	
Cash at bank and in hand		392,469		1,578,448	
		4,850,132		5,481,149	
Creditors: amounts falling due within one year	12	(3,638,117)		(3,621,758)	
Net current assets			1,212,015		1,859,391
Total assets less current liabilities			2,071,290		2,360,725
Creditors: amounts falling due after more than one year	13		(111,892)		(20,927)
			1,959,398		2,339,798
Capital and reserves					
Called up share capital	15		100,000		100,000
Profit and loss account	16		1,859,398		2,239,798
Shareholders' funds	17		1,959,398		2,339,798

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the Board on 22 February 2001

J E Story
Director

PEERS HARDY(UK) LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

		1999 £		1998 £
Net cash outflow from operating activities		(535,986)		(272,920)
Returns on investments and servicing of finance				
Interest received	20,609		85,824	
Interest paid	(28,171)		(16,728)	
Net cash (outflow)/inflow for returns on investments and servicing of finance		(7,562)		69,096
Taxation		(250,000)		(376,125)
Capital expenditure and financial investment				
Payments to acquire intangible assets	(361,926)		-	
Payments to acquire tangible assets	(100,007)		(229,810)	
Payments to acquire investments	-		(764)	
Receipts from sales of tangible assets	69,921		4,000	
Net cash outflow for capital expenditure		(392,012)		(226,574)
Acquisitions and disposals				
Purchase of subsidiary undertakings (net of cash acquired)	(111,121)		-	
Net cash outflow for acquisitions and disposals		(111,121)		-
Equity dividends paid		(70,000)		(227,000)
Net cash outflow before management of liquid resources and financing		(1,366,681)		(1,033,523)
Financing				
Capital element of hire purchase contracts	(86,283)		(150,889)	
Net cash outflow from financing		(86,283)		(150,889)
Decrease in cash in the year		(1,452,964)		(1,184,412)

PEERS HARDY(UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

1	**Reconciliation of operating (loss)/profit to net cash outflow from operating activities**	**1999**	**1998**
		£	**£**
	Operating (loss)/profit	(242,319)	1,087,910
	Depreciation of tangible assets	161,395	139,606
	Loss on disposal of tangible assets	29,361	3,971
	Decrease/(increase) in stocks	299,184	(572,789)
	Increase in debtors	(855,694)	(115,056)
	Increase/(decrease) in creditors within one year	72,087	(816,562)
	Net cash outflow from operating activities	(535,986)	(272,920)

2	**Analysis of net (debt)/funds**	**1 January 1999**	**Cash flow**	**Other non-cash changes**	**31 December 1999**
		£	**£**	**£**	**£**
	Net cash:				
	Cash at bank and in hand	1,578,448	(1,185,979)	-	392,469
	Bank overdrafts	-	(266,985)	-	(266,985)
		1,578,448	(1,452,964)	-	125,484
	Debt:				
	Finance leases	(113,622)	(75,002)	-	(188,624)
	Net funds/(debt)	1,464,826	(1,527,966)	-	(63,140)

3	**Reconciliation of net cash flow to movement in net (debt)/funds**	**1999**	**1998**
		£	**£**
	Decrease in cash in the year	(1,452,964)	(1,184,412)
	Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(75,002)	92,744
	Movement in net (debt)/funds in the year	(1,527,966)	(1,091,668)
	Opening net funds	1,464,826	2,556,494
	Closing net (debt)/funds	(63,140)	1,464,826

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1 Accounting policies

1.1 Accounting convention
The financial statements are prepared under the historical cost convention.

The accounts are prepared on a going concern basis which assumes the continuing financial support of the company's bankers.

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

1.3 Goodwill
Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

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

Land and buildings Leasehold	Over period of lease(10 years)
Fixtures, fittings & equipment	33% reducing balance
Motor vehicles	15% to 50% reducing balance as appropriate

1.5 Leasing and hire purchase commitments
Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments
Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock
Stock is valued at the lower of cost and net realisable value.

1.8 Pensions
The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.9 Deferred taxation
Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

PEERS HARDY(UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1 Accounting policies

1.10 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group.

Bridgway Products Limited was acquired during the year but has ceased trading since.The results have not been consolidated as control was only intended to be temporary.

The results of the other subsidiaries have not been consolidated as their results are not material for the purposes of giving a true and fair view.

2 **Operating (loss)/profit**	**1999**	**1998**
	£	**£**
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	161,395	139,606
Operating lease rentals	79,904	79,043
Auditors' remuneration	8,000	9,709

3 **Amounts written off investments**	**1999**	**1998**
	£	**£**
Amounts written off fixed asset investments:		
- permanent diminution in value	115,721	-

4 **Interest payable**	**1999**	**1998**
	£	**£**
On bank loans and overdrafts	15,228	-
Hire purchase interest	12,943	16,728
	28,171	16,728

5 **Taxation**	**1999**	**1998**
	£	**£**
U.K. current year taxation		
U.K. corporation tax at 30% (1998 - 31%)	(55,202)	372,320
Interest on overdue tax	-	3,510
	(55,202)	375,830
Prior years		
U.K. corporation tax	-	22,615
	(55,202)	398,445

PEERS HARDY(UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999

		1999	1998
6	**Dividends**	**£**	**£**
	Ordinary interim paid	70,000	227,000

7	**Intangible fixed assets**	**Goodwill**
		£
	Cost	
	At 1 January 1999	-
	Additions	361,926
	At 31 December 1999	361,926

PEERS HARDY(UK) LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999

8 Tangible fixed assets

	Land and buildings Leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 1999	124,840	378,901	336,130	839,871
Additions	-	27,432	233,860	261,292
Disposals	-	-	(176,325)	(176,325)
At 31 December 1999	124,840	406,333	393,665	924,838
Depreciation				
At 1 January 1999	12,000	216,457	118,445	346,902
On disposals	-	-	(77,043)	(77,043)
Charge for the year	13,000	91,657	56,738	161,395
At 31 December 1999	25,000	308,114	98,140	431,254
Net book value				
At 31 December 1999	99,840	98,219	295,525	493,584
At 31 December 1998	112,840	162,444	217,685	492,969

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles
	£
Net book values	
At 31 December 1999	257,380
At 31 December 1998	274,117
Depreciation charge for the year	
31 December 1999	25,192
31 December 1998	103,874

9 Fixed asset investments

	Shares in participating interests	Shares in subsidiary undertakings	Total
	£	£	£
Cost			
At 1 January 1999	7,500	865	8,365
Additions	-	111,121	111,121
At 31 December 1999	7,500	111,986	119,486
Provisions for diminution in value			
At 1 January 1999	-	-	-
Charge for the year	4,600	111,121	115,721
At 31 December 1999	4,600	111,121	115,721
Net book value			
At 31 December 1999	2,900	865	3,765

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Horological Industries Limited	Hong Kong	Ordinary	100
KAP USA Inc.	USA	Ordinary	100
KAP Australia Pty Limited	Australia	Ordinary	100
Bridgeway Products Limited	England & Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
Horological Industries Limited	49,423	(186,785)
KAP USA Inc.	(65,759)	(45,383)
KAP Australia Pty Limited	19,187	18,265
Bridgeway Products Limited	-	-

No information is available on Bridgeway Products Limited as that company was put into receivership since 31 December 1999.

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999

10 **Stocks**	**1999**	**1998**
	£	**£**
Finished goods and goods for resale	1,573,324	1,872,508

11 **Debtors**	**1999**	**1998**
	£	**£**
Trade debtors	2,472,699	1,834,623
Amounts owed by subsidiary undertakings	150,467	87,107
Corporation tax	55,202	-
ACT recoverable	-	56,750
Other debtors	149,862	3,000
Prepayments and accrued income	56,109	48,713
	2,884,339	2,030,193

12 **Creditors: amounts falling due within one year**	**1999**	**1998**
	£	**£**
Bank loans and overdrafts	266,985	-
Net obligations under hire purchase contracts	76,732	92,695
Trade creditors	2,942,119	2,580,638
Corporation tax	122,320	372,320
Other taxes and social security costs	72,258	265,929
Other creditors	8,762	156,692
Accruals and deferred income	148,941	153,484
	3,638,117	3,621,758

The bank overdraft is secured by a fixed and floating charge over the company's assets.

13 Creditors: amounts falling due after more than one year

	1999	1998
	£	£
Net obligations under hire purchase contracts	111,892	20,927
Net obligations under hire purchase contracts		
Repayable within one year	76,732	92,695
Repayable between one and five years	111,892	20,927
	188,624	113,622
Included in liabilities falling due within one year	(76,732)	(92,695)
	111,892	20,927

14 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £38,090 (1998 - £32,927).

15 Share capital

	1999	1998
	£	£
Authorised		
8,600,000 'A' ordinary shares of 10p each	860,000	860,000
1,400,000 'B' ordinary shares of 10p each	140,000	140,000
	1,000,000	1,000,000
Allotted, called up and fully paid		
1,000,000 'A' ordinary shares of 10p each	100,000	100,000

16 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 January 1999	2,239,798
Retained loss for the year	(380,400)
Balance at 31 December 1999	1,859,398

17 Reconciliation of movements in shareholders' funds

	1999	1998
	£	£
(Loss)/Profit for the financial year	(310,400)	758,561
Dividends	(70,000)	(227,000)
Net (depletion in)/addition to shareholders' funds	(380,400)	531,561
Opening shareholders' funds	2,339,798	1,808,237
Closing shareholders' funds	1,959,398	2,339,798

18 Financial commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Expiry date:				
Between two and five years	-	-	3,443	3,443
In over five years	75,600	63,000	-	-
	75,600	63,000	3,443	3,443

19 Directors' emoluments

	1999	1998
	£	£
Emoluments for qualifying services	168,726	135,004
Company pension contributions to money purchase schemes	38,090	32,927
	206,816	167,931

20 Transactions with directors

The following directors had interest free loans during the year. The movement on these loans are as follows:

	Amount outstanding 1999	1998	Maximum in year
	£	£	£
Director's current account (debit bal)	64,552	-	64,552
Director's current account (debit bal)	49,706	-	53,582
K J Nock	940	-	940

Since 31 December 1999 the loans to the directors have been repaid in full.

During the year the company sold a motor vehicle to J E Story, a director of the company, for £65,000 which was the market value at the date of disposal.

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1999 Number	1998 Number
Distribution	45	45
Administration	12	12
Selling and distribution staff	18	18
	75	75

Employment costs

	£	£
Wages and salaries	899,999	838,406
Social security costs	120,434	92,810
Other pension costs	38,090	32,927
	1,058,523	964,143