Company Registration No. 01391526 (England and Wales)

PEERS HARDY (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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PEERS HARDY (UK) LIMITED

COMPANY INFORMATION

Directors	Mr J E Story Mr N C Baker Mr P V Harry Mr D N Crowe
Secretary	Mr D N Crowe
Company number	01391526
Registered office	Precision House, Starley Way Birmingham International Business Park Bickenhill Lane Solihull B37 7GN
Auditor	CK Audit No 4 Castle Court 2 Castlegate Way Dudley West Midlands DY1 4RH
Business address	Precision House, Starley Way Birmingham International Business Park Bickenhill Lane Solihull B37 7GN

PEERS HARDY (UK) LIMITED

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business
Turnover has decreased by £5,452,240 (19.4%) and gross margin by 5.0% compared to 2018. This reflects the difficult trading conditions within the segment of the watch market in which the company operates. The Directors' goal remains to grow the company through the launch of new brands and product lines, entering new markets and competing to increase its customer base and market share.

The accounts disclose an operating loss for the year of £661,943 (2018 £420,459) and a loss after interest and taxation of £371,430 (2018 profit £10,417) which the directors believe to be a satisfactory result. The company's balance sheet is also satisfactory with shareholder funds amounting to £7,452,792 (2018 £7,824,222) at the balance sheet date.

Analysis using financial key performance indicators
The key performance indicators (KPIs) of the company are sales, gross profit margin, overheads and cashflow and were as follows :

	2019	2018
Sales	£22.6m	£28.1m
Gross profit margin	20.3%	25.2%
Overheads	£5.2m	£7.5m
Cashflow	£0.85m	(£0.45m)

The directors are content with both the relevance of the KPIs which were set for the reporting period and the performance against these KPIs. All indicators were within tolerances set by management.

Principal risks and uncertainties
As with all commercial entities, Peers Hardy's operations are carried out in an environment of risk. The Board have procedures in place to both monitor and mitigate these risks.

- A large proportion of the company's products are purchased in US$ whilst many customers are invoiced in £. The resultant exchange rate risk is mitigated by entering into forward currency contracts
- The provision of timely and quality supplies is key to customer retention. Suppliers are constantly monitored for both and the company works with its key suppliers to mitigate this risk
- The management of working capital risk is subject to strict internal control procedures and planning.

Coronavirus Pandemic

The Directors are closely monitoring developments in respect of the Coronavirus pandemic. The company has utilised the Governments Job Retention Scheme and has worked with suppliers and customers to further minimise the impact on trading performance and cashflow. The Directors believe that the business has sufficient liquidity to manage the stresses that the pandemic may place upon it.

The health and well-being of the company's employees has always been a priority but is especially so during the pandemic. The company has undertaken a risk assessment and developed a Covid-19 Policy in line with Government guidance.

Future developments

Although the "lockdown" resulting from the Coronavirus will have a detrimental effect on sales in 2020, the directors will continue to concentrate their efforts on increasing the level of turnover and profit over the coming 12 months and believe that the company remains in a strong financial and commercial position.

On behalf of the board

Mr J E Story
Director
10 June 2020

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of designing, importing and distributing watches, clocks and jewellery products

Directors

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

Mr J E Story
Mr N C Baker
Mr P V Harry
Mr D N Crowe

Results and dividends

The results for the year are set out on page 7.

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

Auditor

The auditor, CK Audit, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr J E Story
Director

10 June 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PEERS HARDY (UK) LIMITED

Opinion

We have audited the financial statements of Peers Hardy (UK) Limited (the 'company') for the year ended 31 December 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 31 December 2019 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.

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.

CK Audit

Peter Davies (Senior Statutory Auditor)
for and on behalf of CK Audit

10 June 2020

Chartered Accountants
Statutory Auditor

No 4 Castle Court 2
Castlegate Way
Dudley
West Midlands
DY1 4RH

PEERS HARDY (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	22,632,115	28,084,355
Cost of sales		(18,046,457)	(20,996,456)
Gross profit		4,585,658	7,087,899
Distribution costs		(238,072)	(440,385)
Administrative expenses		(5,009,529)	(7,067,973)
Operating loss	4	(661,943)	(420,459)
Share of results of associates and joint ventures		(1,500)	14,000
Interest receivable and similar income	8	324,785	345,139
Interest payable and similar expenses	9	(32,772)	(22,708)
Fair value gains and losses on foreign exchange contracts		-	95,000
(Loss)/profit before taxation		(371,430)	10,972
Tax on (loss)/profit	10	-	(555)
(Loss)/profit for the financial year		(371,430)	10,417

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	12		124,640		128,630
Tangible assets	13		284,097		440,490
Investments	14		197,246		198,746
			605,983		767,866
Current assets					
Stocks	17	3,439,283		4,364,652	
Debtors	18	7,186,960		8,417,703	
Cash at bank and in hand		1,821,026		965,856	
		12,447,269		13,748,211	
Creditors: amounts falling due within one year	19	(5,453,983)		(6,494,888)	
Net current assets			6,993,286		7,253,323
Total assets less current liabilities			7,599,269		8,021,189
Creditors: amounts falling due after *more than one year*	20		(146,477)		(196,967)
Net assets			7,452,792		7,824,222
Capital and reserves					
Called up share capital	24		83,800		83,800
Revaluation reserve	25		39,107		39,107
Capital redemption reserve	26		16,200		16,200
Profit and loss reserves	27		7,313,685		7,685,115
Total equity			7,452,792		7,824,222

The financial statements were approved by the board of directors and authorised for issue on 10 June 2020 and are signed on its behalf by:

Mr J E Story
Director

Company Registration No. 01391526

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018		83,800	39,107	16,200	7,819,164	7,958,271
Year ended 31 December 2018:						
Profit and total comprehensive income for the year		-	-	-	10,417	10,417
Dividends	11	-	-	-	(144,466)	(144,466)
Balance at 31 December 2018		83,800	39,107	16,200	7,685,115	7,824,222
Year ended 31 December 2019:						
Loss and total comprehensive income for the year		-	-	-	(371,430)	(371,430)
Balance at 31 December 2019		83,800	39,107	16,200	7,313,685	7,452,792

PEERS HARDY (UK) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from operations	32		479,931		241,092
Interest paid			(32,772)		(22,708)
Income taxes paid			(170,648)		(144,188)
Net cash inflow from operating activities			276,511		74,196
Investing activities					
Purchase of intangible assets		(15,666)		(19,553)	
Purchase of tangible fixed assets		(12,807)		(167,927)	
Proceeds on disposal of tangible fixed assets		50,056		128,012	
Proceeds from other investments and loans		(235,482)		(125,444)	
Interest received		324,785		345,139	
Net cash generated from investing activities			110,886		160,227
Financing activities					
Proceeds / (Repayment) of bank loans		548,773		(467,839)	
Payment of finance leases obligations		(81,001)		(46,736)	
Dividends paid		-		(144,466)	
Net cash generated from/(used in) financing activities			467,772		(659,041)
Net increase/(decrease) in cash and cash equivalents			855,170		(424,618)
Cash and cash equivalents at beginning of year			965,856		1,390,474
Cash and cash equivalents at end of year			1,821,026		965,856

1 Accounting policies

Company information

Peers Hardy (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Precision House, Starley Way, Birmingham International Business Park, Bickenhill Lane, Solihull, B37 7GN.

1.1 Accounting convention

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

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

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of trade marks and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated accounts on the basis that the subsidiary companies are not material. The financial statements present information about the company as an individual entity and not about its group.

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

1.2 Going concern

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

The directors are monitoring closely the developments due to the coronavirus pandemic and have updated their Business Continuity Policy to risk assess all possible outcomes.

The company has sufficient liquidity to withstand any rigorous stress tests that it may be put under because of the pandemic.

They remain confident that the company has sufficient, appropriate measures/resources in place to respond appropriately to all requirements, and do not believe that there are any material uncertainties relating to going concern.

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 VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

1 Accounting policies **(Continued)**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Trade marks	3 to 10 years

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.

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:

Land and buildings Leasehold	Over period of lease
Fixtures, fittings & equipment	33% reducing balance / straight line as appropriate
Motor vehicles	15% to 50% reducing balance / straight line as appropriate

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

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

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

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

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

1 Accounting policies **(Continued)**

1.7 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. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

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.

1.10 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.

1 Accounting policies **(Continued)**

Basic financial assets

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

Other financial assets

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

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

1 Accounting policies **(Continued)**

Basic financial liabilities

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

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

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

Other financial liabilities

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

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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

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.

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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.

1.13 Taxation

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

1 Accounting policies **(Continued)**

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.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

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

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

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

1.15 Retirement benefits

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

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 Accounting policies **(Continued)**

1.17 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 in the period are included in profit or loss.

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.

Inventory

Inventories are valued at the lower of cost and net realisation. Net realisation value includes where necessary, provisions for slow moving and obsolete stocks. The calculation of these provisions is made on a line by line basis based on a combination of the item's age, sales history and classification as a discontinued line. The adequacy of the provision is monitored with reference to the amounts realised when old stock is cleared.

Key sources of estimation uncertainty

Accruals

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are the estimation of rebate and discount accruals by the directors which are based on turnover and agreements in place.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Sales of goods	22,632,115	28,084,355

	2019	2018
	£	£
Other significant revenue		
Interest income	324,785	345,139

3 Turnover and other revenue (Continued)

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	12,501,505	16,144,388
Europe	2,339,185	4,544,903
Rest of the world	7,791,425	7,395,064
	22,632,115	28,084,355

4 Operating loss

	2019	2018
Operating loss for the year is stated after charging/(crediting):	£	£
Exchange losses/(gains)	(140,770)	(180,163)
Depreciation of owned tangible fixed assets	73,707	121,345
Depreciation of tangible fixed assets held under finance leases	66,929	84,250
Profit on disposal of tangible fixed assets	(21,492)	(56,497)
Amortisation of intangible assets	19,656	28,487
Cost of stocks recognised as an expense	18,210,614	21,513,543
Impairment of stocks recognised or reversed	(23,387)	(336,924)
Operating lease charges	231,988	236,163

5 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	11,850	11,850
For other services		
Taxation compliance services	750	750
All other non-audit services	1,250	1,250
	2,000	2,000

6 Employees

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

	2019 Number	2018 Number
Distribution	27	36
Administration	29	27
Sales	22	36
Total	78	99

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	2,814,234	3,788,358
Social security costs	291,614	397,563
Pension costs	96,891	114,759
	3,202,739	4,300,680

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	741,740	778,991
Company pension contributions to defined contribution schemes	35,776	72,689
	777,516	851,680

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 3).

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

	2019 £	2018 £
Remuneration for qualifying services	271,890	331,087
Company pension contributions to defined contribution schemes	-	10,000

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Other interest income	324,785	345,139

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	15,000	1,018
Other finance costs:		
Interest on finance leases and hire purchase contracts	17,106	21,690
Other interest	666	-
	32,772	22,708

10 Taxation

	2019	2018
	£	£
Current tax		
Adjustments in respect of prior periods	-	555

During the year, the UK corporation tax main rate remained at 19%.

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:

	2019	2018
	£	£
(Loss)/profit before taxation	(371,430)	10,972
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(70,572)	2,085
Tax effect of expenses that are not deductible in determining taxable profit	983	541
Tax effect of income not taxable in determining taxable profit	(4,083)	-
Change in unrecognised deferred tax assets	59,515	96
Depreciation on assets not qualifying for tax allowances	2,537	1,631
Amortisation on assets not qualifying for tax allowances	3,735	5,412
Share of joint venture (profit)/loss	285	(2,660)
Impairment of subsidiary company loan	7,600	(6,550)
Taxation charge for the year	-	555

11 Dividends

	2019	2018
	£	£
Final paid	-	144,466

12 Intangible fixed assets

	Goodwill	Trade marks	Total
	£	£	£
Cost			
At 1 January 2019	361,926	290,046	651,972
Additions	-	15,666	15,666
At 31 December 2019	361,926	305,712	667,638
Amortisation and impairment			
At 1 January 2019	361,926	161,416	523,342
Amortisation charged for the year	-	19,656	19,656
At 31 December 2019	361,926	181,072	542,998
Carrying amount			
At 31 December 2019	-	124,640	124,640
At 31 December 2018	-	128,630	128,630

13 Tangible fixed assets

	Land and buildings Leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2019	100,676	1,587,525	533,752	2,221,953
Additions	9,376	3,431	-	12,807
Disposals	-	(10,523)	(85,000)	(95,523)
At 31 December 2019	110,052	1,580,433	448,752	2,139,237
Depreciation and impairment				
At 1 January 2019	60,376	1,514,694	206,393	1,781,463
Depreciation charged in the year	20,445	44,496	75,695	140,636
Eliminated in respect of disposals	-	(10,015)	(56,944)	(66,959)
At 31 December 2019	80,821	1,549,175	225,144	1,855,140
Carrying amount				
At 31 December 2019	29,231	31,258	223,608	284,097
At 31 December 2018	40,300	72,831	327,359	440,490

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019	2018
	£	£
Motor vehicles	208,609	307,776

14 Fixed asset investments

	Notes	2019	2018
		£	£
Investments in subsidiaries	15	954	954
Investments in joint ventures	16	196,292	197,792
		197,246	198,746

14 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings and participating interests
	£
Cost or valuation	
At 1 January 2019	198,746
Share of profit/(loss) - joint venture	(1,500)
At 31 December 2019	197,246
Carrying amount	
At 31 December 2019	197,246
At 31 December 2018	198,746

15 Subsidiaries

These financial statements are separate company financial statements for Peers Hardy (UK) Limited.

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Horological Industries Limited*	Hong Kong	Ordinary	100.00
Peers Hardy (HK) Limited*	Hong Kong	Ordinary	100.00
Peers Hardy (USA) Inc*	United States	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves	Profit/(Loss)
	£	£
Horological Industries Limited*	(32,582)	(158)
Peers Hardy (HK) Limited*	(8,831)	(500)
Peers Hardy (USA) Inc*	(434,206)	(41,243)

*Group accounts have not been prepared on the basis that they are not material.

Peers Hardy (HK) Limited was wound up on 31 December 2019.

16 Joint ventures

These financial statements are separate company financial statements for Peers Hardy (UK) Limited.

Details of the company's joint ventures at 31 December 2019 are as follows:

Name of undertaking	Registered office	Interest held	% Held Direct
Yi Feng Watch & Jewellery Company Limited	Hong Kong	Ordinary	50.00

The investments in joint venture is initially recorded at cost and is subsequently adjusted to reflect the holder's share of the net profit or loss of the joint venture.

17 Stocks

	2019 £	2018 £
Finished goods and goods for resale	3,439,283	4,364,652

18 Debtors

Amounts falling due within one year:	2019 £	2018 £
Trade debtors	4,829,973	5,829,194
Corporation tax recoverable	170,648	-
Amounts owed by group undertakings	303,371	633,191
Amounts owed by undertakings in which the company has a participating interest	20,012	285,648
Other debtors	1,699,512	1,477,879
Prepayments and accrued income	163,444	191,791
	7,186,960	8,417,703

Included in trade debtors are £2,559,203 (2018 £4,055,047) of debts which are subject to an invoice discounting agreement with HSBC Invoice Finance (UK) Limited. Amounts advanced against these debts are included in creditors due within one year.

19 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans	21	1,296,143	747,370
Obligations under finance leases	22	48,632	79,143
Trade creditors		2,062,355	2,368,020
Taxation and social security		413,805	588,468
Other creditors		295,151	1,451,607
Accruals and deferred income		1,337,897	1,260,280
		5,453,983	6,494,888

The advances from HSBC Invoice Finance (UK) Limited of £284,354 (2018 £1,444,730) included in other creditors are secured by a fixed charge on non-vesting debts and a floating charge.

20 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	22	146,477	196,967

21 Loans and overdrafts

	2019 £	2018 £
Bank loans	1,296,143	747,370
Payable within one year	1,296,143	747,370

Bank loans includes an amount of £1,296,143 (2018 £747,370) in relation to an import loan facility which is secured by a fixed and floating charge on all assets of the company.

22 Finance lease obligations

Future minimum lease payments due under finance leases:	2019 £	2018 £
Within one year	48,632	79,143
In two to five years	146,477	196,967
	195,109	276,110

22 Finance lease obligations (Continued)

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

23 Retirement benefit schemes

	2019	2018
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	96,891	114,759

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.

24 Share capital

	2019	2018
	£	£
Ordinary share capital		
Authorised		
850,000 'A' ordinary shares of 10p each	85,000	85,000
Issued and fully paid		
838,000 'A' ordinary shares of 10p each	83,800	83,800

25 Revaluation reserve

	2019	2018
	£	£
At the beginning and end of the year	39,107	39,107

26 Capital redemption reserve

	2019	2018
	£	£
At the beginning and end of the year	16,200	16,200

27 Profit and loss reserves

	2019 £	2018 £
At the beginning of the year	7,685,115	7,819,164
(Loss)/profit for the year	(371,430)	10,417
Dividends declared and paid in the year	-	(144,466)
At the end of the year	7,313,685	7,685,115

28 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its properties which include, property rental, equipment rental and motor vehicles rentals.

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	138,044	158,896
Between two and five years	109,722	240,090
	247,766	398,986

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	777,515	957,513

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales		Purchases	
	2019 £	2018 £	2019 £	2018 £
Transactions with joint venture	84,549	170,862	2,652,787	3,586,742

29 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2019 £	2018 £
Transactions with joint venture	20,012	285,648

30 Directors' transactions

Dividends totalling £0 (2018 - £131,447) were paid in the year in respect of shares held by the company's directors.

Advances or credits have been granted by the company to its directors as follows:

31 Ultimate controlling party

The ultimate controlling party is J E Story.

32 Cash generated from operations

	2019 £	2018 £
(Loss)/profit for the year after tax	(371,430)	10,417
Adjustments for:		
Share of results of associates and joint ventures	1,500	(14,000)
Taxation charged	-	555
Finance costs	32,772	22,708
Investment income	(324,785)	(345,139)
Gain on disposal of tangible fixed assets	(21,492)	(56,497)
Fair value gain on foreign exchange contracts	-	(95,000)
Amortisation and impairment of intangible assets	19,656	28,487
Depreciation and impairment of tangible fixed assets	140,636	205,595
Movements in working capital:		
Decrease in stocks	925,368	111,598
Decrease in debtors	1,636,873	385,619
Decrease in creditors	(1,559,167)	(13,251)
Cash generated from operations	479,931	241,092

33 Analysis of changes in net funds/(debt)

	1 January 2019	Cash flows	31 December 2019
	£	£	£
Cash at bank and in hand	965,856	855,170	1,821,026
Borrowings excluding overdrafts	(747,370)	(548,773)	(1,296,143)
Obligations under finance leases	(276,110)	81,001	(195,109)
	(57,624)	387,398	329,774