

Reliance Brands Holding UK Limited
Financial Statements
For the Year Ended 31st December 2021

**Report of the Independent Auditors to the Members of
Reliance Brands Holding UK Limited**

Opinion

We have audited the financial statements of Reliance Brands Holding UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, Company statement of profit or loss, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, 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 UK adopted International Accounting Standards ("IFRSs").

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards.
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

Other Matter

We have performed audit procedures on the opening balances which includes adjustment recorded by the Company to the balances of investments and reserves and presented as restatement of previous year's balances (more fully described in note 26 to the financial statements).

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

The director has prepared the financial statements on the going concern basis as the director do not intend to liquidate the group or to cease its operations, and as they have concluded that the group's financial position means that this is realistic. Director has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("The going concern period").

In our evaluation of the director 's conclusions, we considered our knowledge of the group and its industry, group's current and projected cash flows, inherent risks to the group's business model and analysed how those risks might affect the group's financial resources or ability to continue operation over the going concern period.

Our conclusion based on this work:

- We consider that the director 's use of going concern basis of accounting in the preparation of the financial statement is appropriate;
- We have not identified, and concur with the director 's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation

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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 the audit:

- the information given in the Group Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Director has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Director.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Statement of Director's Responsibilities set out on page eight, 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 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 group's and the parent 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 group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors 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

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Reliance Brands Holding UK Limited**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Discussions were held with, and enquiries made of, management and those charged with governance with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law, Tax and Pensions legislation, and distributable profits legislation.
- It is considered that there are no laws and regulations for which non-compliance may be fundamental to the operating aspects of the business.

Audit procedures undertaken in response to the potential risks relating to irregularities, including fraud and non-compliance with laws and regulations, comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Devender Arora ACA (Senior Statutory Auditor)
for and on behalf of PBG Associates Limited
Chartered Accountants and Statutory Auditors
65 Delamere Road
Hayes, Middx
UB4 0NN

Date: 19th April, 2022

Reliance Brands Holding UK Limited**Consolidated Statement of Profit or Loss
for the Year Ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
CONTINUING OPERATIONS			
Revenue	5	34,092	24,413
Cost of sales		<u>(15,929)</u>	<u>(11,678)</u>
GROSS PROFIT		18,163	12,735
Other operating income	7	4,083	1,371
Distribution costs		<u>(11,594)</u>	<u>(10,308)</u>
Administrative expenses		<u>(9,756)</u>	<u>(7,577)</u>
OPERATING PROFIT/(LOSS)		896	(3,779)
EBITDA		5,433	8,567
Depreciation, amortisation and impairment		<u>(4,537)</u>	<u>(4,788)</u>
		896	(3,779)
Finance costs	8	<u>(5,431)</u>	<u>(6,239)</u>
LOSS BEFORE INCOME TAX		(4,535)	(10,018)
Income tax	10	<u>2,047</u>	<u>1,280</u>
LOSS FOR THE YEAR		<u>(2,488)</u>	<u>(8,738)</u>
Loss attributable to:			
Owners of the parent		<u>(2,488)</u>	<u>(8,738)</u>

All the activities of group are from continuing operations.

The notes form part of these financial statements

Reliance Brands Holding UK Limited**Consolidated Statement of Other Comprehensive Income
for the Year Ended 31 December 2021**

	2021	2020
	£'000	£'000
LOSS FOR THE YEAR	(2,488)	(8,738)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(2,488)	(8,738)
	<u> </u>	<u> </u>
Total comprehensive loss attributable to: Owners of the parent	<u>(2,488)</u>	<u>(8,738)</u>

The notes form part of these financial statements

Reliance Brands Holding UK Limited**Company Statement of Profit or Loss
for the Year Ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
CONTINUING OPERATIONS			
Revenue		-	-
Cost of sales		<u>-</u>	<u>-</u>
GROSS PROFIT			
Other operating income		-	-
Distribution costs		-	-
Administrative expenses		<u>(10)</u>	<u>(176)</u>
OPERATING PROFIT/(LOSS)			
		(10)	(176)
EBITDA			
		(10)	(176)
Depreciation, amortisation and impairment			
		-	-
		<u>(10)</u>	<u>(176)</u>
Finance costs	8	<u>(68)</u>	<u>(764)</u>
LOSS BEFORE INCOME TAX			
		(78)	(940)
Income tax	10	<u>15</u>	<u>179</u>
LOSS FOR THE YEAR			
		<u>(63)</u>	<u>(761)</u>
Loss attributable to:			
Owners of the parent		<u>(63)</u>	<u>(761)</u>

All the activities of company are from continuing operations.

The notes form part of these financial statements

Reliance Brands Holding UK Limited (Registered number: 12071632)**Consolidated Statement of Financial Position****31 December 2021**

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11	73,989	74,217
Property, plant and equipment	12	<u>100,455</u>	<u>103,934</u>
		<u>174,444</u>	<u>178,151</u>
CURRENT ASSETS			
Inventories	14	11,937	7,714
Trade and other receivables	15	2,714	3,036
Cash and cash equivalents	16	<u>1,390</u>	<u>188</u>
		<u>16,041</u>	<u>10,938</u>
TOTAL ASSETS		<u>190,485</u>	<u>189,089</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	80,959	72,959
Other reserves	18	462	462
Retained earnings	18	<u>(10,158)</u>	<u>(7,670)</u>
TOTAL EQUITY		<u>71,263</u>	<u>65,751</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	19	2,887	3,502
Lease liabilities	22	104,302	105,669
Deferred tax liabilities	20	<u>302</u>	<u>2,642</u>
		<u>107,491</u>	<u>111,813</u>
CURRENT LIABILITIES			
Trade and other payables	19	10,892	9,189
Financial liabilities - borrowings			
Interest bearing loans and borrowings	21	-	1,348
Lease liabilities	22	<u>839</u>	<u>988</u>
		<u>11,731</u>	<u>11,525</u>
TOTAL LIABILITIES		<u>119,222</u>	<u>123,338</u>
TOTAL EQUITY AND LIABILITIES		<u>190,485</u>	<u>189,089</u>

The financial statements were approved by the director and authorised for issue on 19th April, 2022 and were signed by:

.....
S Varghese
Director

The notes form part of these financial statements

Reliance Brands Holding UK Limited (Registered number: 12071632)**Company Statement of Financial Position**
31 December 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill		-	-
Intangible assets		-	-
Property, plant and equipment		-	-
Right-of-use			
Investments	13	<u>72,006</u>	<u>72,006</u>
		<u>72,006</u>	<u>72,006</u>
CURRENT ASSETS			
Trade and other receivables	15	5,476	11,606
Cash and cash equivalents	16	<u>2</u>	<u>1</u>
		<u>5,478</u>	<u>11,607</u>
TOTAL ASSETS		<u><u>77,484</u></u>	<u><u>83,613</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	80,959	72,959
Retained earnings	18	<u>(3,493)</u>	<u>(3,430)</u>
TOTAL EQUITY		<u>77,466</u>	<u>69,529</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	18	12,736
Financial liabilities - borrowings			
Interest bearing loans and borrowings	21	<u>-</u>	<u>1,348</u>
		<u>18</u>	<u>14,084</u>
TOTAL LIABILITIES		<u>18</u>	<u>14,084</u>
TOTAL EQUITY AND LIABILITIES		<u><u>77,484</u></u>	<u><u>83,613</u></u>

The financial statements were approved by the director and authorised for issue on 19th April, 2022 and were signed by:

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S Varghese
Director

The notes form part of these financial statements

Reliance Brands Holding UK Limited**Consolidated Statement of Changes in Equity**
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2020	35,940	1,068	372	37,380
Changes in equity				
Increase in share capital	37,019	-	-	37,019
Total comprehensive loss	-	(8,738)	-	(8,738)
Movement during the year	-	-	90	90
Balance at 31 December 2020	<u>72,959</u>	<u>(7,670)</u>	<u>462</u>	<u>65,751</u>
Changes in equity				
Increase in share capital	8,000	-	-	8,000
Total comprehensive loss	-	(2,488)	-	(2,488)
Balance at 31 December 2021	<u><u>80,959</u></u>	<u><u>(10,158)</u></u>	<u><u>462</u></u>	<u><u>71,263</u></u>

The notes form part of these financial statements

Reliance Brands Holding UK Limited**Company Statement of Changes in Equity**
for the Year Ended 31 December 2021

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	35,940	(2,669)	33,271
Changes in equity			
Reserves of liquidating entities	-	29,705	29,705
Issue of share capital	37,019	-	37,019
Reversal of Investment of liquidated entities		(29,705)	(29,705)
Total comprehensive income/(loss)	<u>-</u>	<u>(761)</u>	<u>(761)</u>
Balance at 31 December 2020	<u>72,959</u>	<u>(3,430)</u>	<u>69,529</u>
Changes in equity			
Increase in share capital	8,000	-	8,000
Total comprehensive income/(loss)	<u>-</u>	<u>(63)</u>	<u>(63)</u>
Balance at 31 December 2021	<u><u>80,959</u></u>	<u><u>(3,493)</u></u>	<u><u>77,466</u></u>

The notes form part of these financial statements

Reliance Brands Holding UK Limited**Consolidated Statement of Cash Flows
for the Year Ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss before income tax		(4,535)	(8,738)
<u>Adjustments:</u>			
Depreciation charges		4,537	4,788
Finance costs		5,431	6,239
Lease liability written back		(2,311)	-
Bad debt provision reversal		(8)	-
Unclaimed liabilities written back		(126)	-
Corporate Taxation		<u>2,340</u>	<u>(1,280)</u>
		5,328	1,009
(Increase)/decrease in inventories		(4,223)	2,776
Decrease in trade and other receivables		465	2,022
Increase/(decrease) in trade and other payables		1,078	(11,847)
Deferred income		<u>(484)</u>	<u>-</u>
Net cash from operating activities		<u>2,164</u>	<u>(6,040)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(265)	(415)
Purchase of tangible fixed assets		<u>(1,069)</u>	<u>(520)</u>
Net cash from investing activities		<u>(1,334)</u>	<u>(935)</u>
Cash flows from financing activities			
Re-payment of lease liabilities		(907)	(1,076)
Financial expenses on loan & overdraft		(175)	(5,052)
Proceeds from loans & borrowings		-	400
Finance cost on lease liabilities		(5,256)	-
Proceeds from issue shares		<u>8,000</u>	<u>2,948</u>
Net cash from financing activities		1,662	(2,780)
Decrease in cash and cash equivalents		2,492	(9,755)
Cash and cash equivalents at beginning of year	1	(2,749)	7,006
Cash and cash equivalents at end of year	1	<u>(257)</u>	<u>(2,749)</u>

Cash and cash equivalents as stated above include bank overdraft under trade payable.

The notes form part of these financial statements

Reliance Brands Holding UK Limited**Notes to the Consolidated Statement of Cash Flows
for the Year Ended 31 December 2021****1. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2021	31.12.21 £'000	31.12.20 £'000
Cash and cash equivalents	1,390	188
Bank Over draft (Under Trade payables – current liabilities)	(1,647)	(2,937)
Net Cash and Cash Equivalents at the end of the year	<u>(257)</u>	<u>(2,749)</u>

Non-cash transactions:**For the year ended 31st December 2020:**

The company has issued 35,940,100 ordinary equity shares having nominal value of GBP 1 each, out of which 34,071,701 shares amounting to GBP 34,071 (in '000) have been issued against outstanding loan from Reliance Brand limited (India), an immediate parent company.

The notes form part of these financial statements

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2021****1. STATUTORY INFORMATION**

Reliance Brands Holding UK Limited (the “Company”) is a company incorporated and domiciled in the UK. The registered number is 12071632 and the registered address is 105 (8th Floor) Wigmore Street, London, United Kingdom, W1U 1QY. The Reliance Brands holding UK Ltd (“Company”) is the holding company of Hamleys Group. The principal activity of the group is the retailing of toys and franchising of the Hamleys brand through a variety of international channels and franchise partners.

2. ACCOUNTING POLICIES

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”).

The group financial statements have been prepared and approved by the Director in accordance with UK Adopted International Accounting Standards.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Judgements made by the Director, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below under “accounting estimates and judgements”

2.1 Adoption of new and revised standards

The following international financial reporting standards (IFRSs’) and interpretations were in issue and applicable to periods commencing on or after 01 Jan 2021:

- IFRS3 (Amendment) definition of business
- IFRS9 and IFRS7 (Amendment) Interest rate benchmark reforms Phase 1
- Amendments to IFRS 16 COVID-19-Related Rent Concessions
- Amendments to IAS 1 and IAS 8 Definition of “material”
- Amendments to IFRS 4 Insurance contract
- Amendments to References to the Conceptual Framework in IFRS Standard

None of above standard had a material impact on the company financial statement except impact of rent concession under IFRS 16.

2.2 Impact of the application of Amendment to IFRS 16 Leases covid-19 related rent concession

A one-year extension to the practical expedient for COVID-19 related rent concessions under IFRS 16 Leases has been published by the IASB (the Board) till 30 June 22.

The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification. Company has followed the accounting given as per practical expedient in respect of rent concession by not treating it as lease modification.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 2021**2. ACCOUNTING POLICIES****2.3 Measurement convention**

The financial statements are prepared on the historical cost basis except where IFRSs require an alternative treatment.

2.4 Basis of consolidation
Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

2.5 Going concern

The Director expect the retail climate through 2022 to remain uncertain and will continue to present an unpredictable trading environment. In order to counter this and as a measure to conserve cash, the Company has started putting in place a robust plan to reduce its costs and overheads. The Company is also focusing on reducing its cash levels tied up in working capital by managing stock orders on a just in time basis. This would also ensure that the impact of the rough business climate on the Company is minimal.

Financial forecasts, including sensitivities, for the year have been prepared using conservative sales levels and cost planning accordingly has been aligned to those sales estimates

The Director has also relied upon a third party equity valuation report of the company and its subsidiaries while making assessment of the going concern. The equity valuation report has been prepared using the discounted cash flows method.

The Director, after considering the financial forecasts, appropriate sensitivities, current trading, available facilities and the equity valuation report expect the group and therefore the company to have adequate resources to continue in operational existence for the foreseeable future.

2.6 Revenue

Revenue comprises the fair value of goods sold to external customers and franchisees, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably. The significant risks and rewards of ownership are deemed to have been passed when sold over the counter in store, when despatched for online sales and when despatched to franchisees. Territory fees are spread over the term of the initial contract period. Store opening fees paid by franchisees are recognised at the point the store opens. Franchise royalties are based upon a percentage of reported sales and are recognised on a monthly basis when earned.

2.7 Expenses**Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into an operating lease such incentives are recognised as a liability. Lease incentives are recognised as a reduction of rental expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease are consumed.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021****2. ACCOUNTING POLICIES – continued****Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise of interest payable on shareholder loans and finance leases and the unwinding of the discount on provisions. Financing income comprise interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

2.8 Intangible assets and goodwill**Goodwill**

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

· Hamleys brand	Indefinite life
· Other branding	4 years
· Branding	2 years
· Trademarks	5 years
· Concession agreement	9 years
· Computer software	3 years

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Operating lease payments are accounted for as described at 1.14 below.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 2021**2. ACCOUNTING POLICIES - continued**

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold property shorter of lease of premises or 10 years
- Fixtures and fittings 3 -5 years
- Computer equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2.10 Classification of financial instruments issued by the group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Where necessary, a provision is made to reduce the cost to no more than net realisable value having regard to the nature and condition of inventory as well as anticipated utilisation and saleability.

2.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 2021**2. ACCOUNTING POLICIES - continued****2.13 Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.14 Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in pounds sterling which are the Company's functional and Group's presentational currency.

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2.15 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

2.16 Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

2.17 Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2.19 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2.20 Impairment excluding inventories and deferred tax assets**Financial assets (including receivables)**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 2021**2. ACCOUNTING POLICIES - continued**

Interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Leases

The Company, as a lessee, recognises a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset. The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has the right to direct the use of the identified asset. The cost of the right-of-use asset shall comprise the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter lease term or useful life of the right-of-use asset. The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses an incremental borrowing rate.

For short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the lease term.

Variable lease payments are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 2021**3. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial information requires the Director to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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 and in any future periods impacted.

The key judgements and estimates employed in the financial statements are considered below.

3.1 Impairment of goodwill and indefinite life brand

On an annual basis, the Group is required to perform an impairment review to assess whether the carrying value of goodwill and indefinite life brand is less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance.

3.2 Depreciation and amortisation

Judgement is required in assessing the useful economic lives of tangible fixed assets and intangible assets. These assumptions are based on the Director 's best estimate of the life of the asset and its residual value at the end of its economic life.

3.3 Impairment of property, plant and equipment and intangibles

The group has undertaken a significant strategic review of its store estate resulting in impairment of fixed assets in loss making stores where a decision has been made to exit. The carrying value of assets for the remaining store assets have been assessed against future cash flows and impairments have been recognised for stores where carrying amounts of the assets may not be recoverable.

3.4 Valuation of other intangible assets

The assessment of fair value in a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities in the acquired business. The key judgements required are the identification of intangible assets meeting the recognition criteria of IAS 38 and their attributable fair values. The key assumptions in relation to the brand valuation are the Director 's best estimate of its life and the royalty and discount rate used in its valuation.

3.5 Recoverability of receivables

Trade receivables are assessed for impairment and are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. The Director use historic experience and assessment of future profitability to assess whether an impairment is required.

3.6 Recoverability of inventories

The value of inventories is assessed for impairment and where required, a provision is made to reduce the cost to no more than net realisable value. This requires judgement and assumptions are made on anticipated utilisation and saleability, taking into account the nature and condition of inventory as well as historic experience and assessment of future profitability.

3.7 Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the temporary difference can be utilised. The director make an assessment of future profits based on historical experience and various other forecasting judgements and assumptions. Where it is not deemed probable that future profits will be available, the deferred tax asset is not recognised to this extent.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021****4. NON-IFRS FINANCIAL INFORMATION****Gross transaction value**

	2021	2020
	£000	£000
Gross transaction value	36,171	25,813

Revenue from concessions is required to be shown on a net basis, being the commission received rather than the gross value achieved by concessionaires on sales. The Director believe that gross transactional value, which presents revenue on a gross basis before adjusting for concessions, represents a good guide to the value of the overall activity of the Group. Statutory turnover includes franchise royalty income and territory fees – these amounts are excluded from gross transactional value.

EBITDA

Earnings before interest, tax, depreciation, amortisation and impairments (“EBITDA”) has been presented as in the opinion of the Director, this measure of the group’s performance provides useful additional disclosure. It is not intended to be a substitute for, or superior to, GAAP measurements of profit.

5. REVENUE**Revenue**

	2021	2020
	£000	£000
Sale of goods including goods to franchisees	30,307	21,133
Franchise income	<u>3,785</u>	<u>3,280</u>
Total revenue	<u>34,092</u>	<u>24,413</u>

Franchising income include royalties, territory and store opening support fees.

6. EMPLOYEES AND DIRECTOR

The average number of persons employed by the group (including director) during the period, analysed by category, was as follows:

	Number of employees	Number of employees
	2021	2020
Selling and distribution	470	441
Administration	<u>27</u>	<u>57</u>
	<u>497</u>	<u>498</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	6,877	5,788
Social security costs	426	497
Contributions to defined contribution plans	<u>162</u>	<u>204</u>
	<u>7,465</u>	<u>6,489</u>

In current year no remuneration was paid to directors.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021****7. OTHER OPERATING INCOME**

	2021	2020
	£'000	£'000
Party income	129	76
Commission from dynamic currency conversion	-	25
Window income	251	380
Sundry Receipts	62	55
Unclaimed liabilities written back	126	-
Lease Liability no longer required written back*	2,311	577
Commission income	<u>1,204</u>	<u>258</u>
	<u>4,083</u>	<u>1,371</u>

* One-year extension to the practical expedient for COVID-19 related rent concessions under IFRS 16 Leases has been published by the IASB (the Board) till 30 June 22. Company has followed the treatment given in IFRS 16 in respect of rent concession.

8. FINANCE COSTS

Recognised in profit or loss	Consolidated		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Finance costs				
Interest expense on bank loan and overdrafts	105	137	-	-
Interest expense on shareholder loans	70	764	68	764
Interest expense on leases	<u>5,256</u>	<u>5,338</u>	<u>-</u>	<u>-</u>
Total finance costs	<u>5,431</u>	<u>6,239</u>	<u>68</u>	<u>764</u>

9. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2021	2020
	£'000	£'000
Cost of inventories recognised as expense	15,929	11,678
Depreciation - owned assets	955	1,474
Amortisation	508	237
Depreciation – right of use assets	3,074	3,078
Variable lease payments*	550	156
Foreign exchange losses/(gains)	(13)	(332)
Hire of plant and Machinery	77	57
Capital contribution and rent inducement	<u>(161)</u>	<u>(191)</u>

*Variable lease payments not recognised in the related lease liability are expensed as incurred and include rentals based on revenue from stores.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

10. TAX

Recognised in the statement of profit or loss

	Consolidated 2021 £000	Consolidated 2020 £000	Company 2021 £000	Company 2020 £000
Current tax expense				
Corporation tax charge for the period	-	-	(15)	(179)
Adjustment for prior periods	<u>293</u>	<u>380</u>	<u>-</u>	<u>-</u>
Current tax expense/(credit)	293	380	(15)	(179)
Deferred tax expense				
Origination and reversal of temporary differences	(798)	(2,171)	-	-
Adjustment for prior periods	(176)	511	-	-
Change in tax rate	<u>(1,366)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax credit	<u>(2,340)</u>	<u>(1,660)</u>	<u>-</u>	<u>-</u>
Current tax expense/(credit)	<u>(2,047)</u>	<u>(1,280)</u>	<u>(15)</u>	<u>(179)</u>

The tax charge is reconciled with the standard rates of UK corporation tax as follows:

	2021 £000	2020 £000	2021 £000	2020 £000
Loss for the period	(2,488)	(8,738)	(63)	(761)
Total tax (credit)/expense	<u>(2,047)</u>	<u>(1,280)</u>	<u>(15)</u>	<u>(179)</u>
Loss excluding taxation	<u>(4,535)</u>	<u>(10,018)</u>	<u>(78)</u>	<u>(940)</u>
Tax using the UK corporation tax rate of 19.00%	(862)	(1,903)	(15)	(179)
Deferred tax not recognised	143	(130)	-	-
Expenses not deductible for tax	81	(56)	-	-
Reduction in tax rates on deferred tax balance	(192)	-	-	-
Losses utilised previously not recognised	-	(82)	-	-
Foreign Tax	-	-	-	-
Adjustment respect to prior period	<u>(1217)</u>	<u>891</u>	<u>-</u>	<u>-</u>
Total tax credit	<u>(2,047)</u>	<u>(1,280)</u>	<u>(15)</u>	<u>(179)</u>

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

11. INTANGIBLE ASSETS Group	Branding £'000	Goodwill £'000	Patents and licences £'000	Computer software £'000	Total £'000
COST					
At 1 January 2021	34,813	38,697	3,662	5,110	82,282
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>265</u>	<u>265</u>
At 31 December 2021	<u>34,813</u>	38,697	3,662	5,375	82,547
AMORTISATION					
At 1 January 2021	-	-	3,625	4,440	8,065
Amortisation for year	<u>-</u>	<u>-</u>	<u>29</u>	<u>464</u>	<u>493</u>
At 31 December 2021	<u>-</u>	<u>-</u>	<u>3,654</u>	<u>4,904</u>	<u>8,558</u>
NET BOOK VALUE					
At 31 December 2021	<u>34,813</u>	<u>38,697</u>	<u>8</u>	<u>471</u>	<u>73,989</u>
At 31 December 2020	<u>34,813</u>	<u>38,697</u>	<u>52</u>	<u>670</u>	<u>74,217</u>

Included is the Hamleys brand valued at £34.81 million which has an indefinite life. This indefinite life is supported by Hamleys being a well-established and reputable brand and is the world's oldest toy store. There are no known legal or contractual provisions that would limit the life of the brand and it is protected by trademarks that can be renewed indefinitely.

Amortisation charge

All amortisation is recognised in administrative expenses in the statement of profit and loss.

Goodwill and indefinite life intangible assets are not amortised, but tested annually for impairment on the basis of value in use calculations using discounted cash flows. The group considers there to be one CGU, being the UK business.

The calculated value in use exceeded the carrying value of goodwill and indefinite life intangible assets and no further sensitivity calculations were necessary to conclude there was no impairment. However, a combination of adverse changes in assumptions (such as forecast revenue growth) and other variables (such as discount rates), could result in an impairment in future years.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**12. **PROPERTY, PLANT AND EQUIPMENT**

Group	Properties Leased for own use £'000	Leasehold land and building £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
COST					
At 1 January 2021	108,525	22,846	8,835	3,001	143,207
Additions	422	551	282	236	1,491
Modification	<u>(942)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(942)</u>
At 31 December 2021	<u>108,005</u>	<u>23,397</u>	<u>9,117</u>	<u>3,237</u>	<u>143,756</u>
DEPRECIATION					
At 1 January 2021	7,334	20,550	8,518	2,870	39,272
Charge for the year	<u>3,074</u>	<u>723</u>	<u>138</u>	<u>94</u>	<u>4,029</u>
At 31 December 2021	<u>10,408</u>	<u>21,273</u>	<u>8,656</u>	<u>2,964</u>	<u>43,301</u>
NET BOOK VALUE					
At 31 December 2021	<u>97,597</u>	<u>2,124</u>	<u>461</u>	<u>273</u>	<u>100,455</u>
At 31 December 2020	<u>101,190</u>	<u>2,296</u>	<u>317</u>	<u>131</u>	<u>103,934</u>

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**13. **INVESTMENTS****Company**

	2021	2020
	£000	£000
Balance at beginning of the year	72,006	34,231
Additions/Reversal of investments in liquidated entities	-	67,480
Prior Period Restatement#	-	(29,705)
Closing Balance	<u>72,006</u>	<u>72,006</u>

The Group and Company have the following investments in subsidiaries:

Company	Country of incorporation	Principal activity	Class of shares held	Ownership 2021
Hamleys Global Holdings Limited*	United Kingdom	Holding Company	Ordinary	-
Hamleys Group Limited*	United Kingdom	Holding Company	Ordinary	-
Hamleys of London Limited	United Kingdom	Toy Retailing	Ordinary	100%
Hamleys (Franchising) Limited	United Kingdom	Franchise Company	Ordinary	100%
Scrumpalicious Limited*	United Kingdom	Retailing	Ordinary	-
Luvley Limited*	United Kingdom	Retailing Import	Ordinary	-
Hamleys Asia Limited	Hong Kong	Company	Ordinary	100%
Hamleys Toys (Ireland) Limited+	Ireland	Toy Retailing	Ordinary	100%

* = The companies struck off.

+ = Companies ceased trading Subsidiaries

= Decrease in investment due to restatement of prior period

For the financial year ended 31 December 2021, the Group has consolidated the financial position as at 31 December 2021 and results of its above mentioned subsidiaries except those which are struck off during the year.

14. **INVENTORIES**

	Group	
	2021	2020
	£'000	£'000
Inventories- finished goods	<u>11,937</u>	<u>7,714</u>

All inventories are expected to be sold within 12 months.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**15. **TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Current:				
Trade receivables	65	569	-	-
Tax receivables	158	689	-	19
Amounts owed by group companies	5	130	5,476	11,587
Other debtors	434*	1,090	-	-
Accrued income	744	246	-	-
Prepayments	<u>1,308</u>	<u>312</u>	<u>-</u>	<u>-</u>
	<u>2,714</u>	<u>3,036</u>	<u>5,476</u>	<u>11,606</u>

*Other debtors include GBP 84k advance given to Reliance Brand Limited (India)

Ageing of trade receivables (which are included in trade and other receivables), based on invoice date and net of allowance of doubtful debts, is as follows:

	2021	2020
	£000	£000
Within 30 days	65	514
31-60 days	-	7
61-121 days	-	6
121+ days	<u>-</u>	<u>42</u>
	<u>65</u>	<u>569</u>

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	2021	2020
	£000	£000
Opening balance	19	53
Impairment loss recognised/(reversal)	<u>(1)</u>	<u>(34)</u>
Closing balance	<u>18</u>	<u>19</u>

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021****16. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash in hand and cash at bank	<u>1,390</u>	<u>188</u>	<u>2</u>	<u>1</u>

* Comprises: -

	Consolidated	Consolidated	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank overdraft (under trade and other payables)	(1,647)	(2,937)	-	-
Cash and bank balances	<u>1,390</u>	<u>188</u>	<u>2</u>	<u>1</u>

17. SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Nominal	2021	2020	
80,959,354 (previous year 72,959,354) Ordinary shares of £1.00 each	value:	£'000	£'000	
Opening balance	1£	72,959	35,940	
Addition during the year	1£	<u>8,000</u>	<u>37,019</u>	
		<u>80,959</u>	<u>72,959</u>	

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**18. **RESERVES****Group**

	Retained earnings £'000	Other reserves £'000	Total £'000
At 1 January 2021	(7,670)	462	(7,208)
Deficit for the year	(2,488)	-	(2,488)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	<u>(10,158)</u>	<u>462</u>	<u>(9,696)</u>

Company

	Retained earnings £'000
At 1 January 2021	(3,430)
Deficit for the year	(63)
	<hr/>
At 31 December 2021	<u>(3,493)</u>

19. **TRADE AND OTHER PAYABLES**

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current:				
Bank overdraft	1,647	2,937	-	-
Trade payables	4,462	2,561	18	-
Amounts owed to group companies	-	-	-	12,736
Social security and other taxes	161	75	-	-
Other creditors	426	178	-	-
Accruals	3,230	2,653	-	-
VAT	448	251	-	-
Deferred income	518	534	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>10,892</u>	<u>9,189</u>	<u>18</u>	<u>12,736</u>
Non-current:				
Deferred income	2,846	3,330	-	-
Accruals	41	172	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>2,887</u>	<u>3,502</u>	<u>-</u>	<u>-</u>
Aggregate amounts	<u>13,779</u>	<u>12,691</u>	<u>18</u>	<u>14,084</u>

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021****19. TRADE AND OTHER PAYABLES - continued**

Included within accruals and deferred income, both current and non-current are lease incentives and capital contributions that are being spread over the life of the lease and deferred income in respect of territory fees which are being recognised over the life of the initial contract.

20. DEFERRED TAX LIABILITIES

	2021	2020
	£'000	£'000
Non-current:		
Deferred tax liabilities	<u>302</u>	<u>2,642</u>

21. FINANCIAL LIABILITIES - BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 23.

	Consolidated	Consolidated	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Current liabilities				
Unsecured shareholder loans (ultimate parent undertaking)	-	<u>1,348</u>	-	<u>1,348</u>
	<u>-</u>	<u>1,348</u>	<u>-</u>	<u>1,348</u>

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 202122. **LEASE LIABILITIES****Group****Lease liabilities and its maturity analysis**

Minimum lease payments fall due as follows:

	2021	2020
	£'000	£'000
Gross obligations repayable:		
Within one year	839	988
Between one and five years	1,038	1,931
In more than five years	103,264	103,644
	<u>105,141</u>	<u>106,563</u>
 Net obligations repayable:		
Within one year	839	988
Between one and five years	1,038	1,931
In more than five years	<u>103,264</u>	<u>103,643</u>
	<u>105,141</u>	<u>106,563</u>

The Company leases a number of stores and warehouses under leases of varying lengths, for which incentives/premiums are received under the relevant lease agreements. One lease relating to the property in Regent Street has 59 years left to run as at 31 December 2021.

During the year £5.26 million was recognised as an interest expense in the statement of profit or loss in respect of leases liabilities.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021****23. FINANCIAL INSTRUMENTS****Financial risk management**

Senior management and the Director have overall responsibility for the oversight of the Group's risk management framework. Senior management and Director review and manage risk on an ad hoc basis when required through specific consideration of transactions. When identified, agreed actions are taken to mitigate these risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Group's receivables from franchisees.

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different franchisees. The Group has policies in place to ensure that agreements are made with franchisees with an appropriate credit history. The Group only sells to franchisees that are credit-worthy and mitigates risk in certain markets by bank guarantees. The Group monitors the credit-worthiness of counterparties using publicly available information. As a result, the Group's exposure to bad debts is not significant and default rates have historically been very low. Sales to retail customers are made in cash or via major credit cards.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due by ensuring that there is sufficient cash or working capital facilities to meet the Group's cash requirements.

The risk is measured by review of forecast liquidity each month to determine whether there are sufficient credit facilities to meet forecast requirements. Cash flow forecasts are submitted monthly to the Director. These continue to demonstrate the strong cash generating ability of the business and its ability to operate within existing agreed facilities.

All short term trade and other payables, accruals and borrowings mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows.

The maturity profile of the contractual undiscounted cash flows of the Company and Group's financial liabilities is as follows:

	Consolidated 2021 £000	Consolidated 2020 £000	Company 2021 £000	Company 2020 £000
In less than one year	9,765	8,472		1,348
In more than one year but not more than two years	-	-	-	-
More than two years but not more than three years	<u>41</u>	<u>172</u>	<u>-</u>	<u>-</u>
	<u>9,806</u>	<u>8,644</u>	<u>-</u>	<u>1,348</u>

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Group's income. The Group's exposure to market risk predominantly relates to interest and currency risk.

Interest rate risk

The Group is exposed to the risk of interest rate fluctuations with regard to the debt provided by Reliance Brands Limited. The Group's policy aims to manage the interest cost of the Group within the constraints of its financial covenants and business plan.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021****Foreign currency risk**

The Group operates internationally and is, therefore, exposed to the foreign exchange risk which can negatively impact revenue, costs, margins and profits.

The Groups transacts with franchisees in US Dollar. The Group transacts with its suppliers of finished goods, based in continental Europe and Asia, in Euro and US Dollar. In addition to this, the Group is exposed to transaction risk on the translation and conversion of surplus Euro, US dollar, and Hong Kong dollar cash balances into pounds sterling.

The following table shows the extent to which the Group has monetary assets at the balance sheet date in currencies other than the local currency of operation. Monetary assets and liabilities refer to cash, borrowings and other amounts to be received or paid in cash. Amounts exclude intercompany balances which eliminate on consolidation.

	2021	2021	2020	2020
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
	£000	£000	£000	£000
Euro	4	-	-	8
US dollar	136	487	497	3,092
HK dollar	8	-	-	1
	<u>148</u>	<u>487</u>	<u>497</u>	<u>3,101</u>

Own operated store sales are denominated in GBP whilst franchise revenue is denominated in USD. The USD foreign exchange risk is mitigated by stock purchases being made in USD. The Director will keep monitoring the impact of the exchange rate on the business closely and take appropriate measures to mitigate the impact where necessary.

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions

Trade receivables, trade payables and borrowings

The fair value approximates the carrying value because of the short maturity of these instruments.

Long-term borrowings

Following a substantial modification to the shareholder loan, management has recognised a fair value adjustment to the carrying value of the loan in the balance sheet.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). All financial instruments carried at fair value have been measured using a Level 2 valuation method.

The fair value of financial assets and liabilities are as follows:

	2021	2020
	£000	£000
Cash and cash equivalents	1,390	188
Trade and other receivables	<u>1,248</u>	<u>2,178</u>
Total financial assets	<u>2,638</u>	<u>2,366</u>

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021**

	2021	2020
	£000	£000
Trade and other payables	(9,806)	(8,644)
Interest accrued on shareholders loan	<u>-</u>	<u>(1,348)</u>
Total financial liabilities	<u>(9,806)</u>	<u>(9,992)</u>

Foreign exchange rate sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates for its US dollar financial instruments, the major currency in which the Group's derivatives are denominated.

	2021
	Increase/ (decrease) in equity £000
10% appreciation in the US dollar	(35)
10% depreciation in the US dollar	<u>35</u>

A strengthening / weakening of sterling, as indicated, against the US dollar at each period would have increased / (decreased) retained earnings by the amounts shown above. This analysis is based on foreign exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

24. ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

The Company's ultimate parent company and controlling party is Reliance Industries Limited, a company incorporated in India. The company office address is 3rd Floor, Maker Chambers IV, 222, Nariman Point, Mumbai, Maharashtra 400021.

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2021****25. RELATED PARTY DISCLOSURES**

Transactions with key management personnel

Key management personnel include Director and executive members of the Hamleys Group.

The compensation of key management personnel (including the Director) is as follows:

	2021	2020
	£000	£000
Salaries, allowances and benefits in kind	-	415
Retirement scheme contributions	-	-
	<u>-</u>	<u>415</u>

The highest paid director received total remuneration of £. Nil. (Previous Year: £137 thousand)

Other related party transactions

Balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transaction and balances between group and its holding company or other related parties, except the subsidiaries of company are disclosed below:

During the year, group companies entered into following transaction with related parties who are not members of group:

	Income	Expenses	Income	Expenses
	2021	2021	2020	2020
	£000	£000	£000	£000
Holding Company				
Reliance Brands Limited				
Shareholder loan interest income/expense	-	-	-	764
Other (sale of stock, royalty)	1,037	-	1,568	-
Purchase of stock	-	517	-	312
	<u>1,037</u>	<u>517</u>	<u>1,568</u>	<u>1,076</u>

	Receivables	Payables	Receivables	Payables
	outstanding	outstanding	outstanding	outstanding
	2021	2021	2020	2020
	£000	£000	£000	£000
Holding Company				
Reliance Brands Limited -Unsecured shareholder loans	-	-	-	1,348
Reliance Brands Limited-trade &other payables	5	-	130	-

Reliance Brands Holding UK Limited**Notes to the Consolidated Financial Statements - continued**
for the Year Ended 31 December 202126. **PRIOR PERIOD RESTATEMENT**

The amounts of Investments and Reserves presented in the financial statements in respect of previous year have been restated for the purpose of rectification of the accounting entries recorded in connection with liquidated entities namely The Hamleys Group Limited, Scrumpalicious Limited, Luvely Limited and Hamleys Global Holdings Limited. This has no impact on the Statement of Profit or Loss for the year.

Following table gives the details of prior period accounting impact (Amounts are in GBP '000):

Investments as on 31-12-2020 before restatement	101,711
Decrease in investment due to restatement	<u>(29,705)</u>
Investments as on 31-12-2020 (Restated)	72,006
Reserves as on 31-12-2020 before restatement	26,275
Decrease in reserves due to restatement	<u>(29,705)</u>
Reserves as on 31-12-2020 (Restated)	(3,430)