Hamleys (Franchising) Limited
Financial Statements
for the year ended 31st December, 2019

Independent Auditor's Report

To the members of Hamleys (Franchising) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hamleys (Franchising) Limited (the 'Company') for the year ended 31 December 2019 which comprise Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity, Cash flow statement 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Strategic report and Directors' 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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

· the Strategic report and Directors' report has been prepared in accordance with applicable legal requirements.

Independent Auditor's Report

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

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 Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 for the financial statements

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: 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 Delamare Road
Hayes, Middx
UB4 0NN

April 24, 2020

Statement of profit and loss and other comprehensive income for the year ended 31 December 2019

	Note	**2019**	2018
		£000	£000
Revenue	*2*	**9,552**	10,737
Cost of Sales		**(4,549)**	(5,947)
Gross profit		**5,003**	4,790
Administrative expenses		**(1,217)**	(1,980)
Operating profit		**3,786**	2,810
Financial income		**19**	6
Other income		**3**	57
Profit before tax		**3,808**	2,873
Tax on profit	*6*	**(609)**	(625)
Profit for the financial year		**3,199**	2,248

There are no recognised gains or losses other than those passing through the statement of profit and loss and other comprehensive income.

The notes on pages 8 to 19 form part of these financial statements.

All activities are continuing.

Balance sheet at 31 December 2019

	Note	**2019**	2018
		£000	£000
Non-current assets			
Property, plant and equipment	*7*	**13**	25
Intangible assets	*8*	**170**	270
Deferred tax assets	*9*	**6**	7
		189	302
Current assets			
Inventories	*10*	**252**	312
Trade and other receivables	*11*	**17,201**	12,995
Cash and cash equivalents	*12*	**138**	281
		17,591	13,588
Total assets		**17,780**	13,890
Current liabilities			
Trade and other payables	*13*	**(709)**	(3,346)
		(709)	(3,346)
Non-current liabilities			
Other payables	*13*	**(3,826)**	(498)
Total liabilities		**(4,535)**	(3,844)
Net assets		**13,245**	10,046
Equity			
Share capital	*14*	-	-
Retained earnings		**13,245**	10,046
Total equity		**13,245**	10,046

The notes on pages 8 to 19 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24 April 2020 and were signed on its behalf by:

Sohail Shaikh
Director

Company registered number: 05639053

Statement of changes in equity

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	0	7,798	7,798
Total comprehensive income for the year			
Profit for the year	0	2,248	2,248
Total comprehensive income for the year	0	2,248	2,248
Balance at 31 December 2018	**0**	**10,046**	**10,046**

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	0	10,046	10,046
Total comprehensive income for the year			
Profit for the year	0	3,199	3,199
Total comprehensive income for the year	0	-	-
Balance at 31 December 2019	**0**	**13,245**	**13,245**

The notes on pages 8 to 19 form part of these financial statements.

Cash flow statement for year ended 31 December 2019

	Note	2019	2018
		£000	£000
Cash flows from operating activities			
Profit for the year		**3,199**	2,248
Adjustments for:			
Depreciation and amortisation	*7,8*	**112**	116
Financial income		**(19)**	(6)
Taxation	*6*	**609**	625
		3,901	2,983
Increase in trade and other receivables		**(4,215)**	(2,186)
Decrease in inventories		**61**	234
Increase/(Decrease) in trade and other payables		**699**	(1,052)
		446	(21)
Tax paid		**(608)**	(612)
Net cash from operating activities		**(162)**	(633)
Cash flows from investing activities			
Acquisition of property, plant and equipment	*7*	**-**	(14)
Acquisition of other intangible assets	*8*	**-**	-
Proceeds from sales of assets		**-**	10
Net cash from investing activities		**-**	(4)
Cash flows from financing activities			
Financial income		**19**	6
Net cash from financing activities		**19**	6
Net increase in cash and cash equivalents		**(143)**	(631)
Cash and cash equivalents at start of the year		**281**	912
Cash and cash equivalents at end of year	*12*	**138**	281

The notes on pages 8 to 19 form part of these financial statements.

Notes to the financial statements

1 ACCOUNTING POLICIES

Hamleys (Franchising) Limited (the “Company”) is a company incorporated and domiciled in the UK. The registered number is 05639053 and the registered address is 2 Fouberts Place, London, W1F7PA.

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union (“Adopted IFRSs”).

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

1.1. Measurement Conversion

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

1.2. Going Concern

The Directors believe the diversified portfolio of the Franchise business in multiple territories and across a few Franchise Partners will mitigate any macroeconomic factors in the economies we operate in. The strong fundamentals of the business are represented through positive results delivered in 2019 and 2020 to date. The Company has future expansion plans and will invest in new partnership avenues /opportunities that comes across to put itself in a strong position of growth.

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 Company has made considerable effort to improve cost base management,reduce cash levels tied up in working capital by managing stock orders on a just in time basis, and ease pressures on cash flow by managing supplier expectations.

The Directors, after considering the financial forecasts, appropriate sensitivities, current trading and available facilities expect the Company to have adequate resources to continue in operational existence for the foreseeable future. The Directors also anticipate that the existing funding facilities to remain in place.

Based on all of the evidence available the Directors continue to adopt the going concern basis in preparing the financial statements.

1.3. Foreign Currency

Transactions in foreign currencies are translated to the Company’s functional currency 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 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.

1.4. Classification of financial instruments issued by the Company

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

(a) they include no contractual obligations upon the company 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 company; 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.

1.5. Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Notes to the financial statements

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 provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the statement of profit and loss in administrative expenses.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6. 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.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Fixtures and fittings 5-20% per annum

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

1.7. Intangible assets

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 Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the statement of profit and 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:

- Trademarks 5 years
- Software 3 years
- Branding 4 years

1.8. 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.

When necessary, 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.

1.9. 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

Notes to the financial statements

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 effective 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 Company'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").

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 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.

1.10. Revenue recognition

Revenue comprises the fair value of goods sold to 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 franchisee and the amount of revenue can be measured reliably. The significant risks and rewards of ownership are deemed to have been passed 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.

1.11. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss and other comprehensive income 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 periods.

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.

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.

Notes to the financial statements

1.12. Updates to IFRS

New and revised standards that are effective for annual years beginning on or after 1 January 2019

The standards and amendments that are effective for the first time in 2019 are:

IFRS 16:-

IFRS 16 changes the recognition, measurement, presentation and disclosure of leases. In particular it requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. At the commencement of a lease, a lessee recognises lease payments (lease liability) and an asset representing the right to use the asset during the lease term (leased asset).

Lessees subsequently reduce the lease liability when paid and recognise depreciation on the leased asset. A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments.

The remeasurement normally also adjusts the leased asset.

The standard has no impact on the actual cash flows of a group.

However the standard requires the capitalisation, and subsequent depreciation, of costs that were previously expensed as paid which impacts disclosures of cash flows within the cash flow statement.

The amounts previously expensed as operating cash outflows are instead capitalised and presented as financing cash outflows

Adoption of IFRS 16 is not applicable to the Company.

Notes to the financial statements

2 REVENUE

	2019	2018
	£000	£000
Sales of goods	**4,647**	5,839
Franchise income	**4,905**	4,898
Total revenues	**9,552**	10,737

Revenue split by geography	**2019**	2018
	£000	£000
UK	**25**	121
Europe	**1,370**	1,004
Rest of World	**8,156**	9,612
Total revenues	**9,552**	10,737

3 EXPENSES AND AUDITOR'S REMUNERATION

Included in profit/loss are the following:	**2019**	2018
	£000	£000
Depreciation charge	**12**	16
Amortisation charge	**100**	100
Foreign exchange losses/ (gains)	**116**	(207)

Auditor's remuneration:

The prior year audit fee was payable to the predecessor auditor Grant Thornton UK LLP.

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the financial statements of the Company's UK parent, Reliance Brands Holding UK Limited

4 STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (excluding directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Administration	**3**	3

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**190**	264
Social security costs	**27**	14
Contributions to defined contribution plans	**18**	3
	235	281

5 DIRECTORS' REMUNERATION

	2019	2018
	£000	£000
Directors' remuneration	**166**	138

Notes to the financial statements

6 TAXATION

Recognised in the income statement

	2019 £000	2018 £000
Current tax expense		
Current period	**582**	607
Foreign corporation tax charge for the period	**150**	150
Double taxation relief	**(150)**	(168)
Adjustments for prior periods	**26**	23
Current tax expense	**608**	612
Deferred tax expense		
Current period	**1**	(2)
Adjustments for prior periods	**-**	15
Total tax expense	**609**	625

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	**3,199**	2,248
Total tax expense	**609**	625
Profit excluding taxation	**3,808**	2,873
Tax using the UK corporation tax rate of 19.00% *(2018: 19.00%)*	**723**	546
Non-deductible expenses	**10**	59
Fixed asset differences	**-**	-
Foreign tax	**(150)**	(18)
Adjustments in respect of prior periods	**26**	38
Total tax expense	**609**	625

7 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £000
Cost	
Balance at 1 January 2018	100
Additions	14
Balance at 31 December 2018	114
Balance at 1 January 2019	114
Additions	-
Balance at 31 December 2019	114
Depreciation and impairment	
Balance at 1 January 2018	73
Depreciation charge for the year	16
Balance at 31 December 2018	89
Balance at 1 January 2019	89
Depreciation charge for the year	12
Balance at 31 December 2019	101
Net book value	
At 31 December 2018	25
At 31 December 2019	**13**

Notes to the financial statements

8 INTANGIBLE ASSETS

	Branding	**Trademarks**	**Computer software**	**Total**
	£000	**£000**	**£000**	**£000**
Cost				
Balance at 1 January 2018	183	457	9	649
Additions / (Disposals)	-	(10)	-	(10)
Balance at 31 December 2018	183	447	9	639
Balance at 1 January 2019	183	447	9	639
Additions / Disposals	-	-	-	-
Balance at 31 December 2019	183	447	9	639
Amortisation				
Balance at 1 January 2018	27	233	9	269
Amortisation for the year	-	100	-	100
Balance at 31 December 2018	27	333	9	369
Balance at 1 January 2019	27	333	9	369
Amortisation for the year	-	100	-	100
Balance at 31 December 2019	27	433	9	469
Net book value				
At 31 December 2018	156	114	-	270
At 31 December 2019	**156**	**14**	**-**	**170**

9 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	2019	2018
	£000	£000
Property, plant and equipment	**6**	5
Trade and other receivables	**-**	2
	6	7

Movement in deferred tax during the year

	1-Jan-19	**Recognised in income**	**31-Dec-2019**
	£000	**£000**	**£000**
Property, plant and equipment	**5**	**1**	**6**
	5	**1**	**6**

Movement in deferred tax during the prior year

	1-Jan-18	Recognised in income	31-Dec-18
	£000	£000	£000
Property, plant and equipment	18	(13)	5
Trade and other receivables	2	-	2
	20	(13)	7

Notes to the financial statements

10 INVENTORIES

	2019 £000	2018 £000
Finished goods	**252**	312

All inventories are expected to be sold within 12 months.

11 TRADE AND OTHER RECEIVABLES

	2019 £000	2018 £000
Trade receivables	**1,505**	1,915
Trade receivables due from related parties	**15,151**	10,701
Other debtors	**392**	216
Prepayments	**107**	117
Accrued income	**45**	37
Other tax and social security	**1**	-
	17,201	12,986

Aging 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:

	2019 £000	2018 £000
Within 30 days	**749**	1,413
31-60 days	**560**	340
61-121 days	**189**	129
121+ days	**6**	31
Total	**1,504**	1,913

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

	2019 £000	2018 £000
Opening balance	**369**	247
Impairment loss recognised	**(332)**	122
Closing balance	**37**	369

The allowance account for trade receivables is used to record impairment losses unless the Company 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.

12 CASH AND CASH EQUIVALENTS/ BANK OVERDRAFTS

	2019 £000	2018 £000
Cash and cash equivalents per balance sheet and cash flow statements	**138**	281

Notes to the financial statements

13 TRADE AND OTHER PAYABLES

	2019	2018
	£000	£000
Current		
Trade payables	**74**	334
Trade payables due to related parties	**39**	2,452
Other payables	**0**	7
Accruals	**61**	212
Deferred income	**534**	341
	709	3,346

	2019	2018
	£000	£000
Non-current		
Accruals and deferred income	**3,826**	498

Included in deferred income, both current and non-current is deferred income in respect of territory fees which are being recognised over the life of the initial contract.

14 CAPITAL AND RESERVES

Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
100 ordinary share of £1 each	**100**	100

Details of all movements in reserves for the Company are shown in the Statement of Changes in Equity. The retained earnings reserve is distributable.

15 FINANCIAL INSTRUMENTS

Financial risk management

Senior management and the directors have overall responsibility for the oversight of the Company's risk management framework. Senior management and directors 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 Company if a counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Company's receivables from franchisees.

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

The company is also exposed to credit risk arising from other financial assets, which comprise of cash. The Company's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments if a counterparty to a financial instrument fails to meet its contractual obligation.

Liquidity risk

Liquidity risk is the risk that the Company 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 Company's cash requirements.

Notes to the financial statements

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 Directors. These continue to demonstrate the strong cash generating ability of the business and its ability to operate within existing agreed facilities.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Company's income. The Company's exposure to market risk predominately relates to foreign currency risk. The Company has no long-term borrowings, resulting in no interest rate risk.

Foreign currency risk

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

The Company transacts with franchisees in US dollar. In addition to this, the Company is exposed to transaction risk on the translation and conversion of surplus US dollar cash balances into pounds sterling.

The following table shows the extent to which the Company has monetary assets at the balance sheet date in currencies other than the local currency of operation. Monetary assets refer to cash and trade receivables. There are no monetary liabilities in foreign currency.

	2019 Monetary assets £000	2018 Monetary assets £000
US dollar	**1,824**	2,375

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future growth. The directors regularly monitor the level of capital in the Group to ensure that this can be achieved.

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 and trade payables

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

Fair value hierarchy

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

- Level 1: quoted prices 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) and
- 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.

Notes to the financial statements

The fair value (which is equal to carrying value) of financial assets and liabilities are as follows:

	2019	2018
	£000	£000
Cash and cash equivalents	**138**	281
Trade and other receivables	**16,668**	12,986
Total financial assets	**16,806**	13,267
Trade and other payables	**(4,000)**	(3,814)
Total financial liabilities	**(4,000)**	(3,814)

Foreign exchange rate sensitivity analysis

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

	2019	2018
	Increase/ (decrease) in equity	Increase/ (decrease) in equity
	£000	£000
10% appreciation in the US dollar	**182**	237
10% depreciation in the US dollar	**(182)**	(237)

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 considers to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

16 CONTINGENCIES

There is a cross-guarantee in place between certain group companies in respect of the current year bank facilities. The Company exposure at the end of the year is £nil *(2018: £nil)*.

17 RELATED PARTIES

Transactions with key management personnel – Directors' emoluments

Only directors' remuneration is recharged to the Company, which is disclosed in note 5.

Other related party transactions

	2019	2018
	£000	£000
Group Company		
Revenue (Sale of Stock & Royalty Income) - Reliance Retail India	**485**	-
Management fee – Hamleys of London Limited	**958**	869
	1,443	869

	Receivables outstanding		**Payables outstanding**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Subsidiaries				
Hamleys Group Limited	**9,563**	10,056	**-**	634
Hamleys Global Holdings Limited	**3,555**	-	**-**	445
	-			
Hamleys of London Limited	**2,033**	645	**-**	1,373
Reliance Brands Holding UK Limited	**-**	-	**39**	-
	15,151	10,701	**39**	2,452

Notes to the financial statements

18 ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Reliance Brands Holding UK Limited, a company incorporated in England. This is the smallest group in which the results of the Company are consolidated. Copies of the group financial statements are available from the Registrar of Companies, Companies House, Cardiff. The Company's ultimate parent company and controlling party is Reliance Industries Limited, a company incorporated in India and is a listed company in India. The office address of Reliance Industries Limited is 3rd Floor, Maker Chambers IV, 222, Nariman Point, Mumbai, Maharashtra 400021.

19 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial information requires the directors 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.

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 directors' best estimate of the life of the asset and its residual value at the end of its economic value.

Recoverability of trade receivables including territory fees

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 Directors use historic experience and assessment of future profitability to assess whether an impairment is required.

Recoverability of intercompany receivables

Intercompany 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 Directors use historic experience and assessment of future profitability to assess whether an impairment is required.

20 Previous year figures

The previous year figures has been regrouped/reclassified, whenever necessary, to conform to the current year presentation.