LUVLEY LIMITED

Financial Statements

For the Year ended 31 December 2019

Independent Auditor's Report

To the members of Luvley Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Luvley 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

As at 31st December 2019, we draw your attention regarding the Management's decision to discontinue the business of the Company; following which it does not have definite business plans. Accordingly, these financial statements have not been prepared on a going concern basis.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have 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 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' report and the requirements to prepare a Strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, 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

24 April 2020

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

	Note	**2019**	2018
		£000	£000
Revenue	*2*	**859**	976
Cost of sales		**(366)**	(378)
Gross profit		**493**	598
Administrative expenses		**(107)**	(108)
Operating profit		**386**	490
Profit before tax		**386**	490
Tax on profit	*6*	**22**	(93)
Profit for the financial year		**408**	397

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 14 form part of these financial statements.

All amounts relate to continuing operations.

Balance sheet
at 31 December 2019

	Note	**2019**	2018
		£000	£000
Current assets			
Trade and other receivables	*7*	**6,559**	6,291
Total assets		**6,559**	6,291
Current liabilities			
Trade and other payables	*8*	**(1,155)**	(1,295)
Total liabilities		**(1,155)**	(1,295)
Net assets		**5,404**	4,996
Equity			
Share capital	*9*	**-**	-
Retained earnings		**5,404**	4,996
Total equity		**5,404**	4,996

The notes on pages 8 to 14 form part of these financial statements.

The company's financial statements have been prepared in accordance with the provisions applicable to companies under the small companies' regime.

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: 08278015

Statement of changes in equity

	Share capital	Retained earnings	Total equity
	£000	£000	£000
Balance at 1 January 2018	-	4,599	4,599
Total comprehensive income for the year			
Profit for the year	-	397	397
Total comprehensive income for the year	-	397	397
Balance at 31 December 2018	**-**	**4,996**	**4,996**

	Share capital	Retained earnings	Total equity
	£000	£000	£000
Balance at 1 January 2019	-	4,996	4,996
Total comprehensive income for the year			
Profit for the year	-	408	408
Total comprehensive income for the year	-	408	408
Balance at 31 December 2019	**-**	**5,404**	**5,404**

The notes on pages 8 to 14 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 financial year		**408**	397
Adjustments for:			
Taxation	*6*	**(22)**	93
		386	490
Increase in trade and other receivables		**(267)**	(490)
Increase in trade and other payables		**(140)**	(93)
Tax paid		**22**	93
Net cash from operating activities		**-**	-
Net cash from investing activities		**-**	-
Net cash from financing activities		**-**	-
Net movement in cash and cash equivalents		**-**	-
Cash and cash equivalents at start of the financial year		**-**	-
Cash and cash equivalents at end of financial year		**-**	-

The notes on pages 8 to 14 form part of these financial statements.

Notes to the financial statements

1 ACCOUNTING POLICIES

Luvley Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 08278015 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 years presented in these financial statements.

1.1. Measurement convention

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

1.2. Going concern

As at 31st December 2019, we draw your attention regarding the Management's decision to discontinue the business of the Company; following which it does not have definite business plans. Accordingly, these financial statements have not been prepared on a going concern basis.

1.3. 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.

1.4. Non-derivative financial instruments

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

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.

Trade and other receivables (continued)

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.

Notes to the financial statements

1.5. 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 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 years 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.

1.6. Revenue recognition

Revenue comprises the fair value of goods sold to external customers, net of value added tax and promotional discounts. Revenue is recognised in line with IFRS 15 and 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 stores.

1.7. 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 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.

Notes to the financial statements

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.8. Updates to IFRS

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

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.

The amendment has no material impact on the Company's financial statements.

Notes to the financial statements

2 REVENUE

	2019	2018
	£000	£000
Sales of goods	**859**	976

3 EXPENSES AND AUDITOR'S REMUNERATION

The audit fee has been borne by Hamleys of London Limited, a group company.

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	**2**	2

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**4**	22
Social security costs	**1**	7
	5	29

5 DIRECTORS' REMUNERATION

	2019	2018
	£000	£000
Directors' remuneration	**-**	12

6 TAXATION

Recognised in the income statement

	2019	2018
	£000	£000
Current tax expense		
Current year	**26**	93
Prior Period Adjustment	**(48)**	-
Current tax expense	**(22)**	93
Deferred tax expense	**-**	-
Total tax expense	**(22)**	93

Notes to the financial statements

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Profit for the year	**408**	397
Total tax expense	**(22)**	93
Profit excluding taxation	**386**	490
Tax using the UK corporation tax rate of 19.00% *(2018: 19.00%)*	**73**	93
Group relief tax not paid for	**(47)**	-
Total tax expense	**(22)**	93

7 TRADE AND OTHER RECEIVABLES

	2019	2018
	£000	£000
Trade receivables due from related parties	**6,559**	6,291

8 TRADE AND OTHER PAYABLES

	2019	2018
	£000	£000
Trade payables due to related parties	**1,155**	1,248
Tax Payable	**-**	47
	1,155	1,295

9 CAPITAL AND RESERVES

Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
1 ordinary share of £1 each	**0**	0

10 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 solely from the Company's intercompany receivables.

Price risk

The company is exposed to price risk (including the impact of foreign exchange) on its stock purchases. It mitigates this risk through supplier relationship management and margin management.

Cash flow and liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they fall due. The company ensures that there are sufficient levels of committed facilities and cash to ensure that the company is, at all times, able to meet its financial commitments. Liquidity risk is managed by daily and weekly monitoring of forecast and actual cash flows.

Notes to the financial statements

Interest rate risk

The Company has no long-term borrowings, resulting in no interest rate risk.

Foreign currency risk

The Company has no foreign currency risk as all operations are in GBP; the functional and presentation currency of the Company.

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.

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

	2019	2018
	£000	£000
Trade and other receivables	**6,559**	6,291
Total financial assets	**6,559**	6,291
Trade and other payables	**1,155**	1,248
Total financial liabilities	**1,155**	1,248

11 COMMITMENTS

Capital commitments

The company has £nil capital commitments for which no provision has been made in the financial statements (2018: *£nil*).

12 CONTINGENCIES

The Company has £nil contingencies *(2018: £nil).*

13 RELATED PARTIES

Transactions with key management personnel – Directors' emoluments

The Directors are the only key management personnel and Directors Remuneration has been disclosed in Note no. 5.

Notes to the financial statements

Other related party transactions

	2019	2018
	£000	£000
Group Company		
Revenue - Hamleys of London Limited	**859**	976
Cost of Sales - Hamleys of London Limited	**(366)**	(377)
Management fee – Hamleys of London Limited	**-**	(78)
	493	**521**

	Receivables outstanding		Payables outstanding	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Group company				
The Hamleys Group Limited	**-**	-	**628**	628
Hamleys Global Holdings Limited	**-**	-	**527**	527
Hamleys of London Limited	**6,559**	6,291	**-**	93
	6,559	6,291	**1,155**	1,248

14 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.

15 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.

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.

16 PREVIOUS YEAR FIGURES

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