# Hamleys (Franchising) Limited

Financial Statements
For the Year Ended 31 December, 2022

Report of the Independent Auditors to the Members of
Hamleys (Franchising) Limited

**Opinion**
We have audited the financial statements of Hamleys (Franchising) Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Profit or Loss, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the 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.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting standards; 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 Auditors' 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.**
The directors have prepared the financial statements on the going concern basis as the directors do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. Directors have 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 directors’ conclusions, we considered our knowledge of the company and its industry company's current and projected cash flows, inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operation over the going concern period.

**Our conclusion based on this work:**

- We consider that the directors' 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 company's ability to continue as a going concern for the going concern period.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

**Other information**
The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors 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

**Other information (Continued…)**
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 this gives rise to a material misstatement in the financial statements. themselves. 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 the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**
As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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.

**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.

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:
o 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.

o 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.

**Further Description of our responsibilities**

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 Report of the Auditors.

**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 a Report of the Auditors 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, Middlesex
UB4 0NN

Date: **April 6th,2023**

Hamleys (Franchising) Limited

Statement of Profit or Loss
for the Year Ended 31 December 2022

| | Notes | 31.12.2022 £'000 | 31.12.2021 £'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 3 | 8,222 | 5,214 |
| Cost of sales | | (2,375) | (1,459) |
| **GROSS PROFIT** | | 5,847 | 3,755 |
| Other operating income | 4 | - | 11 |
| Administrative expenses | | (70) | (593) |
| **OPERATING PROFIT** | | 5,777 | 3,173 |
| **PROFIT BEFORE TAX** | 6 | 5,777 | 3,173 |
| Tax on profit | 7 | (1,254) | (898) |
| **PROFIT FOR THE YEAR** | | 4,523 | 2,275 |

All the activities of company are from continuing operations

Hamleys (Franchising) Limited

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2022

| | 31.12.2022<br>£'000 | 31.12.2021<br>£'000 |
|---|---|---|
| **PROFIT FOR THE YEAR** | 4,523 | 2,275 |
| **OTHER COMPREHENSIVE INCOME** | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | 4,523 | 2,275 |

Hamleys (Franchising) Limited

Statement of Financial Position
31 December 2022

| | Notes | 31.12.2022 £'000 | 31.12.2021 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 8 | 121 | 136 |
| Property, plant, and equipment | 9 | - | - |
| Deferred tax assets | 17 | 6 | 6 |
| | | 127 | 142 |
| **CURRENT ASSETS** | | | |
| Inventories | 10 | 4 | 4 |
| Cash and cash equivalents | 11 | - | - |
| Trade and other receivables | 12 | 24,254 | 20,358 |
| | | 24,258 | 20,362 |
| **TOTAL ASSETS** | | 24,385 | 20,504 |
| **EQUITY** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 13 | - | - |
| Retained earnings | 14 | 21,340 | 16,817 |
| **TOTAL EQUITY** | | 21,340 | 16,817 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 2,281 | 2,846 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 764 | 841 |
| **TOTAL LIABILITIES** | | 3,045 | 3,687 |
| **TOTAL EQUITY AND LIABILITIES** | | 24,385 | 20,504 |

The financial statements were approved by the Board of Directors and authorised for issue on **April 6th,2023** and were signed on its behalf by:

............................................................................
**Dilip Kumar Sharma**
Director

Hamleys (Franchising) Limited

Statement of Changes in Equity
for the Year Ended 31 December 2022

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|
| **Balance at 1 January 2021** | -* | 14,542 | 14,542 |
| **Changes in equity** | | | |
| Total comprehensive income | - | 2,275 | 2,275 |
| **Balance at 31 December 2021** | -* | 16,817 | 16,817 |
| **Changes in equity** | | | |
| Total comprehensive income | - | 4,523 | 4,523 |
| **Balance at 31 December 2022** | -* | 21,340 | 21,340 |

*Share capital is £ 100.

Hamleys (Franchising) Limited

Statement of Cash Flows
for the Year Ended 31 December 2022

| | 31.03.2022 £'000 | 31.03.2021 £'000 |
|---|---|---|
| Profit before tax | 5,777 | 3,173 |
| **Adjustments:** | | |
| Depreciation charges | 15 | 14 |
| | **5,792** | **3,187** |
| Decrease in inventories | - | 68 |
| (Increase) in trade and other receivables | (5,150) | (2,218) |
| (Decrease) in trade and other payables | (642) | (1,039) |
| **Cash generated from operations** | **-** | **(2)** |
| Net cash from operating activities | - | (2) |
| Cash generated from investing activities | - | - |
| Net cash from investing activities | - | - |
| **Increase/(decrease) in cash and cash equivalents** | - | (2) |
| **Cash and cash equivalents at beginning of year** | - | 2 |
| **Cash and cash equivalents at end of year** | - | - |

Hamleys (Franchising) Limited

Notes to the Financial Statements
for the Year Ended 31 December 2022

## 1. STATUTORY INFORMATION

Hamleys (Franchising) Limited is a private company, limited by shares, registered in England and Wales.
The company's registered number and registered office address can be found on the Company Information page.
The principal activity of the company is the franchising of the Hamleys brand through a variety of international channels and franchise partners.

## 2. ACCOUNTING POLICIES

The Company financial statements have been prepared and approved by the directors in accordance with UK Adopted International Accounting Standards (IAS).
The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these 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".

**Adoption of new and revised standards**
The following international financial reporting standards (IFRSs') and interpretations were in issued and effective to the periods commencing on or after 01 Jan 2022:
" IFRS3 (Amendment) Reference to the Conceptual framework
" Amendments to IAS 16 Property, Plant and Equipment-Proceeds before Intended use
" Amendments to IAS 37 Onerous Contracts-Cost of Fulfilling a contract.
" **Annual Improvements to IFRS Accounting standards 2018-2020 Cycle. The Annual Improvements include Amendment to four standards.**
" IFRS 1 First-time Adoption of International Financial Reporting Standards-The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences
" IFRS 9 Financial Instruments- The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf
" IFRS 16 Leases - The amendment removes the illustration of the reimbursement of leasehold improvements.
" IAS 41 Agriculture-The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value.

However, all standards or amendments to standards that have been issued by the IASB and were effective by 1 January 2022 were not applicable or material to the Company.

**New Standards and amendments issued but not yet applied**
The company does not consider that any standards or interpretations issued by the international accounting standards board, but not yet applicable, will have a significant impact on the company's financial statements.

**Measurement conversion**
The financial statements are prepared on the historical cost basis except where UK Adopted International Accounting Standards require an alternative treatment.

**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. With strong fundamentals of the business and future expansion plans, company will invest in new partnership avenues /opportunities that comes across to put itself in a strong position of growth.

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

2. **ACCOUNTING POLICIES – continued**

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.

**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

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.

**Intangible assets and Amortisation.**
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 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:

- Trademarks 5 years
- Software 3 years
- Brand 4 years / Indefinite life

**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 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. 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.

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

2. **ACCOUNTING POLICIES - continued**

**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.

**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 the statement of 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 the statement of 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.

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

2. **ACCOUNTING POLICIES - continued**

**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.

**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.

**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.

**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.

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

## 2. ACCOUNTING POLICIES – continued

**Leases (continued…)**

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

**Accounting estimates and judgement**

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

## 3. REVENUE

**Revenue from contracts with customers**

| | **31.03.2022** | **31.03.2021** |
|---|---|---|
| | **£000** | **£000** |
| Sales of goods | 2,244 | 1,429 |
| Franchise income | 5,978 | 3,785 |
| Total revenues | 8,222 | 5,214 |

| Revenue split by geography | **31.03.2022** | **31.03.2021** |
|---|---|---|
| | **£000** | **£000** |
| UK | - | - |
| Europe | 604 | 550 |
| Rest of World | 7,618 | 4,664 |
| | **8,222** | **5,214** |

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

## 4. OTHER OPERATING INCOME

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| | £'000 | £'000 |
| Other income | - | 11 |

## 5. EMPLOYEES AND DIRECTORS

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

| | **Number of employees** | |
|---|---|---|
| | 31.12.2022 | 31.12.2021 |
| Administration | - | 1 |

| The aggregate payroll costs of these persons were as follows: | 31.12.2022 | 31.12.2021 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | - | 115 |
| Social security costs | - | 13 |
| Contributions to defined contribution plans | - | 10 |
| | - | 138 |

Auditor's remuneration:

The audit fee has been borne by Hamleys of London limited, a fellow subsidiary company.

## 6. PROFIT BEFORE TAX

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

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| | £'000 | £'000 |
| Cost of inventories recognised as expense | 2,375 | 1,459 |
| Intangibles assets amortisation | 15 | 14 |
| Foreign exchange (gain) | (633) | (22) |

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

## 7. TAX

**Recognised in the statement of Profit or loss**

| | 31.03.2022 £000 | 31.03.2021 £000 |
|---|---|---|
| Current tax expense | | |
| Current period | 1,098 | 603 |
| Adjustments for prior periods | 156 | 291 |
| Current tax expense | 1,254 | 894 |
| Deferred tax expense | - | 1 |
| Increase in tax liability due to disallowance of expense | - | 3 |
| Total tax expense | 1,254 | 898 |

| **Reconciliation of effective tax rate** | 2022 £000 | 2021 £000 |
|---|---|---|
| Profit for the year | 4,523 | 2,275 |
| Total tax expense | 1,254 | 898 |
| Profit excluding taxation | 5,777 | 3,173 |
| Tax using the UK corporation tax rate of 19.00% (2021: 19.00%) | 1,098 | 603 |
| Adjustments in respect of prior periods | 156 | 295 |
| Total tax expense | 1,254 | 898 |

## 8. INTANGIBLE ASSETS

| | Trademarks £'000 | Computer software £'000 | Total £'000 |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2022 | 631 | 9 | 640 |
| Additions | - | - | - |
| At 31 December 2022 | 631 | 9 | 640 |
| **AMORTISATION** | | | |
| At 1 January 2022 | 495 | 9 | 504 |
| Amortisation for year | 15 | - | 15 |
| At 31 December 2022 | 510 | 9 | 519 |
| **NET BOOK VALUE** | | | |
| At 31 December 2022 | 121 | - | 121 |
| At 31 December 2021 | 136 | - | 136 |

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Fixtures and fittings £'000 |
|---|---|
| **COST** | |
| At 1 January 2022 and 31 December 2022 | 114 |
| **DEPRECIATION** | |
| At 1 January 2022 and 31 December 2022 | 114 |
| **NET BOOK VALUE** | |
| At 31 December 2022 | - |
| At 31 December 2021 | - |

## 10. INVENTORIES

| | 31.12.2022 £'000 | 31.12.2021 £'000 |
|---|---|---|
| Stocks | 4 | 4 |

## 11. CASH AND CASH EQUIVALENTS

| | 31.12.2022 **£'000** | 31.12.2021 **£'000** |
|---|---|---|
| Cash at Bank | -* | -* |

* Cash at bank is £ 275 (2021: £ 341)

## 12. TRADE AND OTHER RECEIVABLES

| | 31.12.2022 £'000 | 31.12.2021 £'000 |
|---|---|---|
| Current: | | |
| Trade Receivables | 44 | 23 |
| Other Debtors | 17 | - |
| Advance Corporation tax and withholding taxes | 37 | 158 |
| Amounts owed by group undertakings | 23,579 | 19,528 |
| VAT Recoverable | 9 | 4 |
| Accrued income | 544 | 568 |
| Prepayments | 24 | 77 |
| | 24,254 | 20,358 |

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

## 12. TRADE AND OTHER RECEIVABLES - continued

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:

| | 31.12.2022 £000 | 31.12.2021 £000 |
|---|---|---|
| Within 30 days | 20 | 23 |
| 31-90 days | 16 | - |
| 91-180 days | 8 | |
| Total | 44 | 23 |

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

| | 31.12.2022 £000 | 31.12.2021 £000 |
|---|---|---|
| Opening balance | 18 | 19 |
| Impairment loss recognised | - | (1) |
| Closing balance | 18 | 18 |

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.

## 13. SHARE CAPITAL

| | 31.12.2022 £ | 31.12.2021 £ |
|---|---|---|
| Allotted, called up and fully paid | | |
| 100 Ordinary shares of £1 each | 100 | 100 |

## 14. RESERVES

| | **31.12.2022 £'000** | **31.12.2021 £'000** |
|---|---|---|
| | Retained Earnings | Retained Earnings |
| Opening balances | 16,817 | 14,542 |
| Profit for the year | 4,523 | 2,275 |
| Closing balance at end of year | 21,340 | 16,817 |

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

## 15. TRADE AND OTHER PAYABLES

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| | £'000 | £'000 |
| Current: | | |
| Trade creditors | 89 | 103 |
| Other creditors | 178 | 204 |
| Accruals | 82 | 43 |
| Deferred income* | 415 | 491 |
| | 764 | 841 |

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| | £'000 | £'000 |
| Non-current: | | |
| Deferred income* | 2,281 | 2,846 |
| | | |
| Aggregate amounts | 3,045 | 3,687 |

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

## 16. 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.

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

16. **FINANCIAL INSTRUMENTS (Continued…)**

**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.

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.

| | **Financial assets** | | **Financial liabilities** | |
|---|---|---|---|---|
| | **31.12.2022** | **31.12.2021** | **31.12.2022** | **31.12.2021** |
| | £000 | £000 | £000 | £000 |
| US dollar | 589 | - | 175 | 186 |

**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.

| | **31.12.2022** | **31.12.2021** |
|---|---|---|
| | Increase/ (decrease in equity) | |
| | £000 | £000 |
| 10% appreciation in the US dollar | (41) | (19) |
| 10% depreciation in the US dollar | 41 | 19 |

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.

**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.

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

**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:

| | **31.12.2022** | **31.12.2021** |
|---|---|---|
| | £000 | £000 |
| Cash and cash equivalents | - | - |
| Trade and other receivables | 24,184 | 20,277 |
| Total financial assets | 24,184 | 20,277 |
| Trade and other payables | (349) | (350) |
| Total financial liabilities | (349) | (350) |

17. **DEFERRED TAX ASSETS**

Recognised deferred tax assets and liabilities.

Deferred tax assets are attributable to the following:

| | **31.12.2022** | **31.12.2021** |
|---|---|---|
| | **£000** | **£000** |
| Property, plant and equipment | 6 | 6 |
| | 6 | 6 |

Movement in deferred tax during the year

| | 01-Jan-22 | Recognised in statement of profit or loss | 31-Dec-22 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Property, plant and equipment | 6 | - | 6 |

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

17. **DEFERRED TAX ASSETS (Continued…)**

Movement in deferred tax during the prior year

| | 01-Jan-21 | Recognised in statement of profit or loss | 31-Dec-21 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Property, plant, and equipment | 7 | 1 | 6 |

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 listed on the Indian Stock Exchanges. The Reliance Industries Limited's office address is 3rd Floor, Maker Chambers IV, 222, Nariman Point, Mumbai, Maharashtra 400021.

19. **CONTINGENCIES AND COMMITMENTS.**

There is a cross-guarantee in place between certain group companies in respect of the current year bank facilities. The Company exposure/Contingent liability at the end of the year is £nil (2021: £nil).
The Capital commitments at the end of the year is £nil (2021: £nil).

20. **RELATED PARTY DISCLOSURES**

| | **31.12.2022** | **31.12.2021** |
|---|---|---|
| **Group Company** | **£000** | **£000** |
| Reliance Brands Limited | | |
| -Revenue (Sale of Stock & Royalty Income) | 1,490 | 1,037 |
| **Fellow Subsidiary** | | |
| -Management recharge salaries | 373 | 379 |
| | 1,863 | 1,416 |

| | **Receivables outstanding** | | **Payables outstanding** | |
|---|---|---|---|---|
| | **31.12.2022** | **31.12.2021** | **31.12.2022** | **31.12.2021** |
| | **£000** | **£000** | **£000** | **£000** |
| **Subsidiaries** | | | | |
| Hamleys of London Limited | 13,594 | 9,620 | - | - |
| Hamleys Toys (Ireland) Limited | 276 | 276 | - | - |
| Impairment provision | (276) | (276) | - | - |
| **Holding Companies** | | | - | - |
| Reliance Brands Limited | 117 | 93 | - | - |
| Reliance Brands Holding UK Limited | 9,868 | 9,815 | | |
| | **23,579** | **19,528** | **-** | **-** |

Note that there is a balance of £ 276 thousand owing from Hamleys Toys (Ireland) Limited which ceased trading and therefore it is considered prudent to provide against this balance.

Hamleys (Franchising) Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

## 21. PREVIOUS YEAR FIGURES

The previous year figures have been rearranged/regrouped/reclassified, wherever considered necessary to facilitate Comparison with current year figures.

## 22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on April 6th,2023.