

RIVER ISLAND CLOTHING CO.
LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED

25 DECEMBER 2021

COMPANY NUMBER: 00636095

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RIVER ISLAND CLOTHING CO. LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

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Company information

Directors: Bernard Lewis
Clive Lewis
Vanessa Lewis
Benjamin Lewis
William Kernan

Secretary and registered office: Cavendish Square Secretariat
Chelsea House, West Gate, London, W5 1DR

Auditor: BDO LLP
55 Baker Street, London, W1U 7EU

Company number: 00636095

RIVER ISLAND CLOTHING CO. LIMITED
STRATEGIC REPORT
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

The directors submit their strategic report together with the audited financial statements for the 52 weeks ended 25 December 2021.

Results and dividends

The profit and loss account is set out on page 15, and statement of comprehensive income is set out on page 16, which show the results for the period. During the year the company made a distribution of £246.0m (2020: nil paid) to the parent company as part of a wider refinancing arrangement at the group level. For further details see debtors note 9 within notes to accounts on page 27.

Principal activities

The company is engaged in the design and retailing of women's, men's and children's clothing and accessories in the UK and the rest of the world. Sales are made through stores, the website, franchise and wholesale agreements with selected partners locally and internationally.

Business review and future developments

River Island delivered a strong performance in 2021, despite the ongoing challenges presented by the global pandemic. While all stores were mandated to close during the first quarter, the company recorded strong sales growth through its website and 3rd party wholesale business. Once open, the store performance also steadily improved throughout the year, benefitting from improved product range appeal. However, the rapid spread of omicron in the final, key trading quarter heavily impacted store footfall and customer demand. The company worked hard to mitigate the disruption caused by the pandemic, delivering significant cost savings and using the government support available.

Despite the disruption to trading, turnover for the year increased by 17.1% to £675.1m (2020: £576.4), gross profit grew to £117.0m (2020: £31.6m) and operating profit grew to £62.5m (2020: £32.5m loss). For further details, see key performance indicators on page 3. The company continued to operate with strong cash and balance sheet position, closing the year with £144.6m (2020: £204.3m) of cash, and a net assets position of £152.6m (2020: £326.8m). Further details are set out in the balance sheet on page 17.

Looking ahead, while the impact of the pandemic has eased in most markets, the company is facing significant macro-economic challenges including inflationary pressures in both cost of goods and operating costs. Factory cost prices, freight, fuel and energy costs, as well as continued supply disruption are driving cost pressure. This is expected to continue to impact consumer confidence in the year ahead. However, the company remains confident about the long term outlook. Improved profitability and strong balance sheet and cash position provide resilience to navigate through the macro-economic headwinds while also continuing to invest in the future growth of the business.

As at 25 December 2021, the company traded from stores across the UK and Jersey, with online, franchise and wholesale channels reaching customers all around the world.

Principal risks and uncertainties

The market for retailing of fashion clothing is fast changing with customer preferences for more diverse, convenient and speedier shopping journeys and with increasing competition especially in the digital space. The key business risks for the company are the pressures of a highly competitive and changing retail environment combined with increased economic uncertainty. The ongoing coronavirus pandemic and geopolitical events such as the Russia - Ukraine conflict have resulted in continuing supply chain disruption as well as energy and food price increases, driving inflation higher and resulting in weaker disposable income and lower consumer confidence. The company is exposed to a variety of risks including financial, operational, strategic and reputational risks. The company responds to these risks as noted below.

Competitive retail environment

River Island competes with a diverse range of retailers – across both physical and online channels – in an increasingly challenged sector faced with continued pressures, changes in consumer behaviour and macroeconomic uncertainties. Delivering competitive product ranges across all our selling channels with a clear and competitive customer proposition is critical to the business.

To mitigate the risk, the company has:

- Continued to strengthen the management team, adding product and digital capabilities.
- Continued to invest in both its digital and store propositions.
- Diversified its customer base geographically by expanding with new wholesale partners internationally, and through developing new product categories such as beauty.

RIVER ISLAND CLOTHING CO. LIMITED
STRATEGIC REPORT (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

People

Our people are the key to our success. Challenges in attracting, developing and retaining a diverse talent base across our business may impede the delivery of our strategy and impact our broader strategic objectives and performance.

Information security

As a retailer reliant on digital technology to run our operations and trusted with customer and employee data, we are aware of the constantly evolving threats to cybersecurity. Failure to adequately prevent or respond to a data breach or cyber-attack could adversely impact our reputation and lead to significant fines and business interruption.

Social, ethical and environmental responsibility

River Island is mindful of the impact its operations and those of the fashion industry can have on the planet and people and we are committed to playing our part in making fashion a force for good. If we do not effectively manage sustainability and environmental issues and fail to deliver against our commitments, we fail to meet the expectations our stakeholders have of the River Island brand.

Brexit

Following UK's exit from the European Union (EU) the business needs to manage new challenges and complexities related to trading with the EU. In addition, a number of uncertainties still remain which may continue to affect some elements of our supply chain, cost base in terms of duties, tariffs and additional administration.

Legal and regulatory compliance

We recognise that there are a wide range of legal and regulatory requirements that we must comply with to protect our customers, people, product and operations. The regulatory landscape continues to broaden and if we do not manage compliance to these requirements effectively, we may suffer reputational damage, financial penalties, increased costs to remediate issues and even prosecution.

To mitigate the risk, the company has:

- Continued to invest in external hires to strengthen capability and diversity of talent at all levels.
- Invested in internal talent to strengthen the leadership pipeline and develop our future leaders.
- Launched a new performance and development framework.

To mitigate the risk, the company has:

- A dedicated Information Security function.
- Established governance forums such as our GDPR Steering Committee.
- Established business continuity and disaster recovery plans.
- Firewalls in place which carry out various types of vulnerability scanning and penetration testing, using external expertise where appropriate to supplement our in-house capabilities.

To mitigate the risk, the company has:

- Established Twelve Commitments for People and Planet which are aligned to the United Nations Sustainable Development Goals against which we measure our progress and publish updates.
- Developed plans and introduced tools to continue increasing transparency in our global supply chain, promoting ethical treatment of workers and improving the sustainable attributes of our products.
- Within the Sustainability Board, a nominated Board member for human rights and environmental issues and governance.
- Committed to the British Retail Consortium's Climate Roadmap to net-zero emissions by 2040, in our owned operations as well as our entire supply chain and have engaged The Carbon Trust to support us in developing our roadmap to achieve this target.

To mitigate the risk, the company has:

- A cross-functional Brexit monitoring group who regularly review and discuss the ongoing effects and develop appropriate responses.
- Updated systems to automate activities linked to the customs process and reduce administration costs.
- Continued to actively work with government and industry bodies to drive a simpler customs and exports process.

To mitigate the risk, the company has:

- Appropriately qualified and experienced in-house capabilities including Fire, Health and Safety, Product Compliance, Ethical Sourcing, Legal, Retail Risk, Tax, and Internal Audit teams.
- Established governance forums in place with senior management representation such as Fire, Health and Safety Leadership Group and GDPR Steering Committee.
- Continued to review and update policies as appropriate, supplemented by mandatory training for our staff on key risk areas.

RIVER ISLAND CLOTHING CO. LIMITED
STRATEGIC REPORT (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

Financial

The main financial risks the company is exposed to are credit risk from its trade debtors, most of which represents credit card payments and debtors from franchise and wholesale partners and foreign currency risk on movements in exchange rates.

To mitigate the risk, the company:

- Monitors payment terms and partner relationships.
- Has credit insurance in place for certain partners.
- Monitors the foreign exchange (FX) market daily and has systems and procedures in place to respond quickly to movements in the FX market, which include entering into forward foreign exchange contracts where appropriate.

Key performance indicators

The directors monitor company performance on both weekly and periodic (four-weekly) cycles using a wide range of financial and non-financial indicators including turnover, gross profit, operating profit/(loss), and store footfall. Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA), individual store performance and a robust approval and tracking process on investment are monitored regularly to ensure that the company is maximising the use of its assets.

	2021	2020	Change
	£million	£million	%
Turnover	675.1	576.4	17.1%
Gross profit	117.0	31.6	270.3%
Operating profit/(loss)	62.5	(32.5)	292.6%
Depreciation	18.7	26.2	(28.6%)
EBITDA (operating profit/(loss) plus depreciation)	81.2	(6.3)	1389.3%
Stores footfall (m)	32.0	21.9	46.1%

Research and development

The company incurred expenditure of £1.0m (2020: £0.5m) in the field of research and development in relation to IT software.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed, and BDO LLP, will therefore continue in office.

Post balance sheet events

There are no material post balance sheet events as at the date of signature.

Going concern

For further details see going concern section of the directors report on page 9.

Section 172(1) Statement

This report sets out how the board of River Island Clothing Co. Limited complies with the requirements of the section 172 of the Companies Act 2006 (the "Act", and "s172") and how it engages with stakeholders.

S172 of the Act requires directors to take into consideration the interests of stakeholders and other matters in their decision making. The directors of the company continue to have regard to the interests of the company's employees and other stakeholders, such as customers and suppliers, and the impact of its activities on the community, the environment, and the company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the directors consider what is most likely to promote the success of the company for its members in the long term. The directors understand the need to regularly review the identity of the key stakeholder groups.

The directors are fully aware of their responsibilities to promote the success of the company in accordance with s172 of the Act and the company secretary ensures sufficient consideration is given to issues relating to matters set out in s172(1)(a)-(f).

RIVER ISLAND CLOTHING CO. LIMITED
STRATEGIC REPORT (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

Section 172(1) Statement (continued)

In 2021, in the midst of recovery from coronavirus, balancing the needs of all stakeholders has never been more important. The board have placed particular emphasis on these requirements and their responsibilities as the custodians of the business to ensure that the business operates in a way that it can remain sustainable as a long term business, as a conscientious employer, a diligent and considerate member of the community in which it lives and operates, and as a partner to the wider stakeholder group it works with.

Principal decisions

River Island Board works closely with the company executives on the Operating Board to ensure that all decisions made are in the best interest of the company and its stakeholders. The Board considers its principal decisions to be those that have significant long-term implications for the company and its stakeholders. The principal decisions taken by the Board in the financial year were:

- Continued Covid-19 pandemic response including store closures and support for the employees.
- Approval of re-financing arrangement with Blue Coast Capital, to secure the long term funding of the business. The company declared a distribution to its parent, River Island Holdings Ltd of £246.0m reducing the loan. In addition, a new facility enabling the company to borrow up to £80m was put in place with expiry date of December 2025 as a result.
- Approval and publication of a new sustainability strategy including the 12 business commitments for People and Planet, aligned to the United Nations Sustainable Development Goals.
- Approval of a contract to outsource the transport and warehouse activities to Clipper, one of the leading third party logistics providers. This will ensure the logistics operations is future proofed by delivering a programme of change to support the business strategy and growth ambitions. The board ensured that all existing jobs were protected as part of the move.

Shareholders

As a family owned business, the River Island board includes members of the shareholder family who meet regularly to ensure that the business operates in a transparent and responsible manner, which underpins its long term sustainability. The shareholders bring a wealth of knowledge and experience to support the company's decision making on strategy and future development of the River Island brand.

In addition to the formal board meetings, regular meetings and dialogue take place between individual shareholders and the company's executives as well as independent advisors. These cover the company's financial performance, strategic direction, investment decisions and product.

Employees

Employees are a key foundation of the company and are recognised as its most important asset. Employees' interests include a positive working environment, health and wellbeing, investment in training and development, inclusivity and diversity and open, honest communications.

Throughout the pandemic, protecting employees was the first priority. River Island took a number of proactive steps to ensure the safety and wellbeing of its people, to protect jobs and support furloughed employees by topping up salaries above the furlough scheme cap to at least 80% of normal pay. As the pandemic unfolded, the business increased its employee engagement with communication regarding health and safety, changing trading restrictions and working patterns, whilst making use of new technology enabling interactive communication with all employees regardless of where they work. A wellbeing programme was delivered, supporting areas such as mental health, children at home and financial wellbeing.

Further details of how the directors have engaged with employees and taken their interest into consideration can be found in the 'Engagement with employees' section of the directors' report on pages 9 to 10.

RIVER ISLAND CLOTHING CO. LIMITED
STRATEGIC REPORT (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

Section 172(1) Statement (continued)

Customers

Customers sit at the heart of the business and delivering excellent product and service, wherever they shop, is paramount. Directors actively engage with the customers through a number of channels including stores, social media and direct interviews to better understand their needs and concerns. Feedback received by the customer contact centre is regularly reported and reviewed. Executive directors provide updates to the board on customer perceptions and the market sentiment.

The interests of customers are considered in all key decisions, including store portfolio changes, product range development, selection and monitoring of suppliers to ensure quality and safety standards are met, amongst many others.

River Island remained open for its community and customer base throughout the pandemic, taking a number of steps to ensure customers health and wellbeing when in stores, and fair treatment through actions such as extended period for returns and delivery fees waived for online orders.

Communities

Being a socially responsible business and creating a positive impact on all the communities it operates in has always been an integral part of the company's culture.

As a fashion business, the company is mindful of its impact on the communities it operates in. They and the wider public expect it to act as a responsible company and neighbour, and to minimise any adverse impact on local communities and the environment. Interests of all the communities have helped to shape the work on sustainability strategy over the year.

The business launched its new sustainability strategy with 12 commitments to people and planet designed to reduce impact on the environment and create a positive impact on the society. As part of this strategy, the company launched its Take Back scheme in partnership with Reskinned which allows customers to return unwanted clothing to stores and online in return for River Island gift vouchers.

Suppliers and partners

Strong relationships and engagement with suppliers and partners are fundamental to the success of the business. The company is proud of its relationships with these stakeholder groups, the majority of which are long-term.

The company's suppliers' and partners' interests include long term success of River Island, fair terms, long term partnerships and ethical conduct. The company shares its strategic priorities with its suppliers and partners through regular dialogue and events. It has strong and productive working relationships with its wholesale and franchise partners, underpinned by clear commercial agreements. The company works collaboratively with all its partners to deliver outcomes in the best interest of both parties. A large number of its supplier relationships span a number of years. The company reports on and regularly assesses the results of its Payment Practises Reporting and reviews the terms in place to ensure they remain fair.

Government authorities/agencies

The company manages its tax affairs responsibly and proactively to comply with tax legislation. The company's policy is to engage with HMRC constructively, honestly and in a timely and professional manner, and the company seeks to resolve disputed matters through active and transparent engagement. Engagement with HMRC is led by the company's inhouse tax team of qualified tax professionals. The company finance director provides regular updates to the board on tax matters.

RIVER ISLAND CLOTHING CO. LIMITED
STRATEGIC REPORT (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

Corporate governance statement

The company has always recognised the importance of having strong values, purpose, and an approach to corporate governance that will support and enhance its business and goals, and its approach to doing business in the right way.

The company has carefully considered the fundamental principles of corporate governance for private business and is satisfied that its existing approach to all areas of the business are covered by its current business practices. For this reason, the company will continue to operate in the way it has always done - in a fair and equitable way, that places emphasis on the importance of its people and its partnerships with suppliers, customers and its community.

Purpose and leadership

Business strategy is regularly reviewed at board level, providing an overview of strategy at a channel, divisional and wider business level. Consistent two-way feedback is facilitated between the executive board and the operating board, with direction on board expectations and bottom up feedback on the execution of company strategy and performance.

Extensive work is being undertaken to develop clearly articulated values and a clear people promise, defined and reviewed in line with brand strategy. All brand value and core strategic work is presented to the main board and explored in detail at that level. Clear view of the customer provides direction for merchandise planning, design and marketing.

Board composition

The main board is made up of senior executives, family members/shareholders, and independent advisors, providing the business with extensive knowledge and skills across a range of business areas, internal and external, and accountability and reporting lines for executive functions. The main board also includes an independent CEO, who took over the role from a family/shareholder CEO.

Below the main board sits an operating board, formed of senior business executives and leaders across key divisions of the business. This provides clear reporting to the main board and the wider organisation.

Director responsibilities

These are detailed in the directors' report on page 8 of the company's financial statements.

Opportunity and risk

Business strategy is regularly reviewed at board level, providing an overview of the current plans and future business opportunities, as well as any risks which are being actively mitigated and managed or may be encountered in the future.

The corporate risk register and framework is owned and updated by the internal audit and risk function, with input from the board and all business functions. Financial risk is regularly monitored and reported to the board. This looks at risks to trade, trading environment, financial performance, margins, product performance, profit and free cash flow.

During the coronavirus pandemic, the board implemented emergency measures to manage the risk to the business and protect the financial and operational stability of the business. A monitoring committee representing all divisions of the business was established and met daily to assess the risks and impacts to the business, its people and stakeholders, and provide regular updates to the board. In addition, a Brexit risk mitigation strategy was developed and implemented, and a steering group established which met regularly to review and report on Brexit related risks.

Extensive resources were put into health and safety to develop initiatives and measures designed to protect the business, its staff, and customers throughout and after lockdown.

Remuneration

The directors develop and maintain the remuneration policy, which is monitored and operated by the Chief People Officer and the HR team. The policy is designed to attract and retain the best talent across the organisation and comprises of both fixed and variable elements, with the latter linked to delivery of corporate targets. Remuneration is regularly benchmarked both internally and externally to ensure it remains sufficiently competitive.

RIVER ISLAND CLOTHING CO. LIMITED
STRATEGIC REPORT (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

Corporate Governance Statement (continued)

Stakeholder relationships and engagement

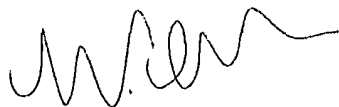
The board is committed to effective communication and engagement with its stakeholders. This is detailed in the s172 statement on pages 3 to 5.

Audit committee

The River Island Clothing Co Limited board of directors has decided not to establish a separate sub-committee to fulfil the responsibilities of an audit committee as the board is responsible for oversight of the financial reporting process, selection of the independent auditor, and the receipt of audit results both internal and external.

Approval

This strategic report was approved on behalf of the board.



Mr W.Cohen
Cavendish Square Secretariat
Chelsea House, West Gate, London, W5 1DR
Company Secretary
16 September 2022
Company registered number: 00636095

RIVER ISLAND CLOTHING CO. LIMITED
DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

The directors submit their report together with the audited financial statements for the 52 weeks ended 25 December 2021.

Directors

The directors who served throughout the year and to the date of this report were as follows:

Bernard Lewis
Clive Lewis
Vanessa Lewis
Benjamin Lewis
William Kernan

Statement of directors' responsibilities in respect of the annual report and financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare these financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Branches

The company has no branches outside of the United Kingdom other than in Jersey.

Disclosure of information to auditor

In so far as the directors are aware there is no relevant audit information of which the company's auditor is unaware and they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Disabled persons and employee involvement

It is the company's policy to employ disabled persons whenever appropriate and to evaluate employees on the basis of merit. In respect of employee involvement, the company circulates on a regular basis information of interest to all members of staff.

RIVER ISLAND CLOTHING CO. LIMITED
DIRECTORS' REPORT (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

Companies Act 2006 requirements

The following items required in the Directors' Report are included in the Company's Strategic Report:

- Financial risk management.
- Exposure to credit risk.
- Post balance sheet events.
- Future developments.
- Dividends.
- Research and development.
- Relationships with third parties.
- Corporate governance arrangements.

Donations

The company made charitable donations of £0.2m (2020: £0.4m) and political donations of £nil (2020: £nil) during the year.

Modern Slavery Act 2015

River Island condemns the practice of modern slavery. In accordance with the Modern Slavery Act 2015 the company publishes an anti-slavery statement annually on its website.

Indemnity provisions

The board indemnifies its directors and officers against liability incurred in connection with a claim by third parties.

Going concern

River Island Clothing Co. Ltd is a subsidiary of River Island Holdings Limited and participates in the group's centralised treasury arrangements, sharing banking and funding arrangements with its parent and fellow subsidiaries. The going concern assessment of the company is therefore linked to that of the wider River Island group.

The directors have considered the going concern assessment undertaken by River Island Holdings Limited, which incorporated this company and included modelling a number of scenarios in relation to the potential impact of COVID-19, the ongoing Russia – Ukraine conflict and the impact of the cost of living crisis on consumer demand. Having considered this assessment the directors have concluded that the group and the company has sufficient financial resources in place at the balance sheet date such that it is reasonable to continue to adopt the going concern basis in preparing the financial statements for the period.

For further details see going concern section within the basis of preparation accounting policy on page 19.

Business Relationships

The company values its various business relationships with customers, suppliers and other stakeholders. Details of these relationships can be found in the s172 statement on pages 3 to 5.

Engagement with employees

The company invests in creating a positive working environment across its stores, distribution centre and the head office. The company's efforts to actively engage with its employees and create a great place to work, contributed to River Island being voted 17th best large UK company to work for in the Best Companies survey published in June 2022.

The company is proud of the quality of its employee engagement. A number of different forums exist for the directors to engage directly with employees including town hall presentations, regular video and e-mail updates from the CEO, and business performance updates. The company uses regular employee surveys and listening groups to hear directly from employees. During the year, listening groups were held, giving colleagues from across the business an opportunity to engage directly with senior leaders. The outputs of all employee views and suggestions are shared across the senior leadership team and the board and incorporated in key decision making.

RIVER ISLAND CLOTHING CO. LIMITED
DIRECTORS' REPORT (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021


Engagement with employees (continued)

Health and wellbeing of employees is always a key priority. However, this has come into focus more than ever over the pandemic. The company continued to hold regular wellbeing events, and launched a new Manage With Care training programme, helping line managers to spot the signs and symptoms of stress, creating a positive culture around mental health and initiating conversations about mental health and wellbeing.

The company invests in attracting, developing and retaining the best talent. The board regularly reviews key talent and senior appointments. The business aims to realise employees' potential by supporting their development and promotions whenever possible. The company launched a new emerging leaders programme, designed to develop future senior leaders of the business.

Providing an inclusive and diverse place to work is a key priority for the board. During the year, the business continued to partner with Blueprint for All (formerly Stephen Lawrence Charitable Trust), to continue to develop the approach to diversity and inclusion across all areas of the business.

By order of the board



Mr W. Cohen
Cavendish Square Secretariat
Chelsea House, West Gate, London, W5 1DR
Company Secretary
16 September 2022
Company registered number: 00636095

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER ISLAND CLOTHING CO. LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 December 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of River Island Clothing Co. Limited ("the company") for the 52 weeks ended 25 December 2021 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER ISLAND CLOTHING CO. LIMITED (Continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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.

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 course of 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.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 directors' report.

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

As explained more fully in the statement of directors' responsibilities in respect of the annual report and financial statements, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER ISLAND CLOTHING CO. LIMITED
(Continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, we considered the following:

- the nature of the control environment and business performance;
- the results of our enquiries with management and the directors about their own identification of the risk of irregularities;
- any matters we identified through the review of their policies and procedures; and
- the matters discussed amongst the audit engagement team regarding how and where fraud might occur in the financial statements.

We gained an understanding of the legal and regulatory framework in which the company operates along with the industry, through the enquires with management and review of relevant documentation and considered the risk of fraud and non-compliance with applicable laws and regulations. These included the Companies Act 1996, employment law, pensions and tax legislation.

There were no matters or non-compliance or fraud that were communicated to the audit engagement team. The engagement team was deemed to collectively have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our procedures included, but were not limited to assessing the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers: including financial or other pressures, opportunity, and personal or corporate motivations. We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those procedures and controls.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER ISLAND CLOTHING CO. LIMITED
(Continued)

Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including in relation to revenue recognition and management override of controls. These procedures included;

- Identifying and testing journal entries, in particular journal entries posted to revenue, unusual account combinations and journals posted by unexpected users;
- Enquiries with management and those charged with governance;
- Review of board minutes throughout the year and subsequent to the year-end;
- Review of correspondence between the company and regulatory bodies;
- Review of tax compliance and involvement of our tax experts in the audit; and
- Challenging assumptions and judgement made by management in their significant accounting estimates and judgements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

DocuSigned by:

Diane Campbell

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Diane Campbell (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

16 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

RIVER ISLAND CLOTHING CO. LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

	Note	2021 £million	2020 £million
Turnover	2	675.1	576.4
Cost of sales		<u>(558.1)</u>	<u>(544.8)</u>
Gross profit		117.0	31.6
Distribution expenses		(19.8)	(18.2)
Administration expenses		(47.7)	(65.9)
Other operating income	3	<u>13.0</u>	<u>20.0</u>
Operating profit/(loss)		62.5	(32.5)
Other interest receivable and similar income		-	0.6
Interest payable and similar charges	3	<u>(1.7)</u>	<u>(0.1)</u>
Profit/(loss) before taxation	3	60.8	(32.0)
Tax on profit/(loss)	6	(6.6)	8.4
Profit/(loss) for the financial year		<u><u>54.2</u></u>	<u><u>(23.6)</u></u>

All amounts relate to continuing activities.

The notes on pages 19 to 34 form part of these financial statements.

RIVER ISLAND CLOTHING CO. LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

	Note	2021 £million	2020 £million
Profit/(loss) on ordinary activities after taxation		54.2	(23.6)
Other comprehensive income/(loss)			
Remeasurement gain/(loss) of the defined benefit pension scheme	15	18.6	(13.1)
Effective portion of changes in fair value of cash flow hedges	17	10.5	2.8
Income tax on other comprehensive income/(loss)	12	(4.2)	1.7
Total other comprehensive income/(loss)		24.9	(8.6)
Total comprehensive income/(loss) for the year		79.1	(32.2)

The notes on pages 19 to 34 form part of these financial statements.

RIVER ISLAND CLOTHING CO. LIMITED
BALANCE SHEET
AS AT 25 DECEMBER 2021

	Note	25 Dec 2021 £million	26 Dec 2020 £million
Fixed assets			
Tangible assets	7	<u>44.4</u>	<u>58.5</u>
Total fixed assets		<u>44.4</u>	<u>58.5</u>
Current assets			
Stock	8	112.4	80.1
Debtors	9	67.2	199.1
Cash at bank and in hand		<u>144.6</u>	<u>204.3</u>
Total current assets		<u>324.2</u>	<u>483.5</u>
Creditors: amounts falling due within one year	10	<u>(187.7)</u>	<u>(162.9)</u>
Net current assets		<u>136.5</u>	<u>320.6</u>
Total assets less current liabilities		<u>180.9</u>	<u>379.1</u>
Provisions for liabilities	11	(28.3)	(33.8)
Net assets excluding pension liability		<u>152.6</u>	<u>345.3</u>
Pension liability and similar obligations	15	-	(18.5)
Net assets		<u><u>152.6</u></u>	<u><u>326.8</u></u>
Capital and reserves			
Called up share capital	13	3.4	3.4
Profit and loss account		148.4	325.1
Cash flow hedge reserve		<u>0.8</u>	<u>(1.7)</u>
Shareholders' funds		<u><u>152.6</u></u>	<u><u>326.8</u></u>

The financial statements were approved and authorised for issue by the board of directors on 16 September 2022.



William Kernan
Director

Company registered number: 00636095

The notes on pages 19 to 34 form part of these financial statements.

RIVER ISLAND CLOTHING CO. LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

	Called up share capital £million	Profit and loss account £million	Cash flow hedge reserve £million	Shareholders' funds £million
Balance at 26 December 2020	3.4	325.1	(1.7)	326.8
Profit for the year	-	54.2	-	54.2
Other comprehensive income/(loss)				
Actuarial gains on defined benefit pension schemes	-	18.6	-	18.6
Movement in cash flow hedge	-	-	10.5	10.5
Taxation on other comprehensive income/(loss)	-	(3.5)	(0.7)	(4.2)
Total other comprehensive income/(loss)	-	15.1	9.8	24.9
Total comprehensive income/(loss) for the year	-	69.3	9.8	79.1
Reclassified to cost of inventory	-	-	(7.3)	(7.3)
Distributions paid	-	(246.0)	-	(246.0)
Balance at 25 December 2021	3.4	148.4	0.8	152.6

	Called up share capital £million	Profit and loss account £million	Cash flow hedge reserve £million	Shareholders' funds £million
Balance at 28 December 2019	3.4	359.2	(6.2)	356.4
Loss for the year	-	(23.6)	-	(23.6)
Other comprehensive income/(loss)				
Actuarial losses on defined benefit pension schemes	-	(13.1)	-	(13.1)
Movement in cash flow hedge	-	-	2.8	2.8
Taxation on other comprehensive income/(loss)	-	2.6	(0.9)	1.7
Total other comprehensive income/(loss)	-	(10.5)	1.9	(8.6)
Total comprehensive income/(loss) for the year	-	(34.1)	1.9	(32.2)
Reclassified to cost of inventory	-	-	2.6	2.6
Balance at 26 December 2020	3.4	325.1	(1.7)	326.8

The notes on pages 19 to 34 form part of these financial statements.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

1 Accounting policies

Basis of preparation

River Island Clothing Co. Limited is a private company, limited by shares, incorporated, domiciled and registered in England in the UK. The company registration number and registered office are stated in the company information.

The financial statements have been prepared in accordance with the historical cost convention modified to include certain items at fair value. The financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The financial statements are presented in 'sterling'. All amounts have been rounded to the nearest £100,000.

Going concern

The going concern basis of preparation has been used for these financial statements. The company is a subsidiary of River Island Holdings Limited and participates in the group's centralised treasury arrangements, sharing banking and funding arrangements with its parent and fellow subsidiaries. The going concern assessment of the company is therefore linked to that of the wider River Island group.

The directors have considered the going concern assessment undertaken by River Island Holdings Limited, which incorporated this company and included modelling a number of scenarios in relation to the potential impact of COVID-19, the ongoing Russia – Ukraine conflict and the impact of the cost of living crisis on consumer demand and hence on the group's cashflows for the period to the end of December 2023.

Going concern assessment includes the company's balance sheet which includes cash reserves of £144.6m, (2020:£204.3m), the £80m (2020:£nil) group facilities (unutilised at balance sheet date), the £20m (2020: £20m) facility with Barclays (unutilised at balance sheet date) and its cash projections for the period to December 2023. Additionally, following guidelines issued by the Financial Reporting Council, the group has applied reverse stress testing and scenario modelling to gauge the effects on its cash projections, were the pandemic to affect the retail industry into the longer term (which guidance makes clear, cannot be discounted) and as a result of the impacts of the cost of living crisis and Russia-Ukraine conflict. This indicated that the reduction in revenue would need to be more severe than that seen over the past two years as a result of the pandemic, which the directors believe to be remote. The directors are also confident there is the flexibility to adapt the company's longer term strategy to such circumstances, including scaling its operations appropriately, along with the benefit of the resources referred to in the foregoing.

The directors have therefore concluded that the group and company have adequate resources to continue in operational existence for at least the 12 months following the approval of the subsidiary financial statements, therefore it is appropriate to continue to adopt the going concern basis of preparation in the financial statements.

The company's principal accounting policies are described below:

Cash flow statement

The directors have taken advantage of the exemption in FRS 102 from including a cash flow statement in the financial statements on the grounds that the company's immediate parent undertaking, River Island Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of River Island Holdings Limited are prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and are available to the public and may be obtained from Companies House.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to the profit and loss account over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Furniture, fittings and office equipment.	-	4% - 50% straight line
Vehicles and transport	-	25% on written down value or 8% - 33% straight line
Short leasehold property	-	equally over the life of the lease
Capitalised IT software	-	10% - 50% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

1 Accounting policies (continued)

Impairment of tangible fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. 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 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.

Current and deferred taxation

Taxation comprises the aggregate amount of current and deferred tax recognised in the reporting period and is charged or credited to the income statement, unless it relates to items recognised in other comprehensive income or directly in equity. In such cases, the related tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the reporting date where the company's subsidiaries operate and generate taxable income.

Deferred tax is recognised in respect of all timing differences at the reporting date. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Turnover

Turnover comprises amounts receivable in respect of goods and services supplied to outside customers, net of VAT, returns and a provision made for sales returns, and is attributable to the company's principal activity. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer, which is generally on the point of sale. Online, franchise, and wholesale sales are recognised on delivery of the goods to the customer. Where there is a deferred element to a transaction, e.g. gift cards, this is included in creditors within accruals and deferred income.

Cost of sales

The company classifies all costs involved in getting goods available for sale within cost of sales in the profit and loss.

Government grants

Government grants are recognised only when there is reasonable assurance that the company will comply with the conditions attached to them and that the grants will be received. Government grants are recognised within other operating income in the profit and loss, and in the same period as the related expenditure.

Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account within administration expenses. Foreign exchange gains and losses on hedging transactions to purchase inventory are recognised in the profit and loss account within cost of sales.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

1 Accounting policies (continued)

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts on a straight line basis over the lease term. The benefits of operating lease incentives are spread on a straight-line basis over the lease term as an integral part of the lease expense.

Where the company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. A capital cost is initially recognised in fixed assets and subsequently expensed in profit or loss over the life of the lease.

During the year the company has received rent concessions on a number of the leased properties. The company has adopted the amendment to FRS 102 and has recognised the change in lease payments over the period that the change is intended to compensate where the following conditions are met:

- a) the change in lease payments results in revised consideration for the lease that is less than the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) there is no significant change to other terms and conditions of the lease.

Leased assets: Lessors

Rental income under operating leases are recognised in the profit and loss account in equal amounts on a straight line basis over the lease term.

Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders.

Stock

Stock is stated at the lower of cost and net realisable value after making due allowances for any slow-moving or obsolete items. The cost of stock is determined on a weighted average cost basis and includes expenditure incurred in acquiring the stocks, and other costs in bringing them to their existing location and condition.

Pension costs

Contributions to the company's defined contribution pension schemes, are charged to the profit and loss account in the year in which they become payable.

A defined benefit plan is a post-employment plan other than a defined contribution plan. The company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods: that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability / (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of, the company's obligations. A valuation is performed by a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the profit and loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

1 Accounting policies (continued)

Other provisions

The company makes provisions for known and anticipated obligations where the company has a present legal obligation or a constructive obligation as a result of past events that can be reliably measured and where it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the best estimate of the obligation at the reporting date.

Onerous leases

Where the unavoidable costs as lessee of an operating lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease. This is released over the remaining lease term.

Hedge accounting

The company enters into foreign exchange contracts to manage its exposure to foreign exchange cash flow risk on its foreign transactions. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow reserve. Any ineffective portions of those movements are recognised in profit or loss for the period. Amounts charged or credited to the cashflow hedge reserve are treated for tax purposes as non deductible.

Financial assets

Financial assets (excluding derivatives) are measured initially at fair value and subsequently at amortised cost, less any impairment.

Financial liabilities

Financial liabilities are measured initially at transaction price (including transaction costs), and subsequently held at amortised cost. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement accrued at the balance sheet date.

Trade and other debtors / creditors

Trade and other debtors are recognised at transaction price plus attributable transaction costs and subsequently held at amortised cost, less any impairment. Trade and other creditors are recognised initially at transaction price less attributable transaction costs and subsequently held at amortised cost.

Interest receivable and interest payable

Interest receivable and interest payable amounts are recognised in profit and loss as they accrue.

Reserves

The company's reserves are as follows:

- (i) Called up share capital reserve represents the nominal value of the shares issued.
- (ii) The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.
- (iii) The cash flow hedge reserve represents the cumulative gains or losses of cash flow hedges.

Critical accounting estimates and judgements

The presentation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates, and management to exercise judgements in applying accounting policies. The directors consider key judgements, and sources of estimation uncertainty in preparing these financial statements to be:-

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

1 Accounting policies (continued)

Key judgements

Fixed assets impairment - Factors taken into consideration include economic viability and expected future financial performance of the asset.

Stock provisioning - Factors taken into consideration include seasonality of the stock, current economic environment and historic trade patterns in ensuring that stock recoverability is appropriately estimated.

Sources of estimation uncertainty

Pension liability - Factors taken into consideration include salary increases, assumptions around mortality, discount rates and price inflation amongst others. These estimates are made by the actuary and reviewed by the directors. The directors rely on this expert opinion for both advice and periodic review of the actuarial assumptions.

Deferred tax - Factors taken into consideration include future profitability projections, tax rates and tax laws.

Onerous lease provision - Factors taken into consideration include estimated rental values of properties and expected shop future financial performance.

Dilapidation provisioning - Factors taken into consideration include dilapidation costs associated with previous store closures, known contractual obligations and current store lease dates.

2 Turnover

An analysis of turnover (which all relates to the company's principal activity) by geographical market is given below:

	2021	2020
	Turnover	Turnover
	£million	£million
United Kingdom	604.5	512.0
Rest of World	70.6	64.4
	<u>675.1</u>	<u>576.4</u>

3 Profit/(loss) before taxation

	2021	2020
	£million	£million
Included in the profit/(loss) are the following:		
Depreciation	18.7	26.2
Impairment of fixed assets (reversal)/charge	(0.9)	3.1
Payments made under operating leases:-		
Land and buildings	40.2	59.1
Coronavirus related rent concessions accounted in the reporting period	(6.5)	(4.7)
Hire of equipment	1.2	0.4
Gains on foreign exchange	(10.4)	(3.9)
Interest receivable	-	(0.6)
Interest payable to related parties	1.4	-
Other interest payable	0.3	0.1
Total interest payable	<u>1.7</u>	<u>0.1</u>
Bad debts	-	0.7
Onerous lease cost charge (see note 11)	0.7	6.4
Defined contribution pension cost (see note 15)	4.4	4.8
Stock provision	0.1	6.6
Research and development	1.0	0.5
Loss on sale of tangible fixed assets	0.5	0.3
Government grants - Payroll schemes	(7.4)	(19.8)
Government grants - Retail support	(5.6)	(0.2)
Total other income	<u>(13.0)</u>	<u>(20.0)</u>

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

3 Profit/(loss) before taxation (continued)

Auditor's remuneration	2021 £million	2020 £million
Audit of these financial statements	<u>0.4</u>	<u>0.3</u>

During the year there were no non-audit fees payable to the auditors 2020: (£nil)

4 Directors' remuneration and transactions

4.1) Directors' emoluments:	2021 £million	2020 £million
Aggregate directors' emoluments during period	1.7	1.7
Highest paid director	<u>1.3</u>	<u>1.3</u>

4.2) Number of directors at the end of the period in pension schemes:	2021 Number	2020 Number
Defined benefit schemes	<u>4</u>	<u>4</u>

5 Staff costs and numbers

5.1) Staff costs	2021 £million	2020 £million restated
Wages and salaries (excluding directors' emoluments)	115.5	134.9
Social security costs	10.2	9.9
Defined contribution pension costs	4.4	4.8
	<u>130.1</u>	<u>149.6</u>

Staff costs of £1.1m (2020: £1.0m) were capitalised in IT software, and £1.7m (2020: £nil) were capitalised in furniture, fittings & office equipment within tangible assets (note 7) in the year. The comparative amount for the wages and salaries amount within staff costs has decreased by £4.0m as a result of certain third party warehouse logistic costs having been incorrectly included in the prior year. This does not have any impact on amounts previously disclosed in profit and loss, cashflows and balance sheet.

5.2) Average number of employees during the period:

	2021		2020	
	Full time number	Part time number	Full time number	Part time number
Direct	1,075	4,743	1,194	4,585
Administration	1,307	106	1,679	394
	<u>2,382</u>	<u>4,849</u>	<u>2,873</u>	<u>4,979</u>

A defined contribution pension scheme is operated by the company on behalf of the employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £4.4m (2020: £4.8m). Company contributions amounting to £0.5m (2020: £0.5m) were payable to the fund at year end and are included in creditors.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

6 Taxation on profit/(loss) on ordinary activities

	2021 £million	2020 £million
Current tax		
UK corporation tax at current rates	10.8	-
Adjustment to tax charge in respect of previous periods	(0.7)	(5.3)
Overseas tax	<u>0.1</u>	<u>0.2</u>
Total current tax	10.2	(5.1)
Deferred tax (see note 12)		
Origination and reversal of timing differences:		
Current period	(0.1)	(2.6)
Adjustment in respect of previous periods	0.3	0.3
Change in tax rates	<u>(3.8)</u>	<u>(1.0)</u>
Movement in deferred tax asset (see note 12)	(3.6)	(3.3)
Total taxation charge/(credit) on ordinary activities	<u><u>6.6</u></u>	<u><u>(8.4)</u></u>

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £million	2020 £million
Profit/(loss) before taxation	<u>60.8</u>	<u>(32.0)</u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	11.6	(6.1)
Effects of :		
Expenses not deductible less income not taxable	(0.7)	0.2
Adjustment to tax charge in respect of previous periods	(0.4)	(5.0)
Change in tax rates	(3.8)	(1.0)
Tax losses utilised	-	3.3
R&D tax credit	(0.2)	-
Overseas tax	<u>0.1</u>	<u>0.2</u>
Total tax charge/(credit) for the period	<u><u>6.6</u></u>	<u><u>(8.4)</u></u>

Factors that may affect future tax charges:

The UK corporation tax rate will remain at 19% until 31 March 2023. An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021.

RIVER ISLAND CLOTHING CO. LIMITED
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7 Tangible assets

	Short leasehold property £million	Furniture, fittings & office equipment £million	Vehicles & transport £million	Capitalised IT software £million	Total £million
Cost					
Balance at 26 December 2020	19.2	326.1	13.6	52.0	410.9
Additions	0.1	7.2	-	1.1	8.4
Disposals	(1.8)	(36.3)	(6.5)	(4.9)	(49.5)
Balance at 25 December 2021	17.5	297.0	7.1	48.2	369.8
Accumulated depreciation and impairment					
Balance at 26 December 2020	13.7	286.5	10.6	41.6	352.4
Charged for the period	1.1	13.4	0.9	3.3	18.7
Disposals	(1.5)	(32.7)	(5.8)	(4.8)	(44.8)
Impairment	--	(0.9)	-	-	(0.9)
Balance at 25 December 2021	13.3	266.3	5.7	40.1	325.4
Net book value					
Balance at 25 December 2021	4.2	30.7	1.4	8.1	44.4
Balance at 26 December 2020	5.5	39.6	3.0	10.4	58.5

An impairment has been recognised per management's best estimate of future cash flows of loss making stores, for the following financial reporting period. If a store is judged to no longer be loss making, the impairment is reversed. The total reversal of impairment loss recognised on tangible fixed assets in the period was £0.9m (2020: £3.1m charge) and is included in administrative expenses in the profit and loss account. Assets have been written down to their recoverable amount in line with the accounting policies of the company. Disposals disclosed in the above include assets transferred to a group company with a net book value of £3.2m

8 Stock

	2021 £million	2020 £million
Goods in transit	31.2	24.8
Raw materials and consumables	1.7	1.7
Work in progress	1.2	0.6
Finished goods and goods for resale	78.3	53.0
	112.4	80.1

There is no material difference between the replacement cost of stocks and the amounts stated above.

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
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9 Debtors	2021	2020
	£million	£million
<u>Amounts due within one year</u>		
Trade debtors	27.3	33.8
Corporation tax	3.7	4.3
Taxation and social security	-	1.1
Other debtors	1.5	2.1
Amounts owed from group undertakings	6.2	1.1
Amount owed from parent undertaking	-	135.0
Prepayments and accrued income	12.2	5.6
Foreign exchange contracts - derivative asset	1.7	-
<u>Amounts due after one year</u>		
Deferred tax (see note 12)	14.6	16.1
	<u>67.2</u>	<u>199.1</u>

The impairment loss recognised in the company profit and loss for the period in respect of bad and doubtful debtors was nil (2020 £0.7m). Within trade debtors is an amount of £3.9m (2020: £3.1m) for credit card debtors.

During the year the company made a distribution to its parent, River Island Holdings Ltd of £246.0m. This was part of a wider refinancing arrangement at the group level, as a result of which the amount owed from parent undertaking has been reduced from £135.0m debtor, to nil.

10 Creditors: amounts due within one year	2021	2020
	£million	£million
Trade creditors	62.1	47.2
Taxation and social security	17.4	0.2
Amounts owed to parent undertaking	1.2	-
Amounts owed to group undertakings	10.5	5.6
Other creditors	8.6	6.7
Accruals and deferred income	87.9	102.2
Foreign exchange contracts - derivative liability	-	1.0
	<u>187.7</u>	<u>162.9</u>

11 Provisions for liabilities

	Dilapidations	Onerous lease	Total
	£million	£million	£million
At 26 December 2020	13.3	20.5	33.8
Unwinding of discounted amount	0.1	-	0.1
New provision	0.1	3.1	3.2
Settlements during the year	(0.3)	-	(0.3)
Utilised during the year	0.2	(2.7)	(2.5)
Released during the year	-	(2.4)	(2.4)
Transfer to group company	(3.6)	-	(3.6)
At 25 December 2021	<u>9.8</u>	<u>18.5</u>	<u>28.3</u>

Dilapidations provisions are expected to be utilised between one and eleven years. Onerous lease provisions will unwind over the next seven years.

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12 Deferred taxation	2021	2020
	£million	£million
Deferred tax asset at start of period	16.1	11.1
Charge for period	0.1	2.6
Adjustments relating to prior periods	(0.3)	(0.3)
Changes in tax rates	3.8	1.0
Charged to statement of comprehensive income	(4.2)	1.7
Transfer to associated company	(0.9)	-
Deferred tax asset at the end of period	<u>14.6</u>	<u>16.1</u>
The closing deferred tax asset is in respect of:		
Accelerated capital allowances	12.9	9.1
Short term timing differences	2.1	2.5
Other timing differences	(0.4)	0.2
Losses carried forward	-	0.8
Defined benefit scheme pension liability	-	3.5
Deferred tax asset at the end of period	<u>14.6</u>	<u>16.1</u>

Deferred taxes at the balance sheet date have been calculated using a tax rate of 25% (2020: 19%). The net reversal of deferred tax assets and deferred tax liabilities expected to occur in 2022 is £3.6m as a result of utilisation of accelerated capital allowances and short term timing differences.

13 Share capital	2021	2020
	£million	£million
Allotted, called up and fully paid:		
34,000,100 ordinary shares of 10p each	<u>3.4</u>	<u>3.4</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

14 Ultimate parent undertaking

The company is a subsidiary of River Island Holdings Limited which is registered in the UK. The ultimate parent company is RI Group Holdings Limited which is registered in Jersey and tax resident in the UK. In the opinion of the directors there is no ultimate controlling party.

River Island Holdings Limited is both the smallest and largest group of which the company is a member and for which publicly available group accounts are prepared.

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

15 Pensions

The company takes part in the United Kingdom pension arrangements of the Lewis Family Holdings Group as well as its own pension arrangements. The United Kingdom pension schemes currently operated by the two groups of companies are the Chelsea Pension Scheme, a Group Personal Pension (GPP) provided and administered by Aegon, the Government-sponsored National Employment Savings Trust (NEST) scheme, which is the company's auto-enrolment scheme, and the Lewis Trust Group Supplemental Pension Plan (LTGSPP).

The assets of each of the company's pension schemes are held separately from those of the company in funds managed by the pension providers.

Defined contribution schemes

The company pension cost charge for the Chelsea Pension Scheme amounted to £3.5m (2020: £3.7m) and the amount of contributions outstanding at the period end was £0.3m (2020: £0.3m).

The company's auto-enrolment scheme, the National Employment Savings Trust (NEST), is a trustee-based occupational defined contribution scheme. The pension cost charge for NEST amounted to £0.9m (2020 : £1.1m) and the amount of contributions outstanding at the period end was £0.1m (2020: £0.2m).

Defined benefits schemes

LTGSPP has two sections: the Main Section and the WGMP Section. The Main Section provides benefits based on final pensionable pay. The WGMP Section pays the Guaranteed Minimum Pension (GMP) of former Westgate Pension Plan (WPP) members' benefits earned before April 1997. At any time the Trustee can determine the value of WGMP members' GMP and also the value of contributions of WGMP members whose GMP is not yet in payment. WGMP is therefore a defined benefit section with defined contribution overlay.

LTGSPP's latest triennial actuarial valuation is as at 1st July 2020. This valuation shows a past service deficit of £11m for the Main Section and £1.6m deficit for the WGMP Section. A later valuation at 31 May 2021 shows a past service surplus of £4m for the Main Section and a deficit of £0.5m for the WGMP section. The Trustee and the principal employer agreed on 28 September 2021 that no deficit reduction contributions are required in the Main Section for the time being.

The High Court has ruled that trustees are legally required to equalise a scheme for the effects of inequalities in Guaranteed Minimum Pensions (GMPs) between male and female members. On 20 November 2020 the High Court then ruled that defined benefit pension schemes should also seek to equalise GMPs for members who have historically transferred their benefits out of the Scheme. No allowance has been made in these calculations for equalising benefits to allow for the inequalities associated with GMPs. Equalisation of GMP benefit is applied at retirement to the GMP of any WGMP member retiring. The impact of GMP equalisation on the WGMP section as a whole at any time is likely to be immaterial.

The Trustee and the principal employer agreed on 28 September 2021 a schedule of contributions for the WGMP Section incorporating annual employer deficit reduction contributions of £96,000 from 2021 to 2025. The WGMP Section received the first of these contributions in December 2021.

Requests for a copy of the actuarial valuation should be sent to the Pensions Administrator, Chelsea House, Westgate, London W5 1DR.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
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15 Pensions (Continued)

Until 30 June 2020 LTGSPP's fund manager was Cavendish Asset Management Ltd (CAM), an associated company of the Main Section's Principal Employer. Since 01 July 2020 LTGSPP's fund manager has been Stonehage Fleming Investment Management Ltd, which has no association with either section's Principal Employer. LTGSPP bears and pays to Stonehage its own management and safe custody fees.

	2021 £million	2020 £million
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	87.6	77.2
Interest cost	1.0	1.4
Actuarial (gains)/losses	(14.8)	11.3
Benefits paid	(2.1)	(2.1)
Net change in DC fund values	0.8	(0.2)
At the end of the year	<u>72.5</u>	<u>87.6</u>
<i>Composition of plan liabilities</i>		
Schemes wholly or partly funded	<u>72.5</u>	<u>87.6</u>
<i>Reconciliation of present value of plan assets</i>		
At the beginning of the year	69.1	71.9
Interest income on plan assets	0.8	1.3
Actuarial gains/(losses)	9.2	(1.8)
Contributions by the company	0.1	-
Benefits paid	(2.1)	(2.1)
Net change in DC fund values	0.8	(0.2)
At the end of the year	<u>77.9</u>	<u>69.1</u>
Present value of plan liabilities	(72.5)	(87.6)
Fair value of plan assets	77.9	69.1
Effect of limit on surplus	(5.4)	-
Net pension scheme liability	<u>-</u>	<u>(18.5)</u>

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 25 DECEMBER 2021

15 Pensions (Continued)

	2021 £million	2020 £million
<i>Amounts recognised in the profit and loss account</i>		
Included in interest payable	<u>(0.2)</u>	<u>(0.1)</u>
<i>Amounts recognised in statement of other comprehensive income</i>		
Experience (gains)/losses arising on scheme liabilities	<u>(18.6)</u>	<u>13.1</u>
	<u>(18.6)</u>	<u>13.1</u>
Composition of plan assets		
Equities directly held	33.8	34.8
Managed funds	28.9	18.2
Cash & other assets	<u>15.2</u>	<u>16.1</u>
Total plan assets	<u>77.9</u>	<u>69.1</u>
Actual return on plan assets	<u>10.0</u>	<u>(0.5)</u>

For the purposes of these accounts the net pension scheme asset/(liability) has been calculated using a valuation basis that reflects the yield on fixed-interest and index-linked corporate bonds of equivalent term and currency to the pension scheme's liabilities. This valuation basis does not necessarily reflect the expected return on assets actually held by the pension scheme. The pension scheme's investment strategy, determined by the scheme's trustee, is heavily weighted towards growth assets. The surplus in the pension scheme has not been recognised as the directors do not currently have sufficient evidence that the company will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan largely due to the current volatility of asset values.

The pension scheme's triennial actuarial valuations, and any update appropriate in exceptional circumstances, determine the funding policy for the scheme. As described earlier in this note, on the valuation basis agreed by the scheme's actuary and trustee, an update at 31 May 2021 of the latest scheme actuarial valuation at 01 July 2020 showed a scheme funding surplus for the Main Section of £4m, hence no further contributions are required from the employer for the Main Section. Deficit reduction contributions of £0.1m are payable to the WGMP Section from its Employer for the next 5 years in respect of the WGMP Section's £0.5m deficit shown by an update at 15 June 2021 of the latest actuarial valuation at 01 July 2020.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
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15 Pensions (Continued)

Principal actuarial assumptions used at the balance sheet date

	2021	2020
LTGSPP		
Discount rate	1.9%	1.2%
Future salary increases	-	2.2%
Future pension increases	2.8%	2.2%
Inflation assumption:		
- RPI	3.5%	3.0%
- CPI	2.8%	2.2%
Mortality rates (years):		
- For a male aged 65 now	23.8	24.0
- At 65 for a male aged 45 now	25.9	26.3
- For a female aged 65 now	25.3	25.1
- At 65 for a female aged 45 now	27.6	27.5

16 Commitments in respect of operating leases

The company's commitments under operating leases relate solely to land and buildings. The minimum lease payments under non-cancellable operating leases are as follows:

Land and buildings	2021	2020
	£million	£million
Operating leases which expire:		
Less than one year	46.4	56.9
Between one and five years	122.3	145.6
More than five years	43.5	70.6
Total commitments	<u>212.2</u>	<u>273.1</u>

During the year £33.7m was recognised as an expense in the profit and loss account in respect of operating leases (2020: £54.4m).

RIVER ISLAND CLOTHING CO. LIMITED
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17 Financial Instruments

The company's financial instruments may be analysed as follows:

	2021 £million	2020 £million
Financial assets		
Financial assets measured at amortised cost	179.6	376.2
Derivative financial instruments designated as hedges of foreign exchange cash flow risk	1.7	-
	<u> </u>	<u> </u>
Financial liabilities		
Financial liabilities measured at amortised cost	(121.6)	(107.0)
Derivative financial instruments designated as hedges of foreign exchange cash flow risk	-	(1.0)
	<u> </u>	<u> </u>

The company's income and expenses in respect of financial instruments are summarised below:

Interest income/(expense)		
Total interest income for financial assets at amortised cost	-	0.6
Total interest expense for financial liabilities at amortised cost	(1.7)	(0.1)
	<u> </u>	<u> </u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, amounts owed to group undertakings, amounts owed to parent undertakings and accruals.

Derivative financial instruments designated as hedges of foreign exchange cash flow risk comprise foreign exchange contracts.

To hedge the potential volatility in future foreign exchange movements, the company has entered into foreign exchange contracts. Foreign exchange contracts are entered into throughout the period. At the period end the company had entered into contracts totalling £53.2m (2020: £68.5m). The cashflows arising from these forward contracts will continue until their maturity in 2022, coincidental to their impact to profit and loss. The fair value of foreign exchange contracts at the period end was £1.7m asset (2020: £1.0m liability). The total change in fair value of foreign exchange contracts was £2.7m gain (2020: £5.1m gain). This was recognised as £0.5m loss in profit and loss (2020: £0.3m loss), £10.5m gain (2020: £2.8m gain) in other comprehensive income, and £7.3m loss (2020: £2.6m gain) was reclassified to inventory.

The company's policy is to hedge currency risk using forward foreign currency contracts. This exposure arises where the company purchases products in different currencies to the selling and local currencies or expects to receive payments for products sold in different currencies to the local currencies.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
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18 Related party transactions

The company has taken advantage of the exemption allowed by FRS 102, not to disclose transactions with entities that are included in the consolidated financial statements of River Island Holdings Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included within those financial statements.

During the year, the company entered into the following transactions with related companies that are not wholly owned subsidiaries but are related parties by virtue of a common shareholding.

<i>Other related parties</i>	2021	2020
	£million	£million
Sale of goods and services	<u>0.2</u>	<u>0.1</u>
Purchases of goods and services	<u>5.3</u>	<u>4.8</u>
Interest payable	<u>1.5</u>	<u>-</u>
Amounts owed by related parties	<u>9.3</u>	<u>0.1</u>
Amounts owed to related parties	<u>1.1</u>	<u>0.9</u>

The total remuneration for key management personnel for the period totalled £2.6m (2020: £2.6m)

19 Contingent liabilities

The company has guaranteed lease payments of a fellow group undertaking. At the year end the liabilities covered by these guarantees totalled £4.5m (2020: £1.9m).