

Registration number: 02584648

*Arrow Film Distributors Limited*  
Annual Report and Unaudited Financial Statements  
for the Year Ended 31 December 2021



## **Arrow Film Distributors Limited**

### **Contents**

Company Information	1
Strategic Report	2 to 4
Corporate Governance and s.172 Companies Act 2006 statement	5
Directors' Report	6 to 7
Statement of Directors' Responsibilities	8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Unaudited Financial Statements	12 to 26

**Arrow Film Distributors Limited**  
**Company Information**

**Directors**                    J A Gallemore (appointed 4 March 2021)  
                                     J P Pochin (appointed 4 March 2021)  
                                     N N Agran (resigned 4 March 2021)  
                                     A M Agran (resigned 4 March 2021)  
                                     A M Agran (resigned 4 March 2021)

**Secretary**                    F Agran (resigned 4 March 2021)

**Registered office**           5th Floor  
                                     Voyager House  
                                     Chicago Avenue  
                                     Manchester Airport  
                                     Manchester  
                                     M90 3DQ

**Bankers**                      Barclays  
                                     1 Churchill Place  
                                     London  
                                     E14 5HP  
  
                                     HSBC Bank Plc  
                                     8 Canada Square  
                                     Canary Wharf  
                                     London  
                                     E14 5HQ

## Arrow Film Distributors Limited

### Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

#### Principal activity

The principal activity of the Company is focused on the licensing of popular media content for distribution through multiple platforms such as theatrical, home entertainment, digital and television. The company strives to provide the best possible quality product to its markets through its selective acquisition process but also through its own product enhancement to distribute to its main market in the UK and other territories in line with licensing.

Arrow Film Distributors Limited was acquired by The Hut.com Limited on 5 March 2021 and is now a wholly owned trading subsidiary of the wider THG Plc Group.

#### Fair review of the business

The company reports revenue for the year of £17.1m (year ended 31 December 2020: £13.9m) and a profit before tax for the year of £5.5m (year ended 31 December 2020: profit before tax of £2.7m). The results reflect the company's increased penetration into its US markets and continued improvement in its global direct to consumer activities.

Key financial performance data is as shown in the table below.

	2021 £	2020 £
Turnover	17,075,555	13,948,100
Cost of sales	(5,221,431)	(6,609,408)
<b>Gross profit</b>	11,854,124	7,338,692
Distribution costs	(2,531,837)	(2,231,041)
Administrative expenses	(3,871,026)	(2,443,515)
<b>Operating profit</b>	5,451,261	2,664,136

Turnover increased by 22% in the year due to the company benefitting from a number of high profile premium title releases as part of its *Home Entertainment catalogue*, as well as a consistent increase in US sales as a result of launching its dedicated US direct to consumer application and local fulfilment in the territory.

## **Arrow Film Distributors Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **Principal risks and uncertainties**

Arrow is exposed to longevity in the cycle between acquisition and distribution, especially on the lengthy produced catalogue product. *This increases the working capital requirement.*

A certain amount of credit risk exists in Arrow's key markets, particularly on the physical distribution of product to its smaller customers. This risk is mitigated by having a large share of custom with larger blue chip retailers, such as Amazon, and an increasing share of business going through its own website.

The shift towards digital distribution in the market has long been identified by management and continues to be addressed by investing in team members with relevant expertise and systems in this area.

The theatrical sector itself presents a risk given the high costs of entry and also relative volatility in the sector and as such, management are focusing on this part of the business in terms of a strategic review.

As the physical distribution (Home Entertainment) market segment continues to consolidate, the business sees itself in a good position to offer its services and expertise to other 3rd party distributors and licensors in the UK.

THG Plc, the ultimate Parent, has an Enterprise Risk Management Framework and Business Continuity Management System (BCMS). THG are committed to continually identifying potential threats to our operations and building organisational resilience with the capability of providing effective responses, as well as identifying risk-based opportunities.

Significant effort is placed on working with suppliers to identify and manage any planned or unplanned disruptions in supply or distribution that may adversely impact on trade. Business Continuity plans have been produced and are tested or validated quarterly.

#### **Environmental policy**

The Company is committed to doing business responsibly and reducing any adverse impacts of our operations on the environment. Our Environmental policy was implemented as part of our THG sustainability strategy (THG x Planet Earth) to drive positive change in our business, supply chains, communities and for the planet.

#### **Covid-19**

Throughout 2021, the global pandemic continued to produce highly-challenging conditions across all sectors of the global economy. Throughout, THG's priority has been, and remains, to protect the health, safety and wellbeing of our employees. The Board has continued its proactive response to both home and flexible working policies and practices and continued to oversee the redesign of processes and procedures in our fulfilment centres to ensure they remain Covid-19 secure.

We have continually reviewed the actual, emerging and potential impacts of the pandemic on our principal risks to identify any new risks or changes to existing risks and opportunities that may have arisen, with a specific lens on what could change the risk profile materially. Whilst the pandemic has not created any additional principal risks, we have amended, as appropriate, some of our mitigating actions, as set out in the principal risks section above.

## **Arrow Film Distributors Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **2022 Outlook and post balance sheet events**

So far 2022 is trading as management anticipated given the Company's strong title release pipeline and well-established routes to market on both business to business sales and direct to consumer sales. It continues to build on its increased run-rate sales in the US with a full year of the new local domain and fulfilment and greater control over its supply chain as the Company seeks to keep freight costs as close to 2021 levels as possible. Management will focus on inflationary pressure regarding its manufacturing costs and supply chain as well as its order quantities and procurement cycles in order to maintain stocks at reasonable levels, however in some cases due to the Company's plans on releasing high profile premium titles, there also remains some pricing opportunities.

Approved by the Board on 29 September 2022 and signed on its behalf by:



.....  
J A Gallemore  
Director

## **Arrow Film Distributors Limited**

### **Statement by the directors in performance of their statutory duties in accordance with Section 172 (1) Companies Act 2006**

The directors of Arrow Film Distributors Limited set out below their Section 172 compliance statement as required under the Regulations. Under the Regulations the Board is required to set out how they have had regard to the matters as set out in Section 172(1)(a) to (f) when performing their duties.

The Company's key shareholder is the ultimate parent company, THG PLC, however the Company shares the key stakeholders of the wider Group, and as such the directors have considered the same stakeholders as part of their Section 172 responsibilities.

At the centre of the Board's approach is to ensure that the requirements and considerations of Section 172 form the basis of its decision making and stakeholder engagement strategy across the Group's wider leadership team and divisions.

The Company's board recognise the importance of engaging with its stakeholders and considering their views in order to achieve our purpose.

The directors of the Company consider the consequences of any long term decisions and ensure they are in the best interests of the business. For example, in its response to the Covid-19 pandemic, the directors considered the impact across the Group's supply chain, its employees wellbeing and health, and customers. The Group's response included, but was not limited to, large scale remote working to protect employees, continued engagement with suppliers, and significant donations to local communities.

The Company prides itself on building strong business relationships with suppliers, customers and other external stakeholders. As part of its activities in the wider Group, the Company follows a code of conduct when interacting with external stakeholders and maintains a reputation for high standards of business conduct.

The Company's employees are key stakeholders. Their wellbeing and development are key to our continued success. To promote wellbeing, our people have access to an on-site GP, whose services are available free of charge, as well as a physiotherapist and we have invested in training for a number of Mental Health First Aiders; the availability of all are regularly communicated to all our workforce. To harbour development and ensure opportunity is available to our people, we have created the THG Academy which offers bespoke learning modules covering a broad spectrum of skills.

#### *Greenhouse Gas ("GHG") emissions*

The Company's energy use in relation to its carbon footprint is assessed at a group level and disclosed in the consolidated annual report and financial statements of THG PLC, being the parent undertaking of the largest group of undertakings to consolidate these financial statements as at 31 December 2021.

## **Arrow Film Distributors Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The directors present their report and the unaudited financial statements for the year ended 31 December 2021.

#### **Directors of the company**

The directors, who held office during the year, were as follows:

J A Gallemore (appointed on 4 March 2021)

J P Pochin - Company secretary and director (appointed on 4 March 2021)

N N Agran (resigned 4 March 2021)

A M Agran (resigned 4 March 2021)

A M Agran (resigned 4 March 2021)

#### **Principal activity**

The principal activity of the Company can be found on page 2 in the Strategic report.

#### **Financial instruments**

##### **Objectives and policies**

Senior management are aware of their responsibility for managing risks within their business units. The head of each business unit reports to the Board on the status of these risks through management reports. Risk is regularly reviewed at board level to ensure that risk management is being implemented and monitored effectively.

The Board's policy is to ensure that the business units are empowered to operate effectively and appropriately, bearing in mind the requirements for timely decision making and commercial reality. Through management reports, risks are highlighted and monitored to identify potential business risk areas and to quantify and address the risk wherever possible.

##### **Commercial and general risk**

Standard form contracts are provided by the Company's in-house legal team for commercial use and to ensure the commercial functions negotiate within approved parameters. Insurance policies are regularly reviewed to ensure these are adequate, appropriate and in line with the nature, size and complexity of the Company.

##### **Financial risk management**

The Company's operations involve exposure to credit risk, liquidity risk and currency risk. The Board's policies for managing these financial risks are implemented by the Chief Financial Officer.

##### **Credit risk**

The Company monitors and reviews exposure to credit risk on an ongoing basis and makes best efforts to ensure recoverability of amounts owed to the Company.

##### **Liquidity risk**

The Company regularly forecasts cash flow and maintains an appropriate balance of cash and debt facilities to ensure that sufficient funds are available to cover future expenses and capital expenditure.

##### **Currency risk**

The Company receives an increasing proportion of its revenue in foreign currency. In addition, certain key suppliers invoice in Euro's and US Dollars. The Company aims to naturally hedge these transactions.



## **Arrow Film Distributors Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### **Going concern**

The financial statements have been prepared on a going concern basis. The directors have considered the Company's current and future prospects and its availability of financing and are satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In addition, the Company's ultimate parent undertaking has provided confirmation that it will provide financial support to the Company, if required. In assessing the ability of the directors to rely on this support they have considered the level of committed facilities available at the group level to support liquidity, including but not limited to the impact of the Russian war and COVID-19 on the wider economic environment. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements.

#### **Dividends**

During the period, a dividend of £15k was paid to directors (2020:£127k).

#### **Directors' liabilities**

The Company has provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of s.234 of the Companies Act 2006. An indemnity is in place in relation to the financial year and up to the date of approval of the financial statements.

Approved by the Board on 29 September 2022 and signed on its behalf by:



.....  
J A Gallemore  
Director



---

**Arrow Film Distributors Limited**  
**Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 the 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.

# **Arrow Film Distributors Limited**

## **Statement of Comprehensive Income for the Year Ended 31 December 2021**

		31 December 2021 £	31 December 2020 (Restated note 24) £
Turnover	4	17,075,555	13,948,100
Cost of sales		<u>(5,221,431)</u>	<u>(6,609,408)</u>
<b>Gross profit</b>		11,854,124	7,338,692
Distribution costs		(2,531,837)	(2,231,041)
Administrative expenses		(3,871,026)	(2,456,284)
Other income		<u>-</u>	<u>12,769</u>
<b>Operating profit</b>	5	5,451,261	2,664,136
Interest receivable and similar income	6	4,617	28,038
Interest payable and similar charges	7	<u>(1,279)</u>	<u>(1,684)</u>
<b>Profit before tax</b>		5,454,599	2,690,490
Tax on profit on ordinary activities	10	<u>(1,053,019)</u>	<u>(429,408)</u>
<b>Profit and total comprehensive income for the year</b>		<u>4,401,580</u>	<u>2,261,082</u>

The above results were derived from continuing operations.

The notes on pages 12 to 26 form an integral part of these financial statements.

**Arrow Film Distributors Limited**  
**(Registration number: 02584648)**  
**Statement of Financial Position as at 31 December 2021**


		31 December 2021	31 December 2020 (Restated) note 24)
	Note	£	£
<b>Non-current assets</b>			
Property, plant and equipment	12	21,429	43,096
Intangible assets	13	-	90,645
Right-of-use assets	17.1	44,038	64,357
		<u>65,467</u>	<u>198,098</u>
<b>Current assets</b>			
Inventories	14	1,199,218	669,623
Trade and other receivables	15	13,848,214	4,163,023
Cash at bank and in hand	16	896,791	5,415,066
		<u>15,944,223</u>	<u>10,247,712</u>
<b>Trade and other payables:</b> Amounts falling due within one year	18	(5,720,539)	(4,522,643)
		<u>10,223,684</u>	<u>5,725,069</u>
<b>Net current assets</b>			
		<u>10,223,684</u>	<u>5,725,069</u>
<b>Total assets less current liabilities</b>		10,289,151	5,923,167
<b>Trade and other payables:</b> Amounts falling due after more than one year	19	(6,825)	(35,375)
<b>Provisions for liabilities</b>	20	(8,172)	-
		<u>10,274,154</u>	<u>5,887,792</u>
<b>Net assets</b>			
		<u>10,274,154</u>	<u>5,887,792</u>
<b>Capital and reserves</b>			
Called up share capital	21	100	100
Retained earnings		<u>10,274,054</u>	<u>5,887,692</u>
<b>Shareholders' funds</b>		<u>10,274,154</u>	<u>5,887,792</u>

For the financial year ended 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 29 September 2022 and signed on its behalf by:

  
.....  
J A Gallemore  
Director

The notes on pages 12 to 26 form an integral part of these financial statements.

**Arrow Film Distributors Limited**  
**Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital	Retained Earnings (restated)	Total
	£	£	£
At 1 January 2020	100	3,753,410	3,753,510
Total comprehensive income	-	2,261,732	2,261,732
Dividends (note 11)	-	(126,800)	(126,800)
FRS101 transition (note 24)	-	(650)	(650)
At 31 December 2020	<u>100</u>	<u>5,887,692</u>	<u>5,887,792</u>

	Share capital	Retained earnings	Total
	£	£	£
At 1 January 2021	100	5,887,692	5,887,792
Total comprehensive income	-	4,401,580	4,401,580
Dividends (note 11)	-	(15,218)	(15,218)
At 31 December 2021	<u>100</u>	<u>10,274,054</u>	<u>10,274,154</u>

The notes on pages 12 to 26 form an integral part of these financial statements.

## **Arrow Film Distributors Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021**

#### **1 General information**

Arrow Film Distributors Limited (the Company) is a private limited company and is incorporated and domiciled in England. The address of its registered office is 5th Floor, Voyager House Chicago Avenue, Manchester Airport, Manchester, England, M90 3DQ.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, aside from a change in accounting estimate applied for the year ended 31 December 2021 in respect of license acquisition costs.

##### **Basis of preparation**

These financial statements were prepared in accordance with United Kingdom's Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, except where FRS 101 requires an alternative treatment.

This is the first year in which the financial statements have been prepared under FRS 101. Measurement differences have been outlined in note 24.

The name of the parent of the group in whose consolidated financial statements the Company's financial statements are consolidated is THG PLC. These consolidated financial statements are available upon request from 5th Floor, Voyager House Chicago Avenue, Manchester Airport, Manchester, England, M90 3DQ.

##### **Summary of disclosure exemptions**

The Company's key accounting policies adopted are set out below, which apply in preparing the financial statements for the year ended 31 December 2021.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- i) The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payments because the share-based payment arrangement concerns equity instruments of another group entity.
- ii) The requirements of IAS 7 Statement of Cash Flows.
- iii) The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.
- iv) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 73(e) of IAS 16 Property, Plant and Equipment and paragraph 118(e) of IAS 38 Intangible Assets.
- v) The requirements of IFRS 7 Financial Instruments: Disclosures.
- vi) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

##### **New standards, interpretations and amendments**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the Company's financial statements.

## **Arrow Film Distributors Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern**

The financial statements have been prepared on a going concern basis. The directors have considered the Company's current and future prospects and its availability of financing and are satisfied that the Company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. In addition, the Company's ultimate parent undertaking has provided confirmation that it will provide financial support to the Company, if required. In assessing the ability of the directors to rely on this support they have considered the level of committed facilities available at the group level to support liquidity, including but not limited to the impact of the Russian war and COVID-19 on the wider economic environment. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements.

##### **Revenue**

Revenue consists of sale of films and media related services and goods. Sales recorded net of an appropriate deduction for actual and expected returns and sales taxes and are recognised at a point in time when the customer obtains the control. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question. The transaction price is allocated to performance obligations on a relative stand-alone selling price basis. Revenue for services provided is recognised over time as services promised are transferred to customers.

##### **Minimum Guarantee**

Minimum guarantee prepayments consist of amounts paid by the company in advance of royalties due on film and television titles.

##### **Foreign currency transactions and balances**

###### *Functional and presentational currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company financial statements are presented in sterling, which is the functional and presentational currency of the Company.

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profits.

## Arrow Film Distributors Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

##### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives on a straight line basis, as follows:

Asset class	Depreciation rate
Fixtures and fittings	3 – 20 years
Plant and machinery	5 – 10 years
Motor vehicles	3 – 7 years

##### Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Company as a lessee*

The Company applies a single recognition and measurement approach for all leases except for short-term leases and leases of low value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Asset class	Depreciation rate
Buildings	20 – 50 years

##### *Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payment of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.



## Arrow Film Distributors Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Leases (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payment) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest-bearing loans and borrowings.

##### *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

##### *Dilapidations provisions*

Dilapidations provisions relate to leased properties. Dilapidations provisions are made based on the best estimate of the likely committed cash outflow and discounted to net present value. The provision, when recognised increases the right-of-use asset. Dilapidations provisions are expected to be used at or by the end of the lease term.

##### Intangible assets

###### *Other intangible assets*

Costs associated with developing new products are capitalised as an intangible asset, including directly associated costs.

Intangible assets are amortised on a straight-line basis over their estimated useful economic life. Amortisation is charged to the statement of comprehensive income, classified in expenses depending on the nature of the asset. The estimates of useful economic lives are reviewed on an annual basis and any changes are treated as changes in accounting estimates.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is provided on the cost of software and is calculated on a straight-line basis over the useful life of the software.

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation rate
Computer software	1 year - indefinite

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## Arrow Film Distributors Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### Non-derivative financial instruments

###### *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 provision for impairment.

###### *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.

##### Inventories

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts. A provision is made to write down any slow-moving or obsolete inventory to net realisable value.

##### Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

##### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

#### 3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on the financial statements at the time such updated information becomes available.

The most critical accounting policies in determining the financial position and results of the Company are those requiring the greatest degree of subjective or complex judgement and are detailed as follows:

## Arrow Film Distributors Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Inventory provisioning

The Company holds levels of inventory sufficient to meet the forecasted demand of its customers. As part of this, a provision is recognised to ensure that the balance sheet value of inventory is held at the lower of cost and net realisable value in accordance with FRS 101. As part of the provisioning process, management's consideration includes, but is not limited to age of inventory and type of inventory.

#### 4 Turnover

The analysis of the company's turnover for the period from continuing operations is as follows:

	2021 £	2020 £
UK	6,460,683	6,998,978
Europe	452,274	688,518
Rest of the world	10,162,598	6,270,604
	<u>17,075,555</u>	<u>13,948,100</u>

Geographic analysis is based on the country in which the customer is located.

#### 5 Operating profit

Arrived at after charging:

	2021 £	2020 £
Depreciation on fixed assets	16,976	19,662
Depreciation on right of use assets	28,529	28,063
Amortisation expense	49,241	53,020
Impairment of Software-as-a-Service intangible assets (note 14)	44,087	-
Fees to auditor	<u>-</u>	<u>24,000</u>

#### 6 Interest receivable and similar income

	2021 £	2020 £
Interest income on bank deposits	<u>4,617</u>	<u>28,038</u>

# **Arrow Film Distributors Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021** (continued)

### **7 Interest payable and similar charges**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Finance lease interest	923	1,679
Bank interest payable and charges	356	5
	<u>1,279</u>	<u>1,684</u>

### **8 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Wages and salaries	2,280,243	1,507,408
Social security costs	146,008	162,773
Pension costs, defined contribution scheme	32,243	33,933
	<u>2,458,494</u>	<u>1,704,114</u>

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Sales, marketing and distribution	<u>37</u>	<u>31</u>

### **9 Directors' remuneration**

The Directors did not receive any emoluments in respect of their services (2020: £10,620) and are remunerated through other group companies.

# **Arrow Film Distributors Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

### **10 Income tax**

Tax charged in the statement of comprehensive income

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	1,013,882	435,888
<b>Deferred taxation</b>		
Current year	<u>39,137</u>	<u>-</u>
Tax expense in the statement of comprehensive income	<u>1,053,019</u>	<u>435,888</u>

The tax on profit before tax for the year higher than the standard rate of corporation tax in the UK (2019 – lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit before tax	<u>5,455</u>	<u>2,691,140</u>
Corporation tax at standard rate	1,036,374	511,317
Deferred tax not recognised	2,927	-
Expenses not deductible	13,718	910
Fixed asset differences	-	535
R&D enhanced deductions	-	(79,475)
Remeasurement of deferred tax	<u>-</u>	<u>(3,879)</u>
Total tax charge	<u>1,053,019</u>	<u>429,408</u>

Deferred tax asset balance comprises:

	<b>At 1 January 2021</b>	<b>Recognised in Statement of Comprehensive income</b>	<b>At 31 December 2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>39,137</u>	<u>(39,137)</u>	<u>-</u>

The standard rate of Corporation Tax in the UK is 19%. The effective tax rate may differ mainly due to non-qualifying depreciation, disallowable acquisition costs, non-deductible share based payment costs, other non-deductible items in the UK, prior year adjustments and overseas tax rates.

All deferred tax balances as at 31 December 2020 have been calculated at 25% (2020: 19%), being the enacted rate applicable at this date.

# **Arrow Film Distributors Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

### **11 Dividends**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Dividends	15,216	126,800

### **12 Property, plant and equipment**

	<b>Plant and Machinery £</b>	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2021	76,560	21,136	44,333	142,029
Additions	1,699	-	-	1,699
Disposals	(52,137)	(21,136)	(12,990)	(86,263)
At 31 December 2021	26,122	-	31,343	57,465
<b>Depreciation</b>				
At 1 January 2021	39,875	15,374	43,684	98,933
Charge for the year	5,352	5,762	5,862	16,976
Transfers	27,277	-	(27,277)	-
Eliminated on disposal	(52,137)	(21,136)	(6,600)	(79,873)
At 31 December 2021	20,367	-	15,669	36,036
<b>Carrying amount</b>				
At 31 December 2021	5,755	-	15,674	21,429
At 31 December 2020	36,685	5,762	649	43,096

## Arrow Film Distributors Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 13 Intangible assets

	Computer Software £
<b>Cost or valuation</b>	
At 1 January 2021	229,154
Additions	2,683
At 31 December 2021	231,837
<b>Amortisation</b>	
At 1 January 2021	138,509
Amortisation charge	49,241
Impairment	44,087
At 31 December 2021	-
<b>Carrying amount</b>	
At 31 December 2021	-
At 31 December 2020	90,645

#### *Impairment of intangible assets associated with Software-as-a-service arrangements ('SaaS')*

The entity holds various arrangements for SaaS solutions. Given the IFRIC agenda decision, the Group has chosen to update its accounting treatment and policy for Intangible Assets accordingly. We have determined that £44k of SaaS related costs no longer meet the criteria for recognition as an asset. Accordingly, this amount has been expensed in full during the year and is included within administrative expenses (note 5).

#### 14 Inventories

	31 December 2021 £	31 December 2020 £
Inventories	1,199,218	669,623

The cost of inventories recognised as an expense in the year amounted to £5.9m (2020 - £6.6m). This is included within cost of sales.

#### 15 Trade and other receivables

	31 December 2021 £	31 December 2020 £
Trade receivables	1,967,590	2,164,442
Amounts owed by group undertakings	9,116,581	-
Prepayments	1,982,257	501,796
Deferred tax (note 10)	-	39,137
Other receivables	781,786	1,457,648
	13,848,214	4,163,023

Amounts owed by group undertakings are unsecured, non-interest bearing and are repayable on demand (2020: same).

**Arrow Film Distributors Limited**

**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021  
(continued)**

**16 Cash and cash equivalents**

	31 December 2021	31 December 2020
	£	£
Cash at bank	<u>896,791</u>	<u>5,415,066</u>

**17 Leases**

**17.1 Right-of-use assets**

	Land and buildings £
As at 1 January 2021	64,357
Additions	8,210
Depreciation	<u>(28,529)</u>
As at 31 December 2021	<u>44,038</u>

**17.2 Lease liabilities**

	Land and buildings £
As at 1 January 2021	65,008
Additions	182
Accretion of interest	923
Payments	<u>(29,632)</u>
As at 31 December 2021	<u>36,481</u>

**17.3 Amounts recognised in the statement of profit or loss**

	Land and buildings £
Unrecognised rental expense from administrative costs	29,632
Depreciation expense on right-of-use assets	(28,529)
Interest expense on lease liabilities	<u>(923)</u>

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 3.27%



# **Arrow Film Distributors Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021** (continued)

### **18 Trade and other payables: amounts falling due within one year**

		<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
Trade payables		781,983	629,476
Lease liabilities	17.2	29,656	42,468
Social security and other taxes		4,633	61,089
Accrued expenses		2,238,654	3,130,718
Corporation tax		166,146	435,588
Amounts owed to group undertakings		795,308	-
Group relief creditor		841,662	-
Other payables		862,497	223,304
		<u>5,720,539</u>	<u>4,522,643</u>

Amounts owed to group undertakings are unsecured, non-interest bearing and are repayable on demand (2020: same).

### **19 Trade and other payables: amounts falling due after more than one year**

		<b>31 December 2021</b>	<b>31 December 2020</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
Non-current lease liabilities	17.2	<u>6,825</u>	<u>35,375</u>

### **20 Provisions**

	<b>Dilapidation provision</b>
	<b>£</b>
At 1 January 2021	-
Additional provisions	<u>8,172</u>
<b>At 31 December 2021</b>	<u><b>8,172</b></u>

Dilapidation provisions relate to leased properties and are released once the repairs to the properties are carried out.

## Arrow Film Distributors Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 21 Share capital

##### Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No.	£	No.	£
Ordinary shares of £1 each	100	100	100	100

#### 22 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

#### 23 Parent and ultimate parent undertaking

As at period end, the immediate parent undertaking was The Hut.com. From 1 March 2022, the immediate parent undertaking is THG OnDemand Limited.

The ultimate parent undertaking and controlling party is THG PLC, a company incorporated in England.

THG Operations Holdings Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2021.

THG PLC is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2021.

The consolidated financial statements of THG Operations Holdings Limited and THG PLC are available from 5th Floor, Voyager House Chicago Avenue, Manchester Airport, Manchester, England, M90 3DQ.

# **Arrow Film Distributors Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021** (continued)

### **24 Transition to FRS 101**

The Company has transitioned from FRS102 to FRS101 during the year and the date of transition is deemed to be 1 January 2020. The impact of the transition on the previously reported income statement and statement of financial position is detailed below.

#### **Statement of financial position as at 31 December 2021**

	Originally reported	Adjustments	Reported under FRS101
	£	£	£
<b>Fixed assets</b>			
Intangible assets	90,645	-	90,645
Property, plant and equipment	43,096	-	43,096
Right-of-use assets	-	64,357	64,357
	<hr/> 133,741	<hr/> 64,357	<hr/> 198,098
<b>Current assets</b>			
Inventories	669,623	-	669,623
Trade and other receivables	4,163,023	-	4,163,023
Cash at bank and in hand	5,415,066	-	5,415,066
	<hr/> 10,247,712	<hr/> -	<hr/> 10,247,712
<b>Trade and other payables:</b> amounts falling due within one year	4,493,011	(29,632)	(4,522,643)
<b>Net current assets</b>	<hr/> 5,754,701	<hr/> (29,632)	<hr/> 5,725,069
<b>Total assets less current liabilities</b>	<hr/> 5,888,442		<hr/> 5,923,167
<b>Trade and other payables:</b> amounts falling due after more than one year	-	(35,375)	(35,375)
<b>Net assets</b>	<hr/> 5,888,442	<hr/> (650)	<hr/> 5,887,792
<b>Capital and reserves</b>			
Share capital	100	-	100
Share premium reserve	-	-	-
Retained earnings	5,888,342	(650)	5,887,692
<b>Shareholders' funds</b>	<hr/> 5,888,442	<hr/> (650)	<hr/> 5,887,792

# **Arrow Film Distributors Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021** (continued)

### **24 Transition to FRS 101 (continued)**

#### **Statement of comprehensive income for the year ended 31 December 2021**

	Originally reported £	Adjustment £	Reported under FRS101 £
Turnover	13,948,100	-	13,948,100
Cost of sales	(6,609,408)	-	(6,609,408)
<b>Gross profit</b>	<b>7,338,692</b>	<b>-</b>	<b>7,338,692</b>
Distribution costs	(2,231,041)	-	(2,231,041)
Administrative expenses	(2,457,313)	1,029	(2,456,284)
Other income	12,769	-	12,769
<b>Operating profit</b>	<b>2,663,107</b>	<b>1,029</b>	<b>2,664,136</b>
Interest payable and similar charges	28,033	(1,679)	26,354
<b>Loss before tax</b>	<b>2,691,140</b>	<b>(650)</b>	<b>2,690,490</b>
Tax on loss on ordinary activities	(429,408)	-	(429,408)
<b>Loss for the year</b>	<b>2,261,732</b>	<b>(650)</b>	<b>2,261,082</b>

### **IFRS 16**

In applying IFRS 16, the Company has recognised right-of-use assets for land and buildings which represents the contractual right to access an identified asset under the terms of the lease contract, together with a lease liability for the discounted future minimum lease payments to be made under the contract. The element of the liability payable in the next 12 months is recognised in current liabilities with the balance recognised in non-current liabilities. The impact on the income statement is an increase in the depreciation charge net of the rental charge totalling a reduction to administrative expenses of £1,029 and an increase in interest payable of £1,679 in respect of interest payable on leases. The impact on the balance sheet is a total increase of £65,007 within creditors relating to lease liabilities and an increase of £64,357 of right of use assets.