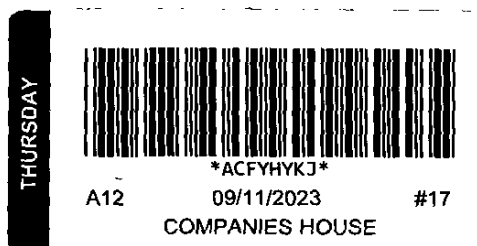


Registration number: 02584648

Arrow Film Distributors Limited
Annual Report and Unaudited Financial Statements
for the Year Ended 31 December 2022



Arrow Film Distributors Limited

Contents

Company Information	1
Strategic Report	2 to 3
Corporate Governance and s.172 Companies Act 2006 statement	4
Directors' Report	5 to 6
Statement of Directors' Responsibilities	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Unaudited Financial Statements	11 to 21

Arrow Film Distributors Limited
Company Information

Directors	J A Gallemore J P Pochin
Registered office	Icon 1 7-9 Sunbank Lane Ringway, Altrincham Manchester WA15 0AF
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 2022

The directors present their strategic report for the year ended 31 December 2022.

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.

Fair review of the business

The company reports revenue for the year of £17.6m (2021: £17.1m) and a profit before tax for the year of £5.3m (2021: £5.5m).

Key financial performance data is as shown in the table below. The Company does not break down its activities into smaller segments, as the directors do not believe that this would be of any overall benefit, when the costs of analysis are factored in.

	2022 £	2021 £
Turnover	17,571,162	17,075,555
Cost of sales	(5,916,100)	(5,221,431)
Gross profit	11,655,062	11,854,124
Distribution costs	(1,967,843)	(2,531,837)
Administrative expenses	(4,349,479)	(3,871,026)
Operating profit	5,337,740	5,451,261

Principal risks and uncertainties

The execution of the Company's strategy and the management of its business are subject to a number of risks and uncertainties. The principal risks and uncertainties include: competition; supply chain risk; technological change; and employee hiring and retention.

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.

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.

Competitor activities are constantly monitored to ensure that the business can react in a timely manner to such activity and ensure that the Company maintains a competitive position in each market in which it operates.

Significant effort is placed on working with suppliers to manage the potential risk of interruptions and delays in supply or distribution that may adversely impact on trade. Business Continuity plans have been produced and are tested or validated regularly.

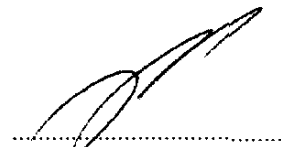
Arrow Film Distributors Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

2023 Outlook and post balance sheet events

Performance has improved during the second half of 2023 due to the release dates of key studio titles. However, pressure on the supply chain continues to impact overall results and is an area of close monitoring by management. The company's catalogue and operational processes continue to be reviewed and improved in order to maximise results.

Approved by the Board on 3 November 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J A Gallemore', is written over a horizontal dotted line.

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 directors of the Company consider the consequences of any long term decisions and ensure they are in the best interests of the business.

The Company has established meaningful positions in its respective markets and continues to refine the strategic focus, ensuring its well-tuned for continued delivery for all stakeholders. For example, in its response to accelerate growth, the directors considered leveraging the local infrastructure to ensure it is well placed in its key territories to meet the growth demands.

As part of the continued maturing of the Company and to support the ongoing growth and strategic aims, the directors continue to utilize the corporate structure in a way which maximises returns and value creation for its stakeholders. It also ensures that the corporate structure continues to evolve to support the strategic decisions the directors may choose to make in future. The directors continuously monitor opportunities to optimize and streamline the Company's portfolio.

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 2022.

Arrow Film Distributors Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the unaudited financial statements for the year ended 31 December 2022.

Directors of the company

The directors, who held office during the year, and at the date of the financial statements being approved, were as follows:

I A Gallemore

J P Pochin - Company secretary and director

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 2022 (continued)

Going concern

The financial statements have been prepared on a going concern basis. The directors have considered the Company's net asset position, its 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 wider macroeconomic environment, Russia-Ukraine conflict and if applicable, any ongoing impact of COVID-19. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements.

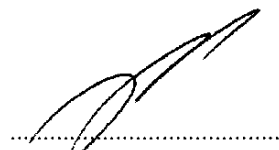
Dividends

During the year, no dividends were proposed or paid (2021: £15k).

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 3 November 2023 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 year. 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 2022

		31 December 2022	31 December 2021
	Note	£	£
Turnover	4	17,571,162	17,075,555
Cost of sales		<u>(5,916,100)</u>	<u>(5,221,431)</u>
Gross profit		11,655,062	11,854,124
Distribution costs		(1,967,843)	(2,531,837)
Administrative expenses		<u>(4,349,479)</u>	<u>(3,871,026)</u>
Operating profit	5	5,337,740	5,451,261
Interest receivable and similar income	6	-	4,617
Interest payable and similar charges	7	<u>(576)</u>	<u>(1,279)</u>
Profit before tax		5,337,164	5,454,599
Tax on profit on ordinary activities	10	<u>(1,017,815)</u>	<u>(1,053,019)</u>
Profit and total comprehensive income for the year		<u>4,319,349</u>	<u>4,401,580</u>

The above results were derived from continuing operations.

The notes on pages 11 to 21 form an integral part of these financial statements.

Arrow Film Distributors Limited
(Registration number: 02584648)
Statement of Financial Position as at 31 December 2022

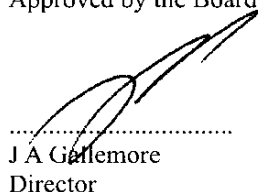
		31 December 2022	31 December 2021
	Note	£	£
Non-current assets			
Property, plant and equipment	11	14,095	21,429
Right-of-use assets	15.1	8,807	44,038
		<u>22,902</u>	<u>65,467</u>
Current assets			
Inventories	12	1,344,103	1,199,218
Trade and other receivables	13	16,360,587	13,848,214
Cash and cash equivalents	14	49,044	896,791
		<u>17,753,734</u>	<u>15,944,223</u>
Trade and other payables: Amounts falling due within one year	16	<u>(3,181,193)</u>	<u>(5,720,539)</u>
Net current assets		<u>14,572,541</u>	<u>10,223,684</u>
Total assets less current liabilities		<u>14,595,443</u>	<u>10,289,151</u>
Trade and other payables: Amounts falling due after more than one year	17	-	(6,825)
Provisions for liabilities	18	<u>(1,940)</u>	<u>(8,172)</u>
Net assets		<u>14,593,503</u>	<u>10,274,154</u>
Capital and reserves			
Called up share capital	19	100	100
Retained earnings		<u>14,593,403</u>	<u>10,274,054</u>
Shareholders' funds		<u>14,593,503</u>	<u>10,274,154</u>

For the financial year ended 31 December 2022 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 3 November 2023 and signed on its behalf by:


.....
J A Gallemore
Director

The notes on pages 11 to 21 form an integral part of these financial statements.

Arrow Film Distributors Limited
Statement of Changes in Equity for the Year Ended 31 December 2022

	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	-	(15,218)	(15,218)
At 31 December 2021	<u>100</u>	<u>10,274,054</u>	<u>10,274,154</u>
	Share capital £	Retained earnings £	Total £
At 1 January 2022	100	10,274,054	10,274,154
Total comprehensive income	-	4,319,349	4,319,349
At 31 December 2022	<u>100</u>	<u>14,593,403</u>	<u>14,593,503</u>

The notes on pages 11 to 21 form an integral part of these financial statements.

Arrow Film Distributors Limited

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

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 Icon 1 7-9, Sunbank Lane, Ringway Altrincham, Manchester, WA15 0AF.

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, unless otherwise stated.

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.

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 Icon 1 7-9, Sunbank Lane, Ringway Altrincham, Manchester, WA15 0AF.

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 2022.

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 2022 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 2022 (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 net asset position, its 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 wider macroeconomic environment, Russia-Ukraine conflict and if applicable, any ongoing impact of COVID-19. 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 are 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 year 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 2022 (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

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 2022 (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.

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.

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.

Arrow Film Distributors Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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:

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 year from continuing operations is as follows:

	31 December 2022 £	31 December 2021 £
UK	6,320,396	6,460,683
Europe	1,849,334	452,274
Rest of the world	9,401,432	10,162,598
	<u>17,571,162</u>	<u>17,075,555</u>

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

Arrow Film Distributors Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 **(continued)**

5 Operating profit

Arrived at after charging:

	31 December 2022	31 December 2021
	£	£
Depreciation on fixed assets	7,334	16,976
Depreciation on right of use assets	35,231	28,529
Amortisation expense	-	49,241
Impairment of Software-as-a-Service intangible assets	-	44,087
	<hr/>	<hr/>

6 Interest receivable and similar income

	31 December 2022	31 December 2021
	£	£
Interest income on bank deposits	-	4,617
	<hr/>	<hr/>

7 Interest payable and similar charges

	31 December 2022	31 December 2021
	£	£
Finance lease interest	521	923
Interest on dilapidations provision	5	4
Bank interest payable and charges	50	352
	<hr/>	<hr/>
	576	1,279
	<hr/>	<hr/>

8 Staff costs

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

	31 December 2022	31 December 2021
	£	£
Wages and salaries	-	2,280,243
Social security costs	-	146,008
Pension costs, defined contribution scheme	-	32,243
Recharges from other group entities	2,279,384	-
	<hr/>	<hr/>
	2,279,384	2,458,494
	<hr/>	<hr/>

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

	31 December 2022	31 December 2021
	£	£
Sales, marketing and distribution	-	37
	<hr/>	<hr/>

Following the completion of the wider THG PLC group reorganisation, all employee contracts were transferred to another group entity during the year. Staff costs were recharged from this entity reflective to the delivery of their day-to-day activities.

Arrow Film Distributors Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 **(continued)**

9 Directors' remuneration

The Directors did not receive any emoluments in respect of their services and are remunerated through other group companies (2021: same).

10 Income tax

Tax charged in the statement of comprehensive income

	31 December 2022 £	31 December 2021 £
Current taxation		
UK corporation tax	1,016,037	1,013,882
Adjustment in respect of prior years	(162)	-
	<u>1,015,875</u>	<u>1,013,882</u>
Deferred taxation		
Current year	1,474	39,137
Change in tax rates	466	-
	<u>1,940</u>	<u>39,137</u>
Tax expense in the statement of comprehensive income	<u>1,017,815</u>	<u>1,053,019</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 – higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	31 December 2022 £	31 December 2021 £
Profit before tax	<u>5,337,164</u>	<u>5,454,599</u>
Corporation tax at standard rate	1,014,061	1,036,374
Deferred tax not recognised	22,205	2,927
Expenses not deductible	-	13,718
Adjustments in respect of prior years	(162)	-
Transferred from another Group entity following wider group reorganisation	(18,755)	-
Effect of change in tax rate	466	-
Total tax charge	<u>1,017,815</u>	<u>1,053,019</u>

Deferred tax

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in Statement of comprehensive income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	<u>-</u>	<u>(1,940)</u>	<u>(1,940)</u>

Arrow Film Distributors Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

10 Income tax (continued)

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

All deferred tax balances as at 31 December 2022 have been calculated at 25% (2021: 25%), being the enacted rate applicable at this date.

11 Property, plant and equipment

	Fixtures and fittings £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation			
At 1 January 2022 and 31 December 2022	31,343	26,122	57,465
Depreciation			
At 1 January 2022	15,669	20,367	36,036
Charge for the year	3,507	3,827	7,334
At 31 December 2022	19,176	24,194	43,370
Carrying amount			
At 31 December 2022	12,167	1,928	14,095
At 31 December 2021	15,674	5,755	21,429

12 Inventories

	31 December 2022 £	31 December 2021 £
Inventories	1,344,103	1,199,218

The cost of inventories recognised as an expense in the year amounted to £5.9m (2021 - £5.2m). This is included within cost of sales.

13 Trade and other receivables

	31 December 2022 £	31 December 2021 £
Trade receivables	1,318,224	1,967,590
Amounts owed by group undertakings	11,959,319	9,116,581
Prepayments	2,412,597	1,982,257
Other receivables	670,447	781,786
	16,360,587	13,848,214

Amounts owed by group undertakings are unsecured, non-interest bearing and are repayable on demand (2021: same).

Arrow Film Distributors Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 **(continued)**

14 Cash and cash equivalents

	31 December 2022	31 December 2021
	£	£
Cash at bank	49,044	896,791

15 Leases

15.1 Right-of-use assets

	31 December 2022
	£
As at 1 January 2022	44,038
Depreciation	(35,231)
As at 31 December 2022	8,807

15.2 Lease liabilities

	31 December 2022
	£
As at 1 January 2022	36,481
Accretion of interest	521
Payments	(29,632)
As at 31 December 2022	7,370

15.3 Amounts recognised in the statement of profit or loss

	31 December 2022
	£
Depreciation expense on right-of-use assets	35,231
Interest expense on lease liabilities	521

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 2022 (continued)

16 Trade and other payables: amounts falling due within one year

		31 December 2022	31 December 2021
	Note	£	£
Trade payables		1,019,812	781,983
Lease liabilities	15.2	7,370	29,656
Social security and other taxes		-	4,633
Accrued expenses		879,881	2,238,654
Corporation tax		178,949	166,146
Amounts owed to group undertakings		70,967	795,308
Group relief		1,016,037	841,662
Other payables			862,197
Dilapidations provision	18	8,177	-
		<u>3,181,193</u>	<u>5,720,539</u>

Amounts owed to group undertakings are unsecured, non-interest bearing and are repayable on demand (2021: same).

17 Trade and other payables: amounts falling due after more than one year

		31 December 2022	31 December 2021
	Note	£	£
Non-current lease liabilities	15.2	<u>-</u>	<u>6,825</u>

18 Provisions for liabilities

	Dilapidations provision £	Deferred tax £	Total £
At 1 January 2022	8,172	-	8,172
Interest	5	-	5
Recognised in the Statement of comprehensive income	-	1,940	1,940
At 31 December 2022	<u>8,177</u>	<u>1,940</u>	<u>10,117</u>
Current (note 16)	<u>8,177</u>	<u>-</u>	<u>8,177</u>
Non-current	<u>-</u>	<u>1,940</u>	<u>1,940</u>

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

All deferred tax balances as at 31 December 2022 have been calculated at 25% (2021: 25%), being the enacted rate applicable at this date.

Arrow Film Distributors Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

19 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary shares of £1 each	100	100	100	100

20 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.

21 Parent and ultimate parent undertaking

As at year end, the immediate parent undertaking is THG OnDemand Limited.

The ultimate parent undertaking and controlling party is THG PLC, a company incorporated in England. The Company was acquired by THG PLC in December 2022.

THG Operations Holdings Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2022.

THG PLC is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2022.

The consolidated financial statements of THG Operations Holdings Limited and THG PLC are available from Icon 1 7-9, Sunbank Lane, Ringway Altrincham, Manchester, WA15 0AF.