

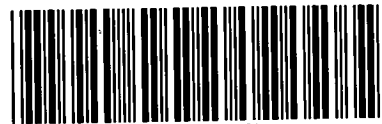
The Hamleys Group Limited

**Annual report and financial
statements**

Registered number 2352435

31 December 2016

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Strategic report

Principal activities and business review

The principal activity of the company is that of an intermediate investment holding company in the retailing of toys. The business continues to develop its core Hamleys brand through a variety of channels to market, principally retail, internet and franchising.

Strategy

Hamleys' group vision is to be the world's leading toy store brand and destination. Hamleys will achieve this vision by:

- creating global destinations for the best toy retail entertainment in the world;
- offering our customers a uniquely interactive retail destination for children's toy shopping combining fun, entertainment and theatre;
- expanding own brand products in selected traditional toy categories;
- selling the widest range of quality mass market toys;
- operating a franchising model with presence in selected territories around the world;
- opening large format standalone stores in key locations in the UK and Ireland;
- operating a successful complementary web site.

Risks

The management of the business and execution of the Company's strategy are subject to a number of risks. Key business risks and uncertainties are managed at a group level and full disclosure of the risks and uncertainties facing the group are set out in the Annual Report of the parent company of the Group, Hamleys Global Holdings Limited.

Results and dividends


The company delivered a loss before tax of £714,000 for the year ended 31 December 2016 (10 months ended 31 December 2015: loss before tax of £757,000). The position of the company as at the period end is shown on page 6.

Key performance indicators

The following are some of the principal KPIs used to monitor the performance of the group:

- Sales, margin and stock versus budget;
- Footfall, conversion, transactions and average transaction values versus budget;
- Stock and stock cover versus budget;
- % of own brand sales versus budget;
- Costs versus budget;
- Monthly store and channel trading contribution versus budget;
- Monthly profit after tax versus budget;
- Weekly and monthly cash flow versus budget and facility level;
- Health and safety audits;
- Product quality audits.

By order of the board


G Reynisson
Director

2 Fouberts Place
London
W1F7PA

Dated: 28 September 2017

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Directors

The directors who held office during the period and since the period end were as follows:

G Reynisson

A Jablonowski (appointed on 24 July 2017)

A Dunn (resigned on 16 June 2017)

Dividend

The directors do not recommend the payment of a dividend (2015: £nil).

Going concern

The directors believe the retail climate through 2017 is uncertain and is likely to remain challenging. In response to these market conditions, the directors have taken a number of actions to protect against any potential future sales downturn. Financial forecasts, including sensitivities, for the period have been prepared using conservative sales levels and cost planning accordingly has been aligned to those sales estimates. The group manages its cost base and cash flow commitments to retain flexibility, making the group better able to cope with difficult economic conditions. Further forecasts will be performed throughout the period to ensure the cost planning remains in line.

The Company is dependent for its working capital on funds provided to it by Hamleys Global Holdings Limited. Hamleys Global Holdings Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements they have no reason to believe that it will not do so.

The directors, after considering the financial forecasts, appropriate sensitivities, current trading and available facilities expect the group and therefore the company to have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.


Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board


G Reynisson
Director

2 Fouberts Place
London
W1F7PA

Dated: 28 September 2017

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment on the company's ability to continue as a going concern.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of The Hamleys Group Limited

We have audited the financial statements of The Hamleys Group Limited for the year ended 31 December 2016 set out on pages 5 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report and Strategic Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Graham Neale (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Dated: 29 September 2017

Statement of profit and loss and other comprehensive income
for the year ended 31 December 2016

	<i>Note</i>	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Other operating income	2	137	136
Administrative expenses		(110)	(182)
Operating loss/(profit)	3	27	(46)
Financial income		12	-
Financial expenses	5	(753)	(711)
Loss before tax		(714)	(757)
Taxation	6	89	143
Loss for the year/period		(625)	(614)
Other comprehensive loss			
Other comprehensive loss for the year/period, net of income tax		-	-
Total comprehensive loss for the year/period		(625)	(614)

Balance sheet
at 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Non-current assets			
Investment in subsidiaries	7	26,656	24,214
		<u>26,656</u>	<u>24,214</u>
Current assets			
Trade and other receivables	8	16,338	13,203
Cash and cash equivalents	9	59	161
		<u>16,397</u>	<u>13,364</u>
Total assets		<u>43,053</u>	<u>37,578</u>
Current liabilities			
Other interest-bearing loans and borrowings	10	(14,963)	(11,013)
Trade and other payables	11	(22,574)	(16,937)
Provisions	12	-	(289)
		<u>(37,537)</u>	<u>(28,239)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	10	-	(3,198)
Provisions	12	-	-
		<u>-</u>	<u>(3,198)</u>
Total liabilities		<u>(37,537)</u>	<u>(31,437)</u>
Net assets		<u>5,516</u>	<u>6,141</u>
Equity			
Share capital	13	1,319	1,319
Share premium		4,316	4,316
Merger relief reserve		978	978
Retained earnings		(1,097)	(472)
Total equity		<u>5,516</u>	<u>6,141</u>

These financial statements were approved by the board of directors on 28 September 2017 and were signed on its behalf by:


G Reynisson
Director

Company registered number: 2352435

Statement of changes in equity

	Share capital £000	Share premium £000	Merger relief reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2015	1,319	4,316	978	142	6,755
Total comprehensive loss for the period					
Profit or loss	-	-	-	(614)	(614)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(614)	(614)
Balance at 31 December 2015	1,319	4,316	978	(472)	6,141

	Share capital £000	Share premium £000	Merger relief reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	1,319	4,316	978	(472)	6,141
Total comprehensive loss for the year					
Profit or loss	-	-	-	(625)	(625)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(625)	(625)
Balance at 31 December 2016	1,319	4,316	978	(1,097)	5,516

Cash flow statement
for year ended 31 December 2016

	<i>Note</i>	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Cash flows from operating activities			
Loss for the period		(625)	(614)
Adjustments for:			
Financial income	5	(12)	-
Financial expense	5	753	711
Income from shares in group undertaking		-	-
Taxation	6	(89)	(143)
		<hr/>	<hr/>
		27	(46)
Increase in trade and other receivables		(3,047)	(205)
Increase in trade and other payables		5,637	1,917
Decrease in provisions		(289)	(349)
		<hr/>	<hr/>
		2,328	1,317
Interest paid	5	-	(3)
Tax paid		-	-
		<hr/>	<hr/>
Net cash from operating activities		2,328	1,314
Net cash from investing activities			-
Acquisition of a subsidiary		(2,442)	
		<hr/>	<hr/>
		(2,442)	
Cash flows from financing activities			
Repayment of shareholder loan		-	(1,198)
Interest received		12	
		<hr/>	<hr/>
Net cash from financing activities		12	(1,198)
Net increase in cash and cash equivalents		(102)	116
Cash and cash equivalents at start of the year/period		161	45
		<hr/>	<hr/>
Cash and cash equivalents at end of year/period	9	59	161
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The Hamleys Group Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 02352435 and the registered address is 2 Fouberts Place, London, W1F7PA.

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1. Measurement convention

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

1.2. Going concern

The directors believe the retail climate through 2017 is uncertain and is likely to remain challenging. In response to these market conditions, the directors have taken a number of actions to protect against any potential future sales downturn. Financial forecasts, including sensitivities, for the period have been prepared using conservative sales levels and cost planning accordingly has been aligned to those sales estimates. The group manages its cost base and cash flow commitments to retain flexibility, making the group better able to cope with difficult economic conditions. Further forecasts will be performed throughout the period to ensure the cost planning remains in line.

The Company is dependent for its working capital on funds provided to it by Hamleys Global Holdings Limited. Hamleys Global Holdings Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements they have no reason to believe that it will not do so.

The directors, after considering the financial forecasts, appropriate sensitivities, current trading and available facilities expect the group and therefore the company to have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.4. Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1 Accounting policies (continued)

1.5 Non-derivative financial instruments

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the statement of profit and loss in administrative expenses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until

1.7 Impairment excluding inventories, and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.7. Impairment excluding inventories, and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.9. Expenses

Financing expenses

Financial expenses comprise interest payable on bank overdrafts and shareholder loans and unwinding of the discount on provisions.

1.10. Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Notes (continued)

1 Accounting policies (continued)

1.11. Updates to IFRS

A number of amendments to standards and interpretations took effect from 1 January 2016. These changes have been considered in preparing the financial statements of the Company, however none of these have had a significant effect. Further, a number of new standards, amendments to standards and interpretations are effective for annual years beginning on or after 1 January 2017 and have not been applied in preparing these financial statements. Again, none of these are expected to have a significant effect on the financial statements of the Company and the Company has chosen not to adopt any of the above standards or interpretations early.

2 Other operating income

	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Rental income	137	136
	<u> </u>	<u> </u>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Management recharge in respect of directors' emoluments and senior employees	729	976
Redistribution of directors' and senior employees emoluments to subsidiaries	(729)	(976)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

Auditor's remuneration:

	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Audit of these financial statements	6	7
	<u> </u>	<u> </u>

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the financial statements of the Company's UK parent, Hamleys Global Holdings Limited.

Notes (continued)

4 Directors' emoluments and staff numbers

The emoluments of the directors are borne by other group companies and disclosed within their financial statements. With the exception of the directors, the company has no employees.

In relation to the highest paid director:

	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Directors' remuneration	207	271
Other pension costs	20	21
	<u>227</u>	<u>292</u>

5 Financial expense

Recognised in profit or loss

	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Financial income		
Interest income on unimpaired financial assets	-	18
	<u>-</u>	<u>18</u>
Finance expense		
Interest expense on bank loans and overdrafts	-	3
Interest expense on shareholder loan	753	641
Unwind of discount on onerous lease	-	67
	<u>753</u>	<u>711</u>
Total finance expense	<u>753</u>	<u>711</u>

6 Taxation

Recognised in the income statement

	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Current tax expense		
Corporation tax charge for the period	-	-
Adjustments for prior periods	-	-
Group relief recoverable	(89)	(143)
	<u>(89)</u>	<u>(143)</u>
Current tax credit	<u>(89)</u>	<u>(143)</u>
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Deferred tax expense	<u>-</u>	<u>-</u>
Total tax credit	<u>(89)</u>	<u>(143)</u>

Notes (continued)

6 Taxation (continued)

Reconciliation of effective tax rate

	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Loss for the period	(625)	(614)
Total tax credit	(89)	(143)
	<hr/>	<hr/>
Loss excluding taxation	(714)	(757)
Tax using the UK corporation tax rate of 20.00% (2015: 20.10 %)	(143)	(152)
Expenses not deductible for tax purposes	54	1
Deferred tax not recognised	-	8
	<hr/>	<hr/>
Total tax credit	(89)	(143)
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 18 November 2015. An additional reduction to 17% (effective from 1 April 2020) was enacted on 15 September 2016. These changes will reduce the company's future current tax charge accordingly.

7 Investments in subsidiaries

During the year the company acquired 80% of the share capital of Hamleys Nordics Aps and its subsidiaries (Hamleys Finland Oy, Hamleys Denmark Aps, Hamleys Sweden AB and Hamleys Norway AS) for £2,442,000.

	£000
<i>Cost:</i>	
At 1 January 2016	24,214
Additions	2,442
	<hr/>
At 31 December 2016	26,656
	<hr/>
<i>Provision for impairment:</i>	
At 1 January 2016 and 31 December 2016	-
	<hr/>
<i>Net book value;</i>	
At 31 December 2016	26,656
	<hr/>
At 31 December 2015	24,214
	<hr/>

The company's subsidiary undertakings, all of which are owned directly are as follows:

	Country of Incorporation	Principal activity	Ordinary Shares 2016	2015
Hamleys of London Limited	United Kingdom	Toy retailing	100%	100%
Hamleys (Franchising) Limited	United Kingdom	Franchise company	100%	100%
Scrumptalicious Limited	United Kingdom	Retailing	100%	100%
Luvley Limited	United Kingdom	Retailing	100%	100%
Hamleys Asia Limited	Hong Kong	Import company	100%	100%
Hamleys Toys (Ireland) Limited	Ireland	Toy retailing	100%	100%
Hamleys Finland Oy	Finland	Toy retailing	80%	100%
Hamleys Nordic Aps	Denmark	Holding company	80%	-
Hamleys Denmark Aps	Denmark	Toy retailing	80%	-
Hamleys Sweden AB	Sweden	Toy retailing	80%	-
Hamleys Norway AS	Norway	Toy retailing	80%	-

Notes (continued)

8 Trade and other receivables

	2016 £000	2015 £000
Trade receivables due from related parties	16,257	13,165
Other debtors	81	38
	<u>16,338</u>	<u>13,203</u>

9 Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents	59	161

10 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 14.

	2016 £000	2015 £000
Non-current liabilities		
Unsecured shareholder loan	-	3,198
	<u>-</u>	<u>3,198</u>
Current liabilities		
Unsecured shareholder loan	14,963	11,013
	<u>14,963</u>	<u>11,013</u>

The shareholder loan totals £14,963,000 (2015: £14,211,000) and is repayable in full on 16 September 2017. The loan carries interest at LIBOR + 4.6%.

The loan is unsecured.

11 Trade and other payables

	2016 £000	2015 £000
Current		
Trade payables due to related parties	22,554	16,937
Other creditors	20	-
	<u>22,574</u>	<u>16,937</u>

Notes (continued)

12 Provisions

	2016 £000	2015 £000
At beginning of period	289	571
Provisions made during the period	-	-
Provisions used during the period	(289)	(349)
Unwinding of discounted amount	-	67
	<hr/>	<hr/>
At end of period	-	289
	<hr/>	<hr/>
Non-current	-	-
Current	-	289
	<hr/>	<hr/>
	-	289
	<hr/>	<hr/>

The provision relates to an onerous lease for certain land and buildings. The provision represents the director's best estimate of the obligations at each reporting date. The provision was utilised during the year.

13 Capital and reserves

Share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
23,740,354 ordinary 5 5/9p shares	1,319	1,319
	<hr/>	<hr/>

Details of all movements in reserves for the Company are shown in the Statement of Changes in Equity. A description of the nature and purpose of each reserve is given below:

Merger relief reserve

The merger relief reserve comprises the excess of the fair value of consideration received over the nominal value of shares issues.

14 Financial instruments

Financial risk management

Senior management and the directors have overall responsibility for the oversight of the Company's risk management framework. Senior management and directors review and manage risk on an ad hoc basis when required through specific consideration of transactions. When identified, agreed actions are taken to mitigate these risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Company's intercompany receivables.

The company is also exposed to credit risk arising from other financial assets, which comprise of cash. The Company's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments if a counterparty to a financial instrument fails to meet its contractual obligation

Notes (continued)

14 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due by ensuring that there is sufficient cash or working capital facilities to meet the Company's cash requirements.

The risk is measured by review of forecast liquidity each month to determine whether there are sufficient credit facilities to meet forecast requirements. Cash flow forecasts are submitted monthly to the Directors. These continue to demonstrate the strong cash generating ability of the business and its ability to operate within existing agreed facilities.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Company's income. The Company's exposure to market risk predominately relates to interest rate risk.

Interest rate risk

The Company is exposed to the risk of interest rate fluctuations mainly with regard to the interest expense on the debt carried by Hamleys Global Holdings Limited. The Company's intercompany borrowings incur variable interest rate charges linked to LIBOR, plus a margin. The Group's policy aims to manage the interest cost of the Company within the constraints of its financial covenants and business plan.

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth. The directors regularly monitor the level of capital in the Group to ensure that this can be achieved.

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables and trade payables	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long-term borrowings	Based on calculations performed by management, the fair value of the shareholder loan is not materially different to its carrying value. Therefore, the fair value approximates the carrying value reported in the balance sheet.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All financial instruments carried at fair value have been measured using a Level 2 valuation method.

Notes (continued)

14 Financial instruments (continued)

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

	2016 £000	2015 £000
Cash and cash equivalents	59	161
Trade and other receivables	16,338	13,203
	<hr/>	<hr/>
Total financial assets	16,397	13,364
	<hr/>	<hr/>
Trade and other payables	22,574	16,937
Borrowings at amortised cost	14,963	14,211
	<hr/>	<hr/>
Total financial liabilities	37,537	31,148
	<hr/>	<hr/>

Financial instruments sensitivity analysis

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations on its earnings. At the end of each reporting period, the effect of hypothetical changes in interest rates is as follows:

The table below shows the Company's sensitivity to interest rates on floating rate borrowings (i.e. shareholder loan borrowings which attract interest at LIBOR +4.6%) if interest rates were to change by +/-1%. The impact on the results in the statement of profit and loss and other comprehensive income and equity would be.

Interest rate sensitivity analysis

	2016 Increase/ (decrease) in equity £000	2015 Increase/ (decrease) in equity £000
+1% movement in rates	(142)	(118)
-1% movement in rates	142	118
	<hr/>	<hr/>

There are no material movements in profit and loss for the period.

15 Commitments

The company has £nil commitments, including £nil capital commitments for which no provision has been made in the financial statements (2015: £nil).

16 Contingencies

There is a cross-guarantee in place between certain group companies in respect of the current period bank facilities. The Company exposure at the end of the period is £nil (2015: £nil).

Notes (continued)

17 Related parties

Transactions with key management personnel – Directors' emoluments

No directors' emoluments is recharged to the Company.

Other related party transactions

	Administrative expenses incurred from	
	Year to 31 December 2016 £000	10 months to 31 December 2015 £000
Parent company		
Shareholder loan interest	753	641

	Receivables outstanding		Payables outstanding	
	2016 £000	2015 £000	2016 £000	2015 £000
Parent company				
Hamleys Global Holdings Limited	739	-	17,339	16,347
Subsidiaries				
Hamleys of London Limited	9,744	9,745	10,684	9,774
Hamleys (Franchising) Limited	509	509	4,342	296
Hamleys Toys (Ireland) Limited	2,438	1,612	5,152	4,731
Scrumpalicious Limited	346	252	-	-
Luvley Limited	628	623	-	-
Hamleys Finland Oy	190	424	-	-
Hamleys Nordic Aps	1,663	-	-	-
	<u>16,257</u>	<u>13,165</u>	<u>37,517</u>	<u>31,148</u>

18 Ultimate parent company

The Company is a subsidiary undertaking of Hamleys Global Holdings Limited, a company incorporated in England. This is the smallest group in which the results of the Company are consolidated. Copies of the group financial statements are available from the Registrar of Companies, Companies House, Cardiff. The Company's ultimate parent company and controlling party is C.banner International Holdings Limited, a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange.