

The Hamleys Group Limited

**Annual report and financial
statements**

Registered number 2352435

28 February 2015

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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.

Results and dividends

The company delivered a loss before tax excluding exceptional items of £442,000 (31 Dec 13: profit before tax excluding exceptional items of £5,462,000 after receiving income from shares in group undertakings of £5,308,000). 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 EBITDA versus budget;
- Weekly and monthly cash flow versus budget and facility level;
- Health and safety audits;
- Product quality audits.

By order of the board



A Dunn
Director

7 January 2016

Directors' report

The directors present their annual report and the audited financial statements for the period ended 28 February 2015.

Change of accounting reference date

During the period the company changed its accounting reference date from 31 December to 28 February, making a current period of 14 months.

Directors

A Dunn
G Reynisson
J-M Grunberg (resigned 25 November 2015)
R Hidalgo (resigned 25 November 2015)
J Des Courtis (resigned 25 November 2015)

Dividend

The directors do not recommend the payment of a dividend (*31 Dec 13: £Nil*).

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



A Dunn
Director

2 Fouberts Place
London
W1F 7PA

7 JANUARY 2016

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

The directors are responsible for preparing the Strategic report, 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 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 Hamleys Group Limited for the 14 month period ended 28 February 2015 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 28 February 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

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

7 January 2016

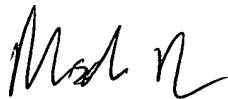
Profit and loss account
for the period ended 28 February 2015

		14 months ended 28 February 2015			Year ended 31 December 2013		
	<i>Note</i>	Excluding exceptional items £000	Exceptional items (note 5) £000	Including exceptional items £000	Excluding exceptional items £000	Exceptional items (note 5) £000	Including exceptional items £000
Administrative expenses	5	-	(171)	(171)	(3)	82	79
Other operating income	3	201	-	201	157	-	157
Operating profit		201	(171)	30	154	82	236
Amounts written off investments	8	-	-	-	-	(2,076)	(2,076)
Interest payable and similar charges	6	(886)	-	(886)	-	-	-
Income from shares in group undertakings		243	-	243	5,308	-	5,308
(Loss)/profit on ordinary activities before taxation	4	(442)	(171)	(613)	5,462	(1,994)	3,468
Tax on (loss)/profit on ordinary activities	7	169	45	214	87	(19)	68
(Loss)/profit for the financial period	15	(273)	(126)	(399)	5,549	(2,013)	3,536

Balance sheet
at 28 February 2015

	<i>Note</i>	28 February 2015		31 December 2013	
		£000	£000	£000	£000
Fixed assets					
Investments	8		24,214		24,214
Current assets					
Debtors	9	12,379		8,092	
Cash at bank and in hand		45		-	
		<u>12,424</u>		<u>8,092</u>	
Creditors: amounts falling due within one year	10	<u>(23,355)</u>		<u>(7,090)</u>	
Net current (liabilities)/assets			<u>(10,931)</u>		<u>1,002</u>
Total assets less current liabilities			<u>13,283</u>		<u>25,216</u>
Creditors: amounts falling due after more than one year	11		(5,958)		(1,278)
Provisions for liabilities and charges	12		(636)		(791)
Net assets			<u>6,689</u>		<u>23,147</u>
Capital and reserves					
Called up share capital	13		1,319		1,319
Share premium account	14		4,316		4,316
Capital redemption reserve	14		-		6,403
Merger relief reserve	14		978		978
Special reserve	14		-		10,921
Profit and loss account	14		76		(790)
Shareholders' funds	15		<u>6,689</u>		<u>23,147</u>

These financial statements were approved by the board of directors on ^{7th} January 2016 and were signed on its behalf by:



A Dunn
Director

Company number: 2352435

Statement of total recognised gains and losses
for the period ended 28 February 2015

	14 months to 28 February 2015 £000	Year ended 31 December 2013 £000
(Loss)/profit for the financial period	(399)	3,536
Foreign exchange translation differences	(49)	49
Dividend paid	(18,942)	-
Total recognised gains and losses relating to the financial period	(19,390)	3,585

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention.

The Company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Ludendo Enterprises UK Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Ludendo Enterprises UK Limited, within which this Company is included, can be obtained from the address given in note 18.

Going concern

The directors believe the retail climate through 2016 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 year 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 year to ensure the cost planning remains in line.

The directors, after considering the financial forecasts, appropriate sensitivities, current trading and available facilities expect the group 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.

Investments

Shares in subsidiary undertakings are stated at cost less amounts written off where, in the opinion of the directors there has been a diminution in the value of the investments.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences on permanent balances are recognised in reserves, all other exchange differences are taken to the profit and loss account

Other operating income

Other operating income represents rent received, excluding VAT.

Notes (continued)

2 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 directors, the company has no employees.

3 Other operating income

	14 months to 28 February 2015 £000	Year ended 31 December 2013 £000
Rental income	201	157
	<u>201</u>	<u>157</u>

4 Notes to the profit and loss account

	14 months to 28 February 2015 £000	Year ended 31 December 2013 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Management recharge in respect of directors' emoluments and senior employees	1,190	1,016
Redistribution of directors' and senior employees emoluments to subsidiaries	(1,190)	(1,016)
	<u></u>	<u></u>
<i>Auditors' remuneration</i>		
Audit of these financial statements	5	3
	<u>5</u>	<u>3</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 consolidated financial statements of the Company's UK parent, Ludendo Enterprises UK Limited.

Notes (continued)

5 Operating exceptional items

	14 months to 28 February 2015 £000	Year ended 31 December 2013 £000
Closure costs	208	(82)
Amounts written off investments	-	2,076
Waiver of intercompany balance	(37)	-
	<u>171</u>	<u>1,994</u>

Exceptional closure costs relate to an additional provision relating to a retail unit in Watford for which the group took over the lease as a result of the sale of The Bear Factory in 2006. In the current period, the directors have reassessed the provision and increased it accordingly. The provision represents the directors' best estimate of the net cost to the group to the end of the lease term (see note 12).

6 Interest payable and similar charges

	14 months to 28 February 2015 £000	Year ended 31 December 2013 £000
Bank loans and overdraft	8	-
Shareholder loan interest	878	-
	<u>886</u>	<u>-</u>

7 Taxation

Analysis of credit in period

	14 months to 28 February 2015 £000	Year ended 31 December 2013 £000
<i>UK corporation tax</i>		
Current tax on (loss)/profit for the period	-	-
Tax in respect of prior periods	(23)	(68)
Group relief receivable	(191)	-
	<u>(214)</u>	<u>(68)</u>
Total current tax	<u>(214)</u>	<u>(68)</u>
Tax on profit on ordinary activities	<u>(214)</u>	<u>(68)</u>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (31 Dec 13: charge is lower) than the standard rate of corporation tax in the UK of 21.42% (31 Dec 13: 23.25%). The differences are explained below:

	14 months to 28 February 2015 £000	Year ended 31 December 2013 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(613)	3,468
	<hr/>	<hr/>
Current tax at 21.42% (31 Dec 13: 23.25%)	(131)	806
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	464
Utilisation of tax losses	-	(36)
Income not taxable for tax purposes	(60)	(1,234)
Adjustment in respect of prior periods	(23)	(68)
	<hr/>	<hr/>
Total current tax credit	(214)	(68)
	<hr/>	<hr/>

Factors that may affect future charges

The company has not recognised the following deferred tax assets in these financial statements:

	14 months to 28 February 2015 £000	Year ended 31 December 2013 £000
Other timing differences	-	67
Losses	108	78
	<hr/>	<hr/>
	108	145
	<hr/>	<hr/>

The directors recognise an asset for the remaining losses in relation to deferred taxation only to the extent that its utilisation can be forecast, with reasonable certainty, in the foreseeable future.

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

Notes (continued)

8 Investments

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning of period	24,214
At end of period	24,214

The company's wholly owned subsidiary undertakings, all of which are owned directly (with the exception of Hamleys BV) are as follows:

Name	Principal activity	Country of incorporation	Class and percentage of shares held
Hamleys of London Limited	Toy retailing	Great Britain	100%
Hamleys BV	Dormant	The Netherlands	100%
Hamleys (Franchising) Limited	Franchising Company	Great Britain	100%
Hamleys Asia Limited	Import company	Hong Kong	100%
Hamleys Toys (Ireland) Limited	Toy retailing	Ireland	100%
Scrumpalicious Limited	Toy retailing	Great Britain	100%
Luvley Limited	Toy retailing	Great Britain	100%

9 Debtors

	28 February 2015 £000	31 December 2013 £000
Amounts owed by group undertakings	12,367	8,092
Other debtors	12	-
	12,379	8,092

Notes (continued)

10 Creditors: amounts falling due within one year

	28 February 2015 £000	31 December 2013 £000
Bank overdraft (secured – see note 16)	-	147
Obligations under finance leases and hire purchase contracts (secured)	-	5
Trade creditors	-	76
Amounts owed to group undertakings	23,355	6,862
	<hr/> 23,355 <hr/>	<hr/> 7,090 <hr/>

11 Creditors: amounts falling due after more than one year

	28 February 2015 £000	31 December 2013 £000
Amounts owed to group undertakings	5,958	1,278
	<hr/> 5,958 <hr/>	<hr/> 1,278 <hr/>

12 Provisions for liabilities and charges

	Other provisions £000
At beginning of period	791
Charged during the period	208
Utilised during the period	(363)
	<hr/>
At end of period	636 <hr/>

Other provisions represent amounts provided in respect of an onerous lease for certain land and buildings. It is expected the provision will be utilised over the next three years.

13 Share capital

	28 February 2015		31 December 2013	
	Number	£000	Number	£000
Ordinary 5 5/9p shares				
Allotted, issued and fully paid	23,740,354	1,319	23,740,354	1,319
	<hr/> 23,740,354 <hr/>	<hr/> 1,319 <hr/>	<hr/> 23,740,354 <hr/>	<hr/> 1,319 <hr/>

Notes (continued)

14 Reserves

	Share premium account £000	Capital redemption reserve £000	Merger relief reserve £000	Special reserve £000	Profit and loss account £000
At beginning of period	4,316	6,403	978	10,921	(790)
Loss for the period	-	-	-	-	(399)
Foreign exchange translation differences	-	-	-	-	(49)
Capital contribution	-	2,932	-	-	-
Arising on capital restructuring	-	(9,335)	-	(10,921)	20,256
Dividends paid	-	-	-	-	(18,942)
At end of period	4,316	-	978	-	76

During the period the Company received a capital contribution of £2,931,774 as a result of an intermediate parent company at that date, Corporal Limited, waiving an intercompany receivable due from the Company.

On 5 November 2014 the Company undertook a capital restructuring exercise. The capital redemption reserve of £9,334,856 and the special reserve of £10,921,139 were reduced to £nil and subsequently cancelled, resulting in a reduction in capital of £20,255,995 and a corresponding increase in the distributable profit and loss account of £20,255,995.

15 Reconciliation of movements in shareholders' funds

	28 February 2015 £000	31 December 2013 £000
(Loss)/profit for the financial period	(399)	3,536
Foreign exchange translation differences	(49)	49
Capital contribution	2,932	-
Dividends paid	(18,942)	-
Net (decrease)/increase in shareholders' funds	(16,458)	3,585
Opening shareholders' funds	23,147	19,562
Closing shareholders' funds	6,689	23,147

16 Contingent liabilities

There is a cross-guarantee in place between certain group companies in respect of the current period bank facilities. The company exposure at the period end is £nil (31 Dec 2013: £nil).

Notes *(continued)*

17 Post balance sheet events

On 25 November 2015 the entire share capital of Ludendo Enterprises UK Limited, an intermediate holding company, was acquired by C. banner International Holdings Limited, a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange.

18 Ultimate parent company

The Company is a subsidiary undertaking of Ludendo Enterprises UK Limited, a company incorporated in England. This is the smallest group in which the results of the Company are consolidated. Copies of the group financial statements are available from the Registrar of Companies, Companies House, Cardiff.

Until 25 November 2015 Ludendo Enterprises UK Limited was a subsidiary undertaking of Ludendo Entreprises SAS, which was the ultimate parent company, incorporated in France. The results for the period ended 28 February 2015 are included in the consolidated financial statements of Ludendo Entreprises SAS, which is the largest group to consolidate the Company's financial statements.

As described in note 17, on 25 November 2015 the Ludendo Enterprises UK Limited group was acquired by C. banner International Holdings Limited. Following the acquisition 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.