

Hamleys Denmark ApS

**Vesterbrogade 1 H
1620 Copenhagen V**

CVR no. 35 82 57 70

Annual report for the period 1 April 2015 to 31 March 2016

The annual report was presented and
adopted at the annual general meeting of
the Company on 19 August 2016



**Alasdair Andrew Dunn
Chairman**

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Hamleys Denmark ApS for the financial year 1 April 2015 - 31 March 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2016 and of the result of the Company's operations for the financial year 1 April 2015 - 31 March 2016.

In our opinion, the Management's review includes a fair review of the development in the Company's operations and financial conditions, the results for the year and the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.


Copenhagen, 19 August 2016

Executive Board



Claus Nielsen
Executive Officer

Board of Directors



Alasdair Andrew Dunn
Chairman



Ralph Brander Cunningham



Claus Nielsen

Independent auditor's report

To the Shareholder of Hamleys Denmark ApS

Independent auditor's report on the financial statements

We have audited the financial statements of Hamleys Denmark ApS for the financial year 1 April 2015 - 31 March 2016. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2016 and of the results of the Company's operations for the financial year 1 April 2015 - 31 March 2016 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 19 August 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Niels Vendelbo
State Authorised
Public Accountant

Management's review

Company details

Company

Hamleys Denmark ApS
Vesterbrogade 1 H
1620 Copenhagen V
Denmark

CVR no.: 35 82 57 70
Financial year: 1 April - 31 March
Registered office: Copenhagen

Board of Directors

Alasdair Andrew Dunn, Chairman
Ralph Brander Cunningham
Claus Nielsen

Executive Board

Claus Nielsen, executive officer

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen
Denmark

General meeting

The annual general meeting is held on 19 August 2016 at the Company's address.

Management's review

Main activity

The main activity of the company is retailing of toy in stores located in Copenhagen.

The Company is in the process of determining the future strategy and market approach in Denmark, which is expected to have a positive effect on the Company's results going forward.

Development in the year

The income statement of the Company for 2015/16 shows a loss of DKK 10,186 thousand (2014/15: loss of DKK 14,886 thousand) and at 31 March 2016 the balance sheet of the Company shows positive equity of DKK 7,350 thousand (2015: negative DKK 14,836 thousand).

Result for the year has been negatively affected by decline in sales.

The result for 2016/17 is expected to be marginally negative due to business restructuring, following the majority acquisition of the Company by the Hamleys Group Limited.

Capital resources

To strengthen the capital resources the Company has during the year received debt conversion of intercompany loans from its Parent Company of DKK 32,372 thousand. Furthermore, a letter of support has been received from The Hamleys Group Limited where it is stated that they will unconditionally support the Company financially until the annual general meeting in 2017 when the annual report for the following financial year is approved. The guarantee will however as a minimum be in force for 12 months for 31 March 2016, should any changes be made to the financial year at the annual general meeting in 2016. It is therefore concluded that the capital resources is sufficient for the operation in 2016/17.

Subsequent events

During April 2016 the Company has closed the store located in Copenhagen Airport. This is part of the Company's business restructuring plan.

Financial statements 1 April 2015 - 31 March 2016

Accounting policies

The Annual Report of Hamleys Denmark ApS for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Financial Statements for 2015/16 are presented in thousand DKK.

Income Statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for consumables

Expenses for consumables comprise the consumables consumed to achieve revenue for the year.

Other operating costs

Other operating costs consist of costs secondary to the Company's primary operation.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Financial statements 1 April 2015 - 31 March 2016

Accounting policies

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3	years
Leasehold improvements	3	years

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by and depreciation.

If so, the asset is written down to its lower recoverable amount.

Deposits

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made on an individual basis.

Financial statements 1 April 2015 - 31 March 2016

Accounting policies

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Financial statements 1 April 2015 - 31 March 2016

Income statement

	<u>Note</u>	<u>2015/2016</u> DKK'000	<u>2014/2015</u> DKK'000
Gross loss		-3,077	-3,182
Staff costs	2	-5,604	-8,887
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-609	-574
Other operating costs		<u>0</u>	<u>-2,100</u>
Loss before financial income and expenses		-9,290	-14,743
Financial income	3	841	24
Financial costs	4	<u>-1,737</u>	<u>-167</u>
Loss before tax		-10,186	-14,886
Tax on profit/loss for the year		<u>0</u>	<u>0</u>
Loss for the year		<u>-10,186</u>	<u>-14,886</u>
 Proposed distribution of result			
Retained earnings		<u>-10,186</u>	<u>-14,886</u>
		<u>-10,186</u>	<u>-14,886</u>

Financial statements 1 April 2015 - 31 March 2016

Balance sheet

	<u>Note</u>	<u>2015/16</u> DKK'000	<u>2014/15</u> DKK'000
Assets			
Other fixtures and fittings, tools and equipment		440	799
Leasehold improvements		250	500
Tangible assets		690	1,299
Deposits		859	1,059
Investments		859	1,059
Non-current assets		1,549	2,358
Finished goods and goods for resale		3,461	3,505
Stocks		3,461	3,505
Trade receivables		184	357
Receivables from related parties		6,290	0
Other receivables		151	249
Prepayments		227	213
Receivables		6,852	819
Cash at bank and in hand		2,136	70
Total current assets		12,449	4,394
Total assets		13,998	6,752

Financial statements 1 April 2015 - 31 March 2016

Balance sheet

	<u>Note</u>	<u>2015/16</u> DKK'000	<u>2014/15</u> DKK'000
Equity and liabilities			
Share capital		50	50
Retained earnings		<u>7,300</u>	<u>-14,886</u>
Total equity	5	<u>7,350</u>	<u>-14,836</u>
Trade payables		1,112	8,985
Payables to related parties		4,090	11,180
Other payables		<u>1,446</u>	<u>1,423</u>
Current liabilities		<u>6,648</u>	<u>21,588</u>
Total liabilities		<u>6,648</u>	<u>21,588</u>
Total equity and liabilities		<u><u>13,998</u></u>	<u><u>6,752</u></u>
Going concern	1		
Rental agreements and leases	6		
Contingent liabilities	7		

Financial statements 1 April 2015 - 31 March 2016

Notes

1 Going concern

To strengthen the capital resources the Company has during the year received debt conversion of intercompany loans from its Parent Company of DKK 32,372 thousand. Furthermore, a letter of support has been received from The Hamleys Group Limited where it is stated that they will unconditionally support the Company financially until the annual general meeting in 2017 when the annual report for the following financial year is approved. The guarantee will however as a minimum be in force for 12 months for 31 March 2016, should any changes be made to the financial year at the annual general meeting in 2016. It is therefore concluded that the capital resources is sufficient for the operation in 2016/17.

	<u>2015/2016</u>	<u>2014/2015</u>
	DKK'000	DKK'000
2 Staff costs		
Wages and salaries	5,304	8,859
Other staff costs	<u>300</u>	<u>28</u>
	<u>5,604</u>	<u>8,887</u>
3 Financial income		
Other financial income	0	24
Debt forgiveness on payables to related parties	<u>841</u>	<u>0</u>
	<u>841</u>	<u>24</u>
4 Financial costs		
Other financial costs	85	5
Exchange adjustments costs	0	162
Write-down of receivables from related parties	<u>1,652</u>	<u>0</u>
	<u>1,737</u>	<u>167</u>

Financial statements 1 April 2015 - 31 March 2016

Notes

5 Equity

	Share capital	Retained earnings	Total
	DKK'000	DKK'000	DKK'000
Equity at 1 April 2015	50	-14,886	-14,836
Net loss for the year	0	-10,186	-10,186
Contribution from group	0	32,372	32,372
Equity at 31 March 2016	50	7,300	7,350

The share capital consists of 50,000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital since the Company was incorporated in April 2014. In 2015/16 a group contribution was made through debt conversion of intercompany loans from the Parent Company. The group contribution has a net effect on retained earnings of DKK 32,372 thousand.

6 Rental agreements and leases

Rental agreements

Lease obligations under operating leases relating to leasehold. Total future lease payments:

	2015/16	2014/15
	DKK'000	DKK'000
Within 1 year	1,482	1,309
Between 1 and 5 years	5,267	5,235
After 5 years	2,853	5,127
	9,602	11,671

7 Contingent liabilities

The Danish group enterprises are jointly and severally liable for tax on the jointly taxed income of the Group and for Danish taxes at source such as dividend tax, tax on royalty payments and withholding tax.