

# Hamleys Denmark ApS

Vesterbrogade 1 H  
1620 København V

CVR no. 35 82 57 70

**Annual report for the period 1 January – 31 December 2017**

The annual report was presented and approved at  
the Company's annual general meeting on

22 March 2018

  
\_\_\_\_\_  
Claus Nielsen

Hamleys Denmark ApS  
Annual report 2017  
CVR no. 35 82 57 70

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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 January – 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We draw your attention to a significant matter raised in the Management's Review. Management has taken numerous actions to reduce costs and improve the sales performance of the stores to turnaround the business, but this unfortunately has not been successful, resulting in continued significant losses. In addition, the Company's owner has not issued a letter of financial support to the Company. Based on this, there is material uncertainty over the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to source alternative funding.

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

Copenhagen, 22 March 2018  
Executive Board:

  
Claus Nielsen

Board of Directors:

  
Claus Nielsen  
Chairman  
Ralph Brander Cunningham



## **Independent auditor's report**

### **To the shareholder of Hamleys Denmark ApS**

#### **Adverse opinion**

We have audited the financial statements of Hamleys Denmark ApS for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, because of the significance of the matter described in the Basis for adverse opinion section in our report, the accompanying financial statements do not give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance for the year then ended in accordance with the Danish Financial Statements Act.

#### **Basis for adverse opinion**

The financial statements has been prepared on a going concern basis. As described in note 2 to the financial statements, the owner has not issued a letter of financial support and the Company's ability to continue as a going concern is depending on management's ability to source alternative funding. In our opinion, without the financial support of the owner or alternative funding, the operations of the Company cannot be continued. The financial statements should have been prepared under the assumption that the operations of the Company are not continued and the values of assets and liabilities should therefore have been adjusted to net realisation values. It has not been possible to determine the impact on the financial statements hereof.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

#### **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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.





## Independent auditor's report

We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

As it is described in the Basis for adverse opinion section of our report, our opinion on the financial statements has been modified because of Management's use of the going concern assumption. We have concluded, that the Management's Review for the same reason includes material misstatements in relation to amounts and other elements, that is impacted by the use of the going concern assumption.



## Independent auditor's report

Copenhagen, 22 March 2018

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'Joakim Juul Larsen', written over a faint, illegible stamp or watermark.

Joakim Juul Larsen

State Authorised

Public Accountant

MNE no. 32803

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## **Management's review**

### **Company details**

Hamleys Denmark ApS  
Vesterbrogade 1 H, 1620 København V  
Denmark

CVR no.: 35 82 57 70  
Registered office: Copenhagen  
Financial year: 1 January – 31 December

### **Board of Directors**

Claus Nielsen, Chairman  
Ralph Brander Cunningham

### **Executive Board**

Claus Nielsen

### **Auditor**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfaergevej 28  
DK-2100 Copenhagen

## Management's review

### Operating review

#### Main activity

The main activity of the Company is retailing of toys in stores located in Copenhagen.

#### Development in the year

The income statement of the Company from 1 January – 31 December 2017 shows a loss of DKK 16,713 thousand (1 April – 31 December 2016: loss of DDKK 6,919 thousand) and at 31 December 2017 the balance sheet of the Company shows negative equity of DKK 16,281 thousand (31 December 2016: positive equity of DKK 432 thousand). The result for the year has been negatively affected by a decline in sales and an increase in costs, resulting in the Company incurring losses for the year.

#### Material uncertainties related to going concern

Management has taken numerous actions to reduce costs and improve the sales performance of the stores to turnaround the business, but this unfortunately has not been successful, resulting in continued significant losses. In addition, the Company's owner has not issued a letter of financial support to the Company. Based on this, there is material uncertainty over the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to source alternative funding.



## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	1/1 – 31/12 2017	1/4 - 31/12 2016
<b>Gross loss</b>		-10,721	-2,100
Staff costs	3	-5,764	-4,477
Depreciation, amortisation and impairment of property, plant and equipment		-260	-332
<b>Loss before financial income and expenses</b>		-16,745	-6,909
Financial income	4	97	0
Financial expenses	5	-65	-10
<b>Loss before tax</b>		-16,713	-6,919
Tax on loss for the year		0	0
<b>Loss for the year</b>		-16,713	-6,919
<b>Proposed distribution of loss</b>			
Retained earnings		-16,713	-6,919
		-16,713	-6,919

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>			
Fixtures and fittings, tools and equipment		0	153
Leasehold improvements		0	58
		0	211
<b>Investments</b>			
Deposits		659	659
		659	659
<b>Total fixed assets</b>		659	870
<b>Current assets</b>			
<b>Inventories</b>			
Finished goods and goods for resale		868	2,700
		868	2,700
<b>Receivables</b>			
Trade receivables		0	1,609
Receivables from group entities		0	7,557
Other receivables		17	154
Prepayments		0	602
		17	9,922
<b>Cash at bank and in hand</b>		783	761
<b>Total current assets</b>		1,668	13,383
<b>TOTAL ASSETS</b>		2,327	14,253

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	6		
Contributed capital		50	50
Retained earnings		-16,331	382
<b>Total equity</b>		<b>-16,281</b>	<b>432</b>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Trade payables		1,194	3,450
Payables to group entities		15,723	8,678
Other payables		1,691	1,693
		18,608	13,821
<b>Total liabilities other than provisions</b>		<b>18,608</b>	<b>13,821</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,327</b>	<b>14,253</b>
<b>Material uncertainties related to going concern</b>	2		
<b>Contractual obligations, contingencies, etc.</b>	7		
<b>Related party disclosures</b>	8		

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## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2017	50	382	432
Transferred over the distribution of loss	0	-16,713	-16,713
<b>Equity at 31 December 2017</b>	<b>50</b>	<b>-16,331</b>	<b>-16,281</b>



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Hamleys Denmark ApS for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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

### Income statement

#### Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue and other external costs have 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.

#### Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

#### Expenses for consumables

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

#### 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 depreciation and impairment of property, plant and equipment.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Financial income and expenses

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

##### Balance sheet

##### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any 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:

Fixtures and fittings, tools and equipment	3 years
Leasehold improvements	3 years

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 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.

##### Prepayments

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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### 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.

#### 2 Material uncertainties related to going concern

Management has taken numerous actions to reduce costs and improve the sales performance of the stores to turnaround the business, but this unfortunately has not been successful, resulting in continued significant losses. In addition, the Company's owner has not issued a letter of financial support to the Company. Based on this, there is material uncertainty over the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to source alternative funding.

#### 3 Staff costs

DKK'000	1/1 – 31/12 2017	1/4 - 31/12 2016
Wages and salaries	5,545	4,268
Pensions	92	27
Other staff costs	127	182
	<u>5,764</u>	<u>4,477</u>

#### 4 Financial income

Other financial income	97	0
	<u>97</u>	<u>0</u>

#### 5 Financial expenses

Other financial costs	-65	-10
	<u>-65</u>	<u>-10</u>

## Financial statements 1 January – 31 December

### Notes

#### 6 Equity

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.

#### 7 Contractual obligations, contingencies, etc.

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.

##### Operating lease obligations

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

DKK'000	1/1 – 31/12	1/4 - 31/12
	2017	2016
Within 1 year	1,304	1,309
Between 1 and 5 years	5,009	5,236
After 5 years	501	1,858

#### 8 Related party disclosures

##### Control

Hamleys Denmark ApS is part of the consolidated financial statements of The Hamleys Group Ltd, 2 Foubert's Place, Regent Street, London, W1F 7PA, United Kingdom.

The consolidated financial statements of The Hamleys Group Ltd can be obtained by contacting the Company.