Hamleys of London Limited

Financial Statements

for the year ended 31st December, 2019

Independent Auditor's Report

To the members of Hamleys of London Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hamleys of London Limited (the 'company') for the year ended 31 December 2019 which comprise Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity, Cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss or the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about 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 (UK) will always detect a material misstatement when it exists. Misstatements can 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 taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Devender Arora ACA (Senior Statutory Auditor)

For and on behalf of PBG Associates Limited
Chartered Accountants and Statutory Auditors
65 Delamare Road
Hayes, Middx
UB40NN

London
24-Apr-20

Statement of profit and loss and other comprehensive income for the year ended 31 December 2019

	Note	2019 Total	2018 Total
		£000	£000
Revenue	*2*	**47,596**	48,423
Cost of sales		**(21,801)**	(20,136)
Gross profit		**25,795**	28,286
Distribution expenses		**(19,146)**	(24,574)
Administrative expenses	*3*	**(11,855)**	(16,598)
Other income	*3*	**982**	839
Operating loss		**(4,224)**	(12,047)
EBITDA		**1,953**	(9,219)
Depreciation, amortisation and impairments		**(6,177)**	(2,828)
		(4,224)	(12,047)
Financial income		**6**	-
Financial expenses	*6*	**(5,592)**	(339)
Loss before tax		**(9,810)**	(12,386)
Taxation	*7*	**1,228**	1,499
Loss for the year		**(8,582)**	(10,887)

There are no recognised gains or losses other than those passing through the statement of profit and loss and other comprehensive income.

The notes on pages 8 to 23 form part of these financial statements.

All amounts relate to continuing operations.

Balance sheet at 31 December 2019

	Note	**2019**	2018
		£000	£000
Non-current assets			
Property, plant and equipment	*9*	**107,486**	5,232
Intangible assets	*10*	**827**	624
Deferred tax assets	*11*	**1,917**	1,320
		110,230	7,176
Current assets			
Inventories	*12*	**10,239**	9,974
Trade and other receivables	*13*	**9,615**	15,141
Cash and cash equivalents	*14*	**5,150**	4,221
		25,004	29,336
Total assets		**135,234**	36,512
Current liabilities			
Bank overdraft	*14*	**(2,448)**	(2,909)
Other interest-bearing loans and borrowings	*15*	**(161)**	(489)
Trade and other payables	*16*	**(29,740)**	(30,605)
Lease liabilities	*19*	**(988)**	-
Provisions		**(1,670)**	-
		(35,007)	(34,003)
Non-current liabilities			
Other interest-bearing loans and liabilities	*15*	**(40)**	(201)
Other payables	*16*	**(340)**	(442)
Lease liabilities	*19*	**(106,563)**	-
		(106,943)	(643)
Total liabilities		**(141,950)**	(34,646)
Net assets		**(6,716)**	1,866
Equity			
Share capital	*17*	**2,000**	2,000
Capital contribution		**500**	500
Retained earnings		**(9,216)**	(634)
Total equity		**(6,716)**	1,866

The notes on pages 8 to 23 form part of these financial statements.

These financial statements were approved by the Board of Directors on 24 April 2020 and were signed on its behalf by:

Sohail Shaikh
Director

Company registered number: 2287862

Statement of changes in equity

	Share capital	Capital contribution	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**
Balance at 1 January 2018	2,000	500	10,253	12,753
Total comprehensive income for the year				
Loss for the financial year	-	-	(10,887)	(10,887)
Total comprehensive expense for the year	-	-	(10,887)	(10,887)
Balance at 31 December 2018	**2,000**	**500**	**(634)**	**1,866**

	Share capital	Capital contribution	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**
Balance at 1 January 2019	2,000	500	(634)	1,866
Total comprehensive income for the year				
Loss for the financial year	-	-	(8,582)	(8,582)
Total comprehensive expense for the year	-	-	(8,582)	(8,582)
Balance at 31 December 2019	**2,000**	**500**	**(9,216)**	**(6,716)**

The notes on pages 8 to 23 form part of these financial statements.

Cash flow statement for year ended 31 December 2019

	Note	2019	2018
		£000	£000
Cash flows from operating activities			
Loss for the year		**(8,582)**	(10,887)
Adjustments for:			
Depreciation and amortisation	*9,10*	**5,065**	2,084
Impairment	*9,10*	**1,112**	744
Financial income		**(6)**	-
Financial expense	*6*	**5,592**	339
Taxation	*7*	**(1,228)**	(1,499)
		1,953	(9,219)
(Increase) in trade and other receivables		**5,524**	12,568
(Increase)/(Decrease) in inventories		**(265)**	229
Increase/(Decrease) in trade and other payables		**108,253**	(1,234)
		115,465	1,759
Tax credit/(paid)		**630**	521
Net cash from operating activities		**116,095**	2,280
Cash flows from investing activities			
Acquisition of property, plant and equipment	*9*	**(107,880)**	(1,624)
Acquisition of intangible assets	*10*	**(751)**	(261)
Net cash used in investing activities		**(108,631)**	(1,885)
Cash flows from financing activities			
Proceeds from sale and leaseback transaction	*15*	**-**	289
Repayment of finance lease liabilities		**(488)**	(775)
Net financial expense paid		**(5,586)**	(339)
Net cash used in financing activities		**(6,074)**	(825)
Net decrease in cash and cash equivalents		**1,390**	(430)
Cash and cash equivalents at start of the year		**1,312**	1,742
Cash and cash equivalents at end of year	*14*	**2,702**	1,312

The notes on pages 8 to 23 form part of these financial statements.

Notes to the financial statements

1 ACCOUNTING POLICIES

Hamleys of London Limited (the "Company") is a company incorporated and domiciled in the UK.

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

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 expect the retail climate through 2020 to remain uncertain and will continue to present an unpredictable trading environment. However, in response to these tough market conditions, the Directors believe the difficult business decisions made over the previous 12 months, and which continue to be made, have provided some protection against 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 has made considerable effort to improve cost base management, reduce cash levels tied up in working capital by managing stock orders on a just in time basis, and ease pressures on cash flow by managing supplier expectations.

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. The Directors also anticipate that the existing funding facilities to remain in place.

Based on all of the evidence available the Directors 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

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 to the financial statements

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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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. *Property, plant and equipment*

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as financial leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Operating lease payments are accounted for as described at 1.11 below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold property — Shorter of lease of premises or 10 years
- Fixtures and fittings — 3 -5 years
- Computer equipment — 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7. *Intangible assets*

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes to the financial statements

Amortisation

Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Trademarks 5 years
- Branding 2 years
- Computer software 3 years

1.8. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

When necessary, provision is made to reduce the cost to no more than net realisable value having regard to the nature and condition of inventory as well as anticipated utilisation and saleability.

1.9. 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.

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 respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior years 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.

Notes to the financial statements

1.10. Revenue recognition

Revenue from the sale of stock comprises the fair value of goods sold to external customers, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably. The significant risks and rewards of ownership are deemed to have been passed when sold over the counter in store and when despatched for online sales.

Revenue from the sale of concessions stock comprises the fair value of commissions earned by Hamleys of London Limited on the sale of any stock owned by concessions. Revenue is recognised on the sale of the goods when the significant risk and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably. The significant risks and rewards of ownership are deemed to have been passed when sold over the counter in store and when despatched for online sales.

1.11. Expenses

Lease payments

Payments made under leases are recognised in the income statement on a straight-line basis over the term of the lease. Contingent rentals arising under leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into an lease such incentives are recognised as a liability. Lease incentives are recognised as a reduction of rental expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease are consumed.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant yearly rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method. Financing income comprise interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.12. Taxation

Tax on the profit or loss for the year 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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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.

1.13. Updates to IFRS

New and revised standards that are effective for annual years beginning on or after 1 January 2019

The standards and amendments that are effective for the first time in 2019 are:

Notes to the financial statements

IFRS 16:-

IFRS 16 changes the recognition, measurement, presentation and disclosure of leases. In particular it requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. At the commencement of a lease, a lessee recognises lease payments (lease liability) and an asset representing the right to use the asset during the lease term (leased asset).

Lessees subsequently reduce the lease liability when paid and recognise depreciation on the leased asset. A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments.

The remeasurement normally also adjusts the leased asset.

The standard has no impact on the actual cash flows of a group.

However the standard requires the capitalisation, and subsequent depreciation, of costs that were previously expensed as paid which impacts disclosures of cash flows within the cash flow statement.

The amounts previously expensed as operating cash outflows are instead capitalised and presented as financing cash outflows

The Company has adopted IFRS 16 applying the modified retrospective approach, and accordingly prior year results have not been restated.

Notes to the financial statements

2 REVENUE

	2019 £000	2018 £000
Sale of goods	**47,596**	48,423

Non-IFRS financial information: Gross transaction value

	2019 £000	2018 £000
Sale of goods	**53,826**	54,845

Revenue from concessions is required to be shown on a net basis, being the commission received rather than the gross value achieved by concessionaires on sales. The directors believe that gross transactional value, which presents revenue on a gross basis before adjusting for concessions, represents a good guide to the value of the overall activity of the Group.

3 EXPENSES AND AUDITOR'S REMUNERATION

Included in profit/loss are the following:

	2019 £000	2018 £000
Rentals under operating leases:		
Hire of plant and machinery	**63**	88
Other operating leases:		
Property	**-**	7,598
Capital contribution and rent free year unwind	**(548)**	(617)
Depreciation and amortisation charge for the year		
Depreciation charge - owned property, plant and equipment	**1,278**	1,533
Depreciation charge - right of use assets	**3,254**	-
Amortisation charge	**533**	551
Impairment charge	**1,112**	744
Net gains on foreign currency	**(203)**	(24)
Other income		
Commission from Dynamic Currency Conversion	**(169)**	(227)
Window income	**(661)**	(612)

The current year administrative expenses includes a additional provision of £507 thousand against intercompany receivables due from Hamleys Toys (Ireland) Limited, which ceased trade in the year 2018 (2018:Administrative expenses included a provision £9,178 thousand).

Auditor's remuneration:

	2019 £000	2018 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	**30**	-
Fees payable to the company's auditor for other services	**-**	-
Total	**30**	-

In 2018, the audit fee has been borne by the ultimate parent company of the Group. The prior year audit fee was payable to the predecessor auditor Grant Thornton UK LLP.

Notes to the financial statements

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, Reliance Brands Holding UK Limited.

4 STAFF NUMBERS AND COSTS

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

	Number of employees	
	2019	2018
Selling and distribution	**264**	308
Administration	**68**	67
	332	375

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**12,418**	11,255
Social security costs	**944**	775
Contributions to defined contribution plans	**219**	225
	13,581	12,255

There was £38k of unpaid pension contributions at 31 December 2019 *(2018:* £34k*)*.

5 DIRECTORS' REMUNERATION

	2019	2018
	£000	£000
Directors' remuneration	**990**	713

The highest paid director received total remuneration of £743k (2018: £343k). In addition, this director received pension contributions of £5k (2018: £31k).

6 FINANCE EXPENSE

	2019	2018
	£000	£000
Interest expense on bank loan and overdrafts	**116**	128
Amortisation of debt issue costs	**-**	7
Interest expense on finance leases	**64**	170
Interest expenses on lease liabilities	**5,412**	27
Other interest expense	**-**	7
Total finance expense	**5,592**	339

Notes to the financial statements

7 TAXATION

Recognised in the income statement

	2019 £000	2018 £000
Current tax expense		
Current tax on income for the period	**(606)**	-
Group relief receivable	**-**	(331)
Adjustments for prior years	**(26)**	(191)
Current tax credit	**(632)**	(522)
Deferred tax expense		
Origination and reversal of temporary differences	**(702)**	(508)
Adjustments for prior years	**106**	(469)
Deferred tax credit	**(596)**	(977)
Total tax credit	**(1,228)**	(1,499)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Loss for the year	**(8,582)**	(10,887)
Total tax credit	**1,228**	1,499
Loss excluding taxation	**(9,809)**	(12,386)
Tax using the UK corporation tax rate of 19.00% *(2018: 19.00%)*	**(1,889)**	(2,353)
Other expenses not deductible for tax purposes	**585**	1,899
Fixed asset differences	**-**	125
Reduction in tax rates on deferred tax balances	**83**	-
Deferred tax not recognised	**12**	(510)
Group relief not paid for	**(98)**	-
Adjustments in respect of prior years	**80**	(660)
Total tax expense	**(1,228)**	(1,499)

8 EXCEPTIONAL ITEMS

There are no exceptional items recorded in the current year 2019.

Notes to the financial statements

9 PROPERTY, PLANT AND EQUIPMENT

	Right of use Assets	Leasehold improve-ments	Fixtures and fittings	Computer equipment	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
Balance at 1 January 2018	-	1,094	24,263	2,605	27,962
Additions	-	1,016	573	35	1,624
Balance at 31 December 2018	-	2,110	24,836	2,640	29,586
Balance at 1 January 2019	-	2,110	24,836	2,640	29,586
Additions	107,377	414	179	214	108,184
Deletion	-	-	(300)	-	(300)
Balance at 31 December 2019	107,377	2,525	24,715	2,853	137,470
Depreciation and impairment					
Balance at 1 January 2018	-	578	19,064	2,437	22,079
Depreciation charge for the year	-	182	1,269	82	1,533
Impairment charge for the year	-	70	666	6	742
Balance at 31 December 2018	-	830	20,999	2,525	24,354
Balance at 1 January 2019	-	830	20,999	2,525	24,354
Depreciation charge for the year	3,254	256	913	109	4,532
Impairment charge for the year	-	320	775	3	1,098
Balance at 31 December 2019	3,254	1,406	22,687	2,637	29,984
Net book value					
At 31 December 2018	-	1,280	3,837	115	5,232
At 31 December 2019	**104,122**	**1,119**	**2,027**	**218**	**107,486**

10 INTANGIBLE ASSETS

	Branding	Trademarks	Computer software	Total
	£000	**£000**	**£000**	**£000**
Cost				
Balance at 1 January 2018	2,413	691	3,734	6,838
Additions	-	69	192	261
Balance at 31 December 2018	2,413	760	3,926	7,099
Balance at 1 January 2019	2,413	760	3,926	7,099
Additions	0	10	741	751
Balance at 31 December 2019	2,413	770	4,666	7,849
Amortisation				
Balance at 1 January 2018	2,290	552	3,080	5,922
Amortisation for the year	88	57	406	551
Impairment for the year	-	-	2	2
Balance at 31 December 2018	2,378	609	3,488	6,475
Balance at 1 January 2019	2,378	609	3,488	6,475
Amortisation for the year	24	55	454	533
Impairment for the year	11	1	2	14
Balance at 31 December 2019	2,413	666	3,943	7,022
Net book value				
At 31 December 2018	35	151	438	624
At 31 December 2019	**0**	**104**	**723**	**827**

Fixed and intangible asset impairments

The Company carried out a full impairment review of fixed assets held at each of its stores to assess their recoverable amounts. The carrying value of intangible assets were also reviewed.

Notes to the financial statements

11 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	Assets	
	2019	2018
	£000	£000
Property, plant and equipment	**845**	1,306
Losses	**827**	-
Other timing differences	**243**	-
Pension and post-retirement benefits	**2**	14
Tax assets/(liabilities)	**1,917**	1,320

12 INVENTORIES

	2019	2018
	£000	£000
Finished goods	**10,239**	9,974

During the year £2,143 thousand (2018: £1,325 thousand) was recognised as an expense in cost of sales in respect of the write down of inventory to net realisable value.

13 TRADE AND OTHER RECEIVABLES

	2019	2018
	£000	£000
Trade receivables (net of provision)	**-**	345
Trade receivables due from related parties	**6,572**	12,248
Other debtors	**641**	686
Tax receivable	**80**	351
Accrued income	**238**	299
Prepayments	**2,084**	1,212
	9,615	15,141

Aging of trade receivables (which are included in trade and other receivables), based on invoice date and net of allowance of doubtful debts, is as follows:

	2019	2018
	£000	£000
Within 30 days	**-**	345
31-60 days	**-**	-
121+ days	**-**	-
Total	**-**	345

The Company has made any provisions for doubtful debt £263 thousand against trade receivables.

14 CASH AND CASH EQUIVALENTS/ BANK OVERDRAFTS

	2019	2018
	£000	£000
Cash and cash equivalents per balance sheet	**5,150**	4,221
Bank overdrafts	**(2,448)**	(2,909)
Cash and cash equivalents per cash flow statements	**2,702**	1,312

Notes to the financial statements

15 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 18.

	2019 £000	2018 £000
Non-current liabilities		
Finance lease liabilities	**40**	201
	40	201
Current liabilities		
Finance lease liabilities	**161**	489
	161	489

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments	**Interest**	**Principal**	Minimum lease payments	Interest	Principal
	2019 £000	**2019 £000**	**2019 £000**	2018 £000	2018 £000	2018 £000
Less than one year	**171**	**(10)**	**161**	527	(38)	489
Between one and five years	**41**	**(1)**	**40**	212	(11)	201
More than five years	-	-	-	-	-	-
	212	**(11)**	**201**	739	(49)	690

16 TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Current		
Trade payables	**7,368**	5,579
Trade payables due to related parties	**18,040**	19,320
Other taxation and social security payable	**962**	1,468
Other payables	**128**	89
Accruals	**3,170**	4,095
Deferred income	**72**	54
	29,740	30,605

	2019 £000	2018 £000
Non-current		
Accruals and deferred income	**340**	442

Included in accruals and deferred income, both current and non-current are lease incentives and capital contributions that are being spread over the life of the lease.

Notes to the financial statements

17 CAPITAL AND RESERVES

Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
2,000,100 ordinary shares of £1 each	**2,000**	2,000

Details of all movements in reserves for the Company are shown in the Statement of Changes in Equity.

18 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 and short term deposits. 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.

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.

All short term trade and other payables, accruals, bank overdrafts and borrowings mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows.

The maturity profile of the contractual undiscounted cash flows of the Company's financial liabilities is as follows:

	2019 £000	2018 £000
In less than one year	**171**	**527**
In more than one year but not more than two years	**41**	**212**
In more than two years but not more than three years	**-**	**-**
Total	**212**	**739**

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 foreign currency risk.

Foreign currency risk

The Company operates internationally and is, therefore, exposed to the foreign exchange risk which can negatively impact revenue, costs, margins and profits.

The Company transacts with its suppliers of finished goods, based in continental Europe and Asia, in euro and US dollar. In addition to this, the Company is exposed to transaction risk on the translation and conversion of surplus US dollar cash balances into pounds sterling.

Notes to the financial statements

The following table shows the extent to which the Company has monetary assets at the balance sheet date in currencies other than the local currency of operation. Monetary assets and liabilities refer to cash and other amounts to be received or paid in cash.

	Monetary assets		Monetary liabilities	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Euro	**-**	-	**201**	-
US dollar	**-**	-	**4,244**	3,653
Danish Krone	**-**	-	**26**	-
Rupees	**-**	-	**85**	
	-	-	**4,555**	3,653

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, trade payables and borrowings

The fair value approximates to the carrying value because of the short maturity of these instruments.

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.

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

	2019	2018
	£000	£000
Cash and cash equivalents	**5,150**	4,221
Trade and other receivables	**7,451**	13,930
Total financial assets	**12,601**	18,151
Bank overdraft	**2,447**	2,909
Trade and other payables	**28,520**	30,000
Borrowings at amortised cost	**201**	690
Total financial liabilities	**31,168**	33,599

Notes to the financial statements

Foreign exchange rate sensitivity analysis

The table below shows the Company's sensitivity to foreign exchange rates for its US dollar financial instruments, the major currency in which the Company's derivatives are denominated.

	2019	2018
	Increase/ (decrease) in equity	Increase/ (decrease) in equity
	£000	£000
10% appreciation in the US dollar	**(424)**	(365)
10% depreciation in the US dollar	**424**	365

A strengthening / weakening of sterling, as indicated, against the US dollar at each year would have increased / (decreased) retained earnings by the amounts shown above. This analysis is based on foreign exchange rate variances that the Company considers to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables remain constant.

19 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the company's lease liabilities at the end of the current year:

	2019
	£000
Less than one year	**988**
Between one and five years	**2,780**
More than five years	**103,784**
	107,551

The company has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. The following table shows the contractual maturities of the company's lease liabilities at the end of the previous reporting period:

	2018
	£000
Less than one year	6,987
Between one and five years	22,668
More than five years	241,670
	271,325

The Company leases a number of stores and warehouses under leases of varying lengths, for which incentives/premiums are received under the relevant lease agreements. One lease relating to the property in Regent Street has 60 years left to run as at 31 December 2019.

During the year £759 thousand *(2018:* £6,981 thousand*)* was recognized as an expense in the statement of profit and loss and other comprehensive income in respect of leases liabilities.

20 CONTINGENCIES

There is a cross-guarantee in place between certain group companies in respect of the current year bank facilities. The Company exposure at the end of the year is £nil *(2018: £nil)*.

21 RELATED PARTIES

Transactions with key management personnel – Directors' emoluments

Only directors' remuneration is recharged to the Company, which is disclosed in note 5.

The directors are the only key management personnel.

Notes to the financial statements

Other related party transactions

	2019	2018
	£000	£000
Group Companies		
Hamleys Asia Limited - Management recharge salaries	**12**	6
Hamleys (Franchising) Limited - Management recharge salaries	**958**	869
Hamleys Toys (Ireland) Limited - Management recharge salaries	**-**	22
Luvley Limited - Management recharge salaries	**-**	78
Scrumpalicious Limited - Management recharge salaries	**-**	110
Luvley Limited - Revenue	**859**	976
Luvley Limited - Cost of Sales	**366**	377
Scrumpalicious Limited - Revenue	**1,131**	1152
Scrumpalicious Limited Cost of sales	**395**	403
	3,721	3,993

	Receivables outstanding		**Payables outstanding**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Subsidiaries				
Hamleys Asia Limited	-	6	**7**	48
Hamleys (Franchising) Limited	-	1,373	**2,032**	645
The Hamleys Group Limited	**-**	5,414	**3,739**	9,744
Hamleys Global Holdings Limited	**6,572**	6,857	-	435
Luvley Limited	-	93	**6,559**	6,291
Scrumpalicious Limited	-	114	**4,090**	3,765
Reliance Brands Holding UK Limited	-	-	**1,613**	-
	6,572	13,857	**18,040**	20,928

Note that there is a balance of £9,685 thousand owing to Hamleys of London Limited from Hamleys Toys (Ireland) Limited. This entity ceased trading and therefore it is considered prudent to provide against this balance.

22 ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Reliance Brands Holding 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. The Company's ultimate parent company and controlling party is Reliance Industries Limited, a company incorporated in India and is a listed company in India. The office address of Reliance Industries Limited is 3rd Floor, Maker Chambers IV, 222, Nariman Point, Mumbai, Maharashtra 400021.

23 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial information requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years impacted.

The key judgements and estimates employed in the financial statements are considered below.

Notes to the financial statements

Recoverability of inventories

The value of inventories is assessed for impairment and where required, a provision is made to reduce the cost to no more than net realisable value. This requires judgement and assumptions are made on anticipated utilisation and saleability, taking into account the nature and condition of inventory as well as historic experience and assessment of future profitability.

Recoverability of receivables

Trade receivables are assessed for impairment and are 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. The directors use historic experience and assessment of future profitability to assess whether an impairment is required.

Deferred tax

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. 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. The directors make an assessment of future profits based on historical experience and various other forecasting judgements and assumptions. Where it is not deemed probable that future profits will be available, the deferred tax asset is not recognised to this extent.

Depreciation and amortisation

Judgement is required in assessing the useful economic lives of tangible fixed assets and intangible assets. These assumptions are based on the Directors' best estimate of the life of the asset and its residual value at the end of its economic life.

Impairment of property, plant and equipment and intangibles

The group has undertaken a significant strategic review of its store estate resulting in impairment of fixed assets in loss making stores where a decision has been made to exit. The carrying value of assets for the remaining store assets have been assessed against future cash flows and impairments have been recognised for stores where carrying amounts of the assets may not be recoverable.

Classification of exceptional items

Judgement is required in classifying items as exceptional. Management have considered items to be exceptional if they are material and one off in nature. These have been disclosed separately in the 'Statement of Profit and Loss and Other Comprehensive Income'.

24 PREVIOUS YEAR FIGURES

The previous year figures has been regrouped/reclassified, whenever necessary, to conform to the current year presentation.