Registered number: 06540994

CLAIRE'S EUROPEAN DISTRIBUTION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 1 FEBRUARY 2020

CLAIRE'S EUROPEAN DISTRIBUTION LIMITED

COMPANY INFORMATION

Directors	S A Brown S E Huckins (resigned 30 August 2019) G Pratt
Registered number	06540994
Registered office	Unit 4 Bromford Gate Bromford Lane Birmingham B24 8DW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Birmingham

CLAIRE'S EUROPEAN DISTRIBUTION LIMITED

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STRATEGIC REPORT
FOR THE PERIOD ENDED 1 FEBRUARY 2020

Introduction

Claire’s® are one of the world’s leading speciality retailers of fashionable jewellery and accessories for young women, teens, tweens and kids. Claire’s® vision is to be the emporium of choice for all girls (in age or attitude) across the world. Claire’s® deliver this by offering a range of innovative, fun and affordable products and services that cater to all of her activities, as she grows up, whenever and wherever.

Our objective as part of this global strategy is to provide best in class support services to the European subsidiaries of the Claire’s group. We also provide services to non-European group companies.

Business review

The results for the period are set out on pages 14-35. We prepare our financial statements up to the Saturday nearest to 31 January each year. The financial period ended 1 February 2020 includes 52 weeks and the financial period ended 2 February 2019 includes 52 weeks.

Our turnover has decreased by 9.1% to €122,359,000. This was mainly due to the reduction in demand for merchandise from the European subsidiaries of the Claire’s group.

Despite coming under increasing pressure with respect to freight charges, cost savings elsewhere coupled with a reduction in demand for merchandise has ensured that there has been a reduction in distribution costs by €987,000 giving €8,122,000 for the current period.

Administration costs increased by €247,000 to €3,696,000 mainly due to an increase in support service costs being partly offset by a reduction in quality control expenditure.

The company’s operating margin was broadly in line with expectations.

The profit for the period of €270,000 (2019: €534,000) has been added to the profit and loss account reserves. This results in profit and loss account reserves and shareholders’ funds of €8,955,000 at the balance sheet date.

Financial and non-financial key performance indicators

The key performance indicators used within the business and selected financial data are shown below:

	1 February 2020	**2 February 2019**
Net sales	€122,359,000	€134,589,000
Total sales change %	(9.1) %	(0.9)%
Cost of sales	€109,688,000	€121,061,000
Gross profit %	10.4%	10.0%
Earnings before interest, tax, depreciation and amortisation (“EBITDA”)	€1,063,000	€1,176,000
Capital expenditure	€210,000	€61,000
Net interest expense	€518,000	€320,000
Cash and cash equivalent	€107,000	€19,726,000
Total assets	€52,959,000	€50,077,000
Total debt (long term only)	€8,000,000	€8,000,000
Total shareholders’ funds	€8,955,000	€8,685,000

The above financial information is calculated directly from the financial statements.

Principal risks and uncertainties

Demand – driven risk

• Economic conditions may adversely impact demand for our merchandise, which could adversely impact our business, results of operations, financial condition and cash flows.
• Fluctuations in consumer preferences may adversely affect the demand for our products sold in our Claire's European subsidiaries and hence result in a decline in our sales.
• Natural disasters or unusually adverse weather conditions or potential emergence of disease or pandemic could adversely affect the demand for our products sold in our Claire's European subsidiaries and hence result in a decline in our sales.
• A continued decline in the number of people who go to shopping malls/high street stores could reduce the number of our customers, reduce the net sales in our Claire's European subsidiaries and hence result in a decline in our sales.
• Changes in the anticipated seasonal business pattern in our Claire's European subsidiaries could adversely affect our sales and profits and our quarterly results may fluctuate due to a variety of factors.

Supply and distribution chain risk

• A disruption of imports from our foreign suppliers may increase our costs and reduce our supply of merchandise.
• We rely on third parties to deliver our merchandise and if these third parties do not adequately perform this function, our business would be disrupted.
• Advance purchases of our merchandise make us vulnerable to changes in consumer preferences and pricing shifts and may negatively affect our results of operations.
• Our business depends on the willingness of vendors and service providers to supply us with goods and services pursuant to customary credit arrangements which may not be available to us in the future.
• Our profitability could be adversely affected by higher petroleum prices.
• Natural disasters or unusually adverse weather conditions or potential emergence of disease or pandemic could adversely affect our supply of inventory.
• The possibility of war and acts of terrorism could disrupt our information or distribution systems and increase our costs of doing business.
• With the United Kingdom leaving the European Union, there are potential risks including significant disruptions in the free movement of goods, services and people between the United Kingdom and the European Union, increased legal and regulatory complexities, fluctuations in foreign currency exchange rates, as well as higher potential costs of conducting business in the United Kingdom and Ireland. There may be possible delays at ports and/or container goods being returned due to incorrect legal documents being prepared.

Information Technology risk

• Information technology systems damage, interruptions or changes may disrupt our supply of merchandise.

Regulatory, legal and tax risk

• Changes in the regulatory framework of the countries in which our Claire's European subsidiaries operate may affect the competitiveness of our offering compared to other sources of merchandise.
• Our cost of doing business could increase as a result of changes in taxation or other legislation.

Industry risk

• Our industry is highly competitive.
• We depend on our key personnel.
• We may be unable to rely on liability indemnities given by foreign vendors which could adversely affect our financial results.

Withdrawal from European Union risk

In June 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union, commonly known as “Brexit.” This referendum has created political and economic uncertainty, particularly in the United Kingdom and Ireland, where our stores are located and the European Union. A trade deal was agreed between the United Kingdom and the European Union in December 2020. The treaty has come into effect from 1 January 2021, taking over from the existing transition period arrangement.

Risks associated with Brexit include significant disruptions in the free movement of goods, services and people between the United Kingdom and the European Union, increased legal and regulatory complexities, fluctuations in foreign currency exchange rates, as well as higher potential costs of conducting business in the United Kingdom and Ireland.

Financial risk

Fluctuations in foreign currency exchange rates could negatively impact our financial condition, cash flows, results of operations and our revenue growth.

Financial risk management

Repayment of our indebtedness is dependent on cash flow generated by the European subsidiaries of the Claire’s Group.

Going concern review

In March 2020, subsequent to the year end, the World Health Organization declared the outbreak of a novel coronavirus (Covid-19) as a pandemic, which has spread throughout the United States and Europe. As a result, the Claire’s Group temporarily closed all retail locations, reduced store operating hours, and has seen a reduction in consumer traffic, all resulting in a negative impact to the Claire’s Group retail sales. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while the Company expects this matter to negatively impact its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

The Company has undertaken several steps to protect its cash flow position, including taking advantage of any benefits offered by the UK Government and delaying cash payments where possible with third parties and group companies.

The directors of the Company have received confirmation that its parent undertaking, Claire's Stores Inc., will be willing, and have the resources available, to provide financial support to the Company as may be necessary for the foreseeable future.

On the basis of the above and their assessment of the Company’s financial position, the Company’s directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' statement of compliance with duty to promote the success of the Company

Directors' Duties

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows: "A director of a company must act in the way they consider, in good faith, would most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- The likely consequences of any decisions in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company."

The following paragraphs summarise how the Directors fulfil their duties:

Risk Management

We provide business-critical services to Claire's subsidiaries in Europe, often in highly regulated environments. As we plan to grow, our business and our risk environment also becomes more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

For details of our principal risks and uncertainties please see pages 3 to 4.

Our People

Our employees are our biggest asset. Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles is of paramount importance to Claire's long-term success. Our employees have been instrumental in making Claire's the leading brand it is today. They will also be key to driving the brand forward and ensuring it remains relevant in the future.

We communicate daily with our teams across the business to keep them informed and engaged, listen to their feedback and build a sense of belonging. Written communications are made available via the Claire's intranet. We visit stores and other sites throughout the year and hold regular town hall meetings. The views of our employees are considered by us when reviewing the company's policies including its remuneration and reward policy as well as being used to help reinforce the company's values and ensure that the right culture is in place to fulfil the strategic needs of the business. The standards that we set for our company and our employees are set forth in Claire's Code of Business Conduct and Ethics, which requires employees to act with integrity, to observe the form and spirit of laws and governmental rules and regulations and to adhere to a high standard of business ethics.

Business Relationships

Our objective as part of the Claire's global strategy is to provide best in class support services to the subsidiaries of the Claire's group. We aim to use all our resources as efficiently as possible, reducing costs to the Company. To do this, we need to develop and maintain strong relationships with the company's business partners. We nurture close relationships with our wholesale, licencing and supply chain partners through monthly and weekly updates understanding their needs and ongoing preferences. This collaborative approach is particularly important to ensure a healthy, sustainable supply chain. We value all our suppliers and visit our key suppliers who are primarily based in the Far-East on a regular basis to maintain a healthy and productive relationship.

We expect our suppliers to respect and follow applicable laws and regulations to promote ethical decisions and legal compliance in all aspects of their business. Our expectations and requirements are set forth in our Supplier Compliance Policy, which all of our suppliers must sign as a condition of doing business with us. With respect to ethical trading, more information can be found on our Modern Slavery Act Statement at Claires.com.
The company engages regularly with its customers to get feedback on how it performs through in-store surveys or on-line through product reviews or through its social media channels. Through this research and analysis, we explore what inspires and excites them and use data and analytics to inform our decision making so that we can meet their needs.

Community and Environment

The company's approach is to use our position of strength to create positive change for the people and communities which we interact.

It has consistently looked to become a more inclusive and diverse company through the introduction of Claire's Inclusion, Diversity, Equity, and Awareness (IDEA) Council and Together@Claire's forum.

The company provides financial support by donating to designated charities each year. Employees are encouraged to raise donations for local charities and supporting their local communities.

The directors are conscious of the impact its business has on the environment and is constantly reviewing ways this impact can be reduced. This includes working closely with its supply chain partners and encouraging its office based employees to work from home when possible.

Since the outbreak of Covid-19, the directors priority has been the safety and wellbeing of our employees, our partners, customers and our communities. Throughout, the company has followed government and health authority guidelines and the measures that have been put in place aligned with these are designed to help prevent the spread of the virus.

Stakeholders

After weighing up all relevant factors, the directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act as fairly as possible between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

This report was approved by the board on 28th May 2021 and signed on its behalf.

S A Brown
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 1 FEBRUARY 2020

The directors present their report and the financial statements for the period ended 1 February 2020.

Principal activity

The principal activity of the company is to provide wholesaling, warehousing and logistics services to the European subsidiaries of the Claire's group.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the period, after taxation, amounted to €335,000 *(2019 - €534,000)*.

No dividends were paid in the 52 week period (2019: €Nil).

Directors

The directors who served during the period and subsequently after the period were:

S A Brown
S E Huckins (resigned 30 August 2019)
G Pratt

Future developments

We will continue to provide best in class support services to the subsidiaries of the Claire’s group.

The company will continue to invest in its people and infrastructure to ensure that this key objective is being met.

Directors' indemnity arrangements

The directors' indemnity insurance is included as part of a group wide policy in the name of Claire's Holdings LLC, the ultimate parent company. Such qualifying indemnity provisions remain in force at the date of approving the Directors' report.

Employee involvement

We have developed and maintained arrangements whereby employees are consulted and provided with information about current activities and progress within the company and with training to improve operational efficiency.

Matters covered in the strategic report

Financial risk management, principal risks and uncertainties, key performance indicators are all disclosed in the Strategic Report.

Post balance sheet events

The subsequent spread of Covid-19 does not provide further evidence of conditions that existed at year end and is therefore considered to be a non-adjusting post balance sheet event in accordance with Section 32 of FRS 102. Accordingly, the development of Covid-19 has not been reflected in the directors’ assessment of the measurement of assets and liabilities such as impairment of tangible and intangible assets, expected credit losses and the net realizable value of inventory.

There have been no other significant events affecting the Company since the year end.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 1 FEBRUARY 2020

This report was approved by the board on 28th May 2021 and signed on its behalf.

S A Brown
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLAIRE'S EUROPEAN DISTRIBUTION LIMITED

Opinion

We have audited the financial statements of Claire's European Distribution Limited (the 'Company') for the period ended 1 February 2020, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 February 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 United Kingdom, including the Financial Reporting Council'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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executives and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company’s future prospects and performance.

COVID-19 and Brexit are among the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company’s future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLAIRE'S EUROPEAN DISTRIBUTION LIMITED (CONTINUED)

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as COVID-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLAIRE'S EUROPEAN DISTRIBUTION LIMITED (CONTINUED)

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

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 or the 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 on page 7, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLAIRE'S EUROPEAN DISTRIBUTION LIMITED (CONTINUED)

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.

John Coates BSc BFP FCA (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham
Date: 28 MAY 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 1 FEBRUARY 2020

	Note	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
Turnover	4	**122,359**	*134,589*
Cost of sales		**(109,688)**	*(121,061)*
Gross profit		**12,671**	*13,528*
Distribution costs		**(8,122)**	*(9,109)*
Administrative expenses		**(3,696)**	*(3,449)*
Operating profit	5	**853**	*970*
Interest receivable and similar income	9	**26**	*-*
Interest payable and similar charges	10	**(544)**	*(320)*
Profit before tax		**335**	*650*
Tax on profit	11	**(65)**	*(116)*
Profit for the financial period		**270**	*534*
Other comprehensive income for the period		**-**	*-*
Total comprehensive income for the period		**270**	*534*

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 17 to 35 form part of these financial statements.

The above results relate to continuing activities.

STATEMENT OF FINANCIAL POSITION
AS AT 1 FEBRUARY 2020

	Note		1 February 2020 €000		2 February 2019 €000
Fixed assets					
Intangible assets	12		**2**		9
Tangible assets	13		**440**		432
			442		441
Current assets					
Stocks	14	**15,143**		16,725	
Debtors: amounts falling due after more than one year	15	**44**		26	
Debtors: amounts falling due within one year	15	**37,223**		13,159	
Cash at bank and in hand	16	**107**		19,726	
		52,517		49,636	
Creditors: amounts falling due within one year	17	**(36,004)**		(33,349)	
Net current assets			**16,513**		16,287
Total assets less current liabilities			**16,955**		16,728
Creditors: amounts falling due after more than one year	18		**(8,000)**		(8,000)
Provisions for liabilities					
Other provisions	21		**-**		(43)
Net assets			**8,955**		8,685
Capital and reserves					
Called up share capital	22		**-**		-
Profit and loss account	23		**8,955**		8,685
Total shareholders' funds			**8,955**		8,685

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28/05/2

S A Brown
Director

The notes on pages 17 to 35 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 1 FEBRUARY 2020

	Called up share capital	Profit and loss account	Total equity
	€000	€000	€000
At 3 February 2019	-	8,685	8,685
Comprehensive income for the period			
Profit for the period	-	270	270
At 1 February 2020	-	8,955	8,955

The notes on pages 17 to 35 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 2 FEBRUARY 2019

	Called up share capital	Profit and loss account	Total equity
	€000	€000	€000
At 1 February 2018	-	8,151	8,151
Comprehensive income for the period			
Profit for the period	-	534	534
At 2 February 2019	-	8,685	8,685

The notes on pages 17 to 35 form part of these financial statements.

1. General information

Claire's European Distribution Limited is a private company, limited by shares, registered and domiciled in England and Wales, registration number 06540994. The registered office and trading address is Unit 4 Bromford Gate, Bromford Lane, Birmingham, West Midlands, B24 8DW.

The Company prepares its financial statements up to the Saturday nearest to 31st January each year. The financial period ended 1 February 2020 includes 52 weeks and the financial period ended 2 February 2019 includes 52 weeks.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual entity and not about its Group.

The accounts have been prepared on a going concern basis. The directors' Going Concern Review is set out on page 4.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Claire's Holdings LLC as at 1 February 2020 and these financial statements may be obtained from Claire's Corporate Plaza, 3 SW129th Avenue, Pembroke Pines, FL 33027, United States of America on request.

2. Accounting policies (continued)

2.3 Revenue

Revenue represents the fair value of amounts receivable for the sale of goods and warehousing and distribution services provided to the rest of the Claire's European group and is stated net of value added tax and other sales related taxes. Sales of goods are recognised when goods are dispatched and title of ownership is passed.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Software included as intangible assets is amortised over their useful life, which is considered to be a period of five years.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Short Leasehold Property	- 2 - 10 years
Fixtures, fittings and equipment	- 3 - 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the average cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Euros.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.16 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Our Financial Statements have been prepared in accordance with accounting principles generally accepted in the UK and Republic of Ireland, which require us to make certain estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures regarding contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include, but are not limited to, the value of stocks, tangible assets, legal contingencies and assumptions used in the calculation of corporate taxes and other items. These estimates and assumptions are based on our best estimates and judgment. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which we believe to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates will be reflected in the financial statements in those future periods when the changes occur.

Stocks

Our stocks are accounted for under the lower of cost or retail market value, with cost determined using the average cost method at an individual item level. Retail market value is determined based on the estimated net realisable value, which is generally the merchandise selling price. Stock valuation is impacted by the estimation of slow moving goods, shrinkage and markdowns. Management monitors merchandise stock levels to identify slow-moving items and uses markdowns to clear such stocks. Changes in consumer demand of our products could affect our retail prices, and therefore impact the retail method and lower of cost or retail market valuations.

The carrying value of stock is as follows:

	1 February 2020	2 February 2020
Goods for resale	€14,543,000	€15,975,000

Fixed assets

We evaluate the carrying value of intangible assets, tangible assets and investments whenever events or changes in circumstances indicate that a potential impairment has occurred. A potential impairment has occurred if the projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management’s assumptions of cash inflows and outflows directly resulting from the use of the asset in operations. When a potential impairment has occurred, an impairment charge is recorded if the carrying value of asset exceeds its fair value. Fair value is measured based on a projected discounted cash flow model using a discount rate we feel is commensurate with the risk inherent in our business. A prolonged decrease in consumer spending would require us to modify our models and cash flow estimates, and could create a risk of an impairment triggering event in the future. Our impairment analyses contain estimates due to the inherently judgmental nature of forecasting long-term estimated cash flows and determining the ultimate useful lives of assets. Actual results may differ from those estimates, which could materially impact our impairment assessment. We did not recognise any impairment charges during the period.

The carrying values of fixed assets are as follows:

	1 February 2020	2 February 2019
Tangible assets	€440,000	€432,000
Intangible assets	€2,000	€9,000

3. Judgments in applying accounting policies (continued)

Corporate Income Taxes

Our provision for corporate income taxes is determined based on our income, statutory tax rates and the tax implications of items treated differently for tax purposes than for financial reporting purposes. Tax law requires certain items to be included in the tax return at different times than the items are reflected on the financial statements. Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences are temporary, reversing over time, such as depreciation expense. We establish deferred tax assets and liabilities as a result of these temporary differences.

We establish accruals for uncertain tax positions in our Financial Statements based on tax positions that we believe are supportable, but are potentially subject to successful challenge by the taxing authorities. We believe these accruals are adequate based on our assessment of many factors including past experience, progress of ongoing tax audits and interpretations of tax law. If changing facts and circumstances cause us to adjust our accruals, or if we prevail in tax matters for which accruals have been established, or we are required to settle matters in excess of established accruals, our income tax expense for a particular period will be affected.

The carrying values of corporate income taxes are as follows:

	1 February 2020	**2 February 2019**
Deferred tax asset	€44,000	€26,000
Corporation tax (liability)/asset	€(16,000)	€69,000

4. Turnover

Analysis of turnover by country of destination:

	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
United Kingdom	**40,582**	*47,338*
Rest of Europe	**81,777**	*87,251*
	122,359	*134,589*

5. Operating profit

The operating profit is stated after charging:

	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
Depreciation of tangible fixed assets (Note 13)	**202**	*199*
Amortisation of intangible fixed assets (Note 12)	**7**	*7*
Operating storage costs	**57**	*55*
Defined contribution pension cost (Note 25)	**4**	*6*

6. Auditor's remuneration

	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**50**	*46*

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

7. Employees

Staff costs were as follows:

	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
Wages and salaries	177	*460*
Social security costs	14	*30*
Cost of defined contribution scheme (Note 25)	4	*6*
	195	*496*

Wages and salaries include €40,000 in termination benefits (2019: €141,000).

The average monthly number of employees, including the directors, during the period was as follows:

	52 weeks ended 1 February 2020 No.	*52 weeks ended 2 February 2019 No.*
Distribution	9	*14*

8. Directors' remuneration

No director received any emoluments from Claire's European Distribution Limited in either the current or the prior period for their services to the company.

During the period the directors were also the directors of other group companies. The directors of the Company are remunerated through Claire's European Services Limited. It is not practicable to allocate remuneration between their services for Claire's European Services Limited and their services as directors for other group companies, and remuneration is disclosed in the Company in which it is paid.

The directors of the Company are considered to be the Key Management Personnel of the Company.

9. Interest receivable and similar income

	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
Other interest receivable	**26**	*-*

10. Interest payable and similar charges

	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
Other interest payable	**224**	*-*
Loans from group undertakings	**320**	*320*
	544	*320*

11. Taxation

	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
Corporation tax		
Current tax on profits for the period	**82**	*130*
Adjustments in respect of previous periods	**-**	*(1)*
	82	*129*
Total current tax	**82**	*129*
Deferred tax		
Origination and reversal of timing differences	**(17)**	*(13)*
Total deferred tax	**(17)**	*(13)*
Taxation on profit on ordinary activities	**65**	*116*

Factors affecting tax charge for the period

The tax assessed for the period is higher than *(2019 - higher than)* the standard rate of corporation tax in the UK of 19% *(2019 - 19%)*. The differences are explained below:

	52 weeks ended 1 February 2020 €000	*52 weeks ended 2 February 2019 €000*
Profit on ordinary activities before tax	**335**	*650*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**63**	*125*
Effects of:		
Depreciation of non-qualifying assets	**2**	*2*
Adjustments to tax charge in respect of prior periods	**-**	*(11)*
Total tax charge for the period	**65**	*116*

11. Taxation (continued)

Factors that may affect future tax charges

The standard rate of UK Corporation Tax is 19% (2019: 19%).

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

In the Spring Budget 2021, the Government announced that the corporation tax rate would increase to 25% with effect from 1 April 2023. This has not yet been substantively enacted.

12. Intangible assets

	Patents €000
Cost	
At 3 February 2019	**34**
At 1 February 2020	**34**
Amortisation	
At 3 February 2019	**25**
Charge for the period	**7**
At 1 February 2020	**32**
Net book value	
At 1 February 2020	**2**
At 2 February 2019	*9*

13. Tangible fixed assets

	Short leasehold property €000	Fixtures, fittings and equipment €000	Total €000
Cost			
At 3 February 2019	**111**	**1,866**	**1,977**
Additions	**160**	**50**	**210**
At 1 February 2020	**271**	**1,916**	**2,187**
Depreciation			
At 3 February 2019	**44**	**1,501**	**1,545**
Charge for the period	**17**	**185**	**202**
At 1 February 2020	**61**	**1,686**	**1,747**
Net book value			
At 1 February 2020	**210**	**230**	**440**
At 2 February 2019	*67*	*365*	*432*

14. Stocks

	1 February 2020 €000	*2 February 2019 €000*
Goods for resale	**14,543**	*15,975*
Consumables	**600**	*750*
	15,143	*16,725*

Stock recognised in cost of sales during the period as an expense was €109,768,000 (2019: €116,972,000).

An impairment loss of €103,000 (2019 gain - €31,000) was recognised in cost of sales against stock during the period due to an increase in provisions for slow-moving and obsolete stock.

An impairment loss of €483,000 (2019 loss - €344,000) was recognised in cost of sales against stock during the period due to provisions for lost and damaged stock.

15. Debtors

	1 February 2020 €000	*2 February 2019 €000*
Due after more than one year		
Deferred taxation (Note 20)	**44**	*26*

	1 February 2020 €000	*2 February 2019 €000*
Due within one year		
Amounts owed by group undertakings	**35,656**	*10,924*
Other debtors	**1,519**	*1,594*
Prepayments and accrued income	**48**	*572*
Corporation tax	**-**	*69*
	37,223	*13,159*

The company entered into a new HSBC cash pool arrangement with fellow subsidiaries in March 2019. This arrangement allows for all participant accounts to be swept overnight to a header account held by the Claire's European Services Limited. The header account funds the fellow subsidiaries cash requirement from ordinary operations. The arrangement allows for debit or credit interest to accrue in respect of any balances within the participants group.

Subject to the above, amounts owed by group undertakings are short term, interest free trading balances. These amounts are unsecured.

16. Cash and cash equivalents

	1 February 2020 €000	*2 February 2019 €000*
Cash at bank and in hand	**107**	*19,726*

17. Creditors: Amounts falling due within one year

	1 February 2020 €000	*2 February 2019 €000*
Trade creditors	17,183	*13,461*
Amounts owed to group undertakings	17,420	*19,132*
Corporation tax	16	*-*
Other taxation and social security	1	*12*
Accruals and deferred income	1,384	*744*
	36,004	*33,349*

The company entered into a new HSBC cash pool arrangement with fellow subsidiaries in March 2019. This arrangement allows for all participant accounts to be swept overnight to a header account held by the Claire’s European Services Limited. The header account funds the fellow subsidiaries cash requirement from ordinary operations. The arrangement allows for debit or credit interest to accrue in respect of any balances within the participants group.

Subject to the above, amounts owed to group undertakings are short term, interest free trading balances. These amounts are unsecured.

18. Creditors: Amounts falling due after more than one year

	1 February 2020 €000	*2 February 2019 €000*
Amounts owed to group undertakings	8,000	*8,000*

On 27 January 2017, as part of a restructuring of the group entities, the company and the lending group undertaking agreed that the existing intercompany loan will be fully financed by the issuance of 4% loan notes due on 30 November 2024 in an aggregate principal amount of €8,000,000. These loan notes are listed on The International Stock Exchange (TISE).

19. Loans

Analysis of the maturity of loans is given below:

	1 February 2020 €000	*2 February 2019 €000*
Amounts falling due after more than 5 years		
Due to group undertakings	8,000	*8,000*

20. Deferred taxation

	2020 €000
At beginning of period - Asset	**26**
Charged to profit or loss	**18**
At end of period - Asset	**44**

The deferred tax asset is made up as follows:

	1 February 2020 €000	*2 February 2019 €000*
Accelerated capital allowances	**44**	*26*

21. Provisions

	Other provisions €000
At 3 February 2019	**43**
Utilised in period	**(43)**
At 1 February 2020	**-**

Provisions are recognised in situations where there is ongoing litigation. The board review and update such provisions as appropriate each period.

22. Share capital

	1 February 2020 €	*2 February 2019 €*
Allotted, called up and fully paid		
1 *(2019 - 1)* Ordinary share of €1.00	**1**	*1*

Each share is entitled to one vote in any circumstance.

23. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

24. Capital commitments

At 1 February 2020 the Company had capital commitments as follows:

	1 February 2020 €000	*2 February 2019 €000*
Contracted for but not provided in these financial statements	**52**	-
	52	-

25. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to €4,000 (2019: €6,000). Contributions totalling €1,000 (2019: €1,000) were payable to the fund at the balance sheet date.

26. Related party transactions

No transactions with related parties were undertaken during the period such as are required to be disclosed under Section 33 of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

27. Guarantees and commitments

The company has entered into a revolving Credit Agreement dated 12th October 2018 for $75 million (“The Revolving Credit Agreement”) between among others, (1) Claire’s Holdings LLC and Claire’s Stores Inc. (US borrowers), (2) Claire’s (Gibraltar) Holdings Limited and each of the Claire’s Stores Inc. subsidiaries incorporated in the UK including the Company (UK borrowers), (3) the Lenders party thereto from time to time, (4) Citibank, NA as administrative and collateral agent of the Lenders. The Company has pledged its assets and bank accounts as security for the revolving Credit Agreement. The Company presently has no plans to draw on the facility.

28. Post balance sheet events

The subsequent spread of Covid-19 does not provide further evidence of conditions that existed at year end and is therefore considered to be a non-adjusting post balance sheet event in accordance with Section 32 of FRS 102. Accordingly, the development of Covid-19 has not been reflected in the directors’ assessment of the measurement of assets and liabilities such as impairment of tangible and intangible assets, expected credit losses and the net realisable value of inventory.

29. Immediate parent undertaking and ultimate controlling party

The immediate parent undertaking is Claire's Accessories UK Ltd. The ultimate parent undertaking is Claire's Holdings LLC, which is incorporated in the United States. The smallest and largest group for which group financial statements are prepared that include and consolidate the results of Claire's European Distribution Limited for the period ended 1 February 2020 is Claire's Holdings LLC.