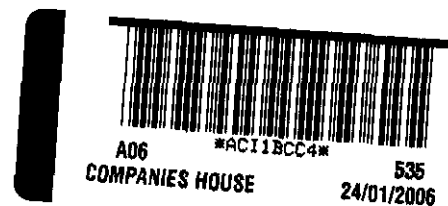


**The Hamleys Group Limited**

**Directors' report and financial  
statements**

**Registered number 2352435**

**For the period ended 26 March 2005**



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## Directors' report

The directors present their annual report and the audited financial statements for the period ended 26 March 2005.

### Principal activities and business review

The principal activity of the company is that of an intermediate investment holding company.

On 27 October 2003 the company changed its name to The Hamleys Group Limited and re-registered as a private company.

The results for the period and the position at 26 March 2005 are shown in the profit and loss account on page 4 and balance sheet on page 5 respectively.

### Directors and directors' interests

The directors of the company during the period and changes to directors since the end of the period were as follows:

J Watkinson	(resigned 16 September 2005)
I Parker	(resigned 3 September 2004)
NCH Mather	(appointed 28 October 2004)
K Osborne	(appointed 3 September 2004)

A Dunn was appointed on 1 November 2005.

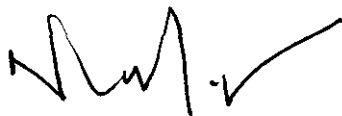
The directors had no beneficial interest in the shares of the company at 26 March 2005. All of the directors' interests in the shares of Corporal Limited, the ultimate holding company, are disclosed in the financial statements of that company.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

NCH Mather  
Director



2 Fouberts Place  
London  
W1F 7PA

19 January 2006

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL

## **Independent auditors' report to the members of The Hamleys Group Limited**

We have audited the financial statements on pages 4 to 10.

*This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.*

### ***Respective responsibilities of directors and auditors***

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### ***Basis of audit opinion***

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 26 March 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

19 January 2006

**Profit and loss account**  
*for the period ended 26 March 2005*

	<i>Note</i>	<b>Period ended 26 March 2005 £000</b>	<b>Period ended 27 March 2004 £000</b>
Administrative expenses (2004: including operating exceptional costs of £5,488,000)		-	(5,489)
<b>Operating loss</b>		-	(5,489)
Interest payable and similar charges	4	(227)	(92)
<b>Loss on ordinary activities before taxation</b>	5	(227)	(5,581)
Tax on loss on ordinary activities	6	(868)	1,272
<b>Loss for the financial period</b>	11	(1,095)	(4,309)

All amounts relate to continuing activities.

There are no recognised gains or losses other than those included above.

The notes on pages 6 to 10 form part of these financial statements.

Movements on reserves are shown in note 11 to the financial statements.

**Balance sheet**  
*at 26 March 2005*

		26 March 2005		27 March 2004	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	7		31,410		31,410
<b>Current assets</b>					
Debtors	8	7,514		8,381	
Cash at bank and in hand		516		738	
		<u>8,030</u>		<u>9,119</u>	
<b>Creditors: Amounts falling due within one year</b>	9	<u>(17,817)</u>		<u>(17,811)</u>	
<b>Net current liabilities</b>			<u>(9,787)</u>		<u>(8,692)</u>
<b>Net assets</b>			<u>21,623</u>		<u>22,718</u>
<b>Capital and reserves</b>					
Called up share capital	10		1,319		1,319
Share premium account	11		4,316		4,316
Capital redemption reserve	11		6,403		6,403
Merger relief reserve	11		978		978
Special reserve	11		10,921		10,921
Profit and loss account	11		<u>(2,314)</u>		<u>(1,219)</u>
<b>Equity shareholders' funds</b>	12		<u>21,623</u>		<u>22,718</u>

These financial statements were approved by the board of directors on 19 January 2006 and were signed on its behalf by:



**NCH Mather**  
*Director*

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

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

#### ***Basis of preparation***

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about its group.

#### ***Cash flow***

As a wholly owned subsidiary undertaking of Corporal Limited, the company has relied upon the exemption in Financial Reporting Standard No 1 (revised) and has not included a cash flow statement as part of these financial statements.

#### ***Related party transactions***

Transactions with other group companies have not been disclosed, as permitted by FRS 8 "Related party disclosures".

#### ***Deferred tax***

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

#### ***Leases***

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

#### ***Investments***

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

### **2 Directors' emoluments**

The emoluments of the directors are borne by Hamleys of London Limited.

### **3 Staff numbers and costs**

The company has no employees.



**Notes** *(continued)*

**4 Interest payable and similar charges**

	Period ended 26 March 2005 £000	Period ended 27 March 2004 £000
Bank loans and overdrafts	227	92

**5 Loss on ordinary activities before taxation**

	Period ended 26 March 2005 £000	Period ended 27 March 2004 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Operating exceptional items	-	5,488

Audit fees are borne by other group undertakings.

Operating exceptional items in the prior period related primarily to transaction costs associated with the recommended offer for the company and its subsidiaries by Soldier Limited. In addition, an impairment provision of £1.5 million was booked against the carrying value of an investment in a subsidiary undertaking. The exceptional items gave rise to a tax credit of £1,196,000.

**6 Tax on loss on ordinary activities**

*Analysis of charge/(credit) in period*

	Period ended 26 March 2005 £000	Period ended 27 March 2004 £000
<i>UK corporation tax</i>		
Current tax on loss for the period	-	(1,224)
Tax in respect of prior periods	868	(48)
Total current tax	868	(1,272)
Tax on loss on ordinary activities	868	(1,272)

## Notes (continued)

### 6. Tax on loss on ordinary activities (continued)

#### Factors affecting the tax charge/(credit) for the current period

The current tax charge/(credit) for the period is higher (2004: credit – lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	Period ended 26 March 2005 £000	Period ended 27 March 2004 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(227)	(5,581)
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	(68)	(1,674)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	450
Adjustment in respect of prior periods	868	(48)
Increase in tax losses carried forward	68	-
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	868	(1,272)

#### Factors that may affect future charges

There is no deferred tax arising in the company. In addition to the above, the company has tax losses of approximately £227,000 (2004: £Nil) available for carry forward against future profits.

### 7 Investments

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At start and end of period	32,910
<i>Provisions</i>	
At start and end of period	1,500
<i>Net book value</i>	
At 26 March 2005	31,410
At 27 March 2004	31,410

## Notes (continued)

### 7 Investments (continued)

The company's wholly owned subsidiary undertakings, all of which are owned directly are as follows:

Company	Activity
Hamleys of London Limited	toy retailing
Hamleys Trustees Limited	employee share trust
Hamleys BV	toy retailing
Hamleys Employment Services Limited	employment services
The Bear Factory Limited	toy retailing
Hamleys Financial Services Limited	card handling company
Hamleys Properties Limited	property holding company
Hamleys Bear Investment Limited	toy retailing

All subsidiaries other than Hamleys BV are registered in Great Britain and operate within the United Kingdom. Hamleys BV is incorporated, registered and operates in The Netherlands.

### 8 Debtors

	26 March 2005 £000	27 March 2004 £000
Amounts owed by group undertakings	7,491	7,134
Other debtors	23	23
Corporate tax recoverable	-	1,224
	<u>7,514</u>	<u>8,381</u>

### 9 Creditors: Amounts falling due within one year

	26 March 2005 £000	27 March 2004 £000
Amounts owed to group undertakings	17,809	17,809
Other creditors	8	2
	<u>17,817</u>	<u>17,811</u>

## Notes (continued)

### 10 Share capital

	26 March 2005		27 March 2004	
	Number	£000	Number	£000
<b>Ordinary 5 5/9p shares</b>				
Authorised	28,170,000	1,565	28,170,000	1,565
Allotted, issued and fully paid	23,740,354	1,319	23,106,775	1,284
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Non-cumulative redeemable B preference shares of 25.75p</b>				
Authorised	23,944,998	6,166	23,944,998	6,166
	<hr/>	<hr/>	<hr/>	<hr/>

### 11 Reserves

	Share premium account £000	Capital redemption reserve £000	Merger relief reserve £000	Special reserve £000	Profit and loss account £000
As at 28 March 2004	4,316	6,403	978	10,921	(1,219)
Loss for the period	-	-	-	-	(1,095)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 26 March 2005</b>	<b>4,316</b>	<b>6,403</b>	<b>978</b>	<b>10,921</b>	<b>(2,314)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The special reserve is not distributable.

### 12 Reconciliation of movements in shareholders' funds

	26 March 2005 £000	27 March 2004 £000
Loss for the financial period	(1,095)	(4,309)
Shares issued in the period	-	840
Opening shareholders' funds	22,718	26,187
	<hr/>	<hr/>
Closing shareholders' funds	21,623	22,718
	<hr/>	<hr/>

### 13 Contingent liabilities

The company has guaranteed the overdrafts of Hamleys of London Limited, Hamleys Bear Investment Limited and Soldier Limited; the amount outstanding at the year end was £9,134,000 (2004: £9,576,000).

### 14 Ultimate parent company

The ultimate parent company and controlling party is Corporal Limited, a company incorporated in Great Britain. Copies of the group financial statements are available from the Registrar of Companies, Companies House, Cardiff.