

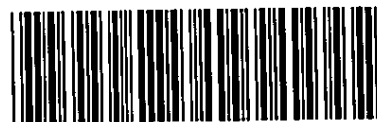
The Hamleys Group Limited

**Directors' report and financial
statements**

Registered number 2352435

For the period ended 29 March 2008

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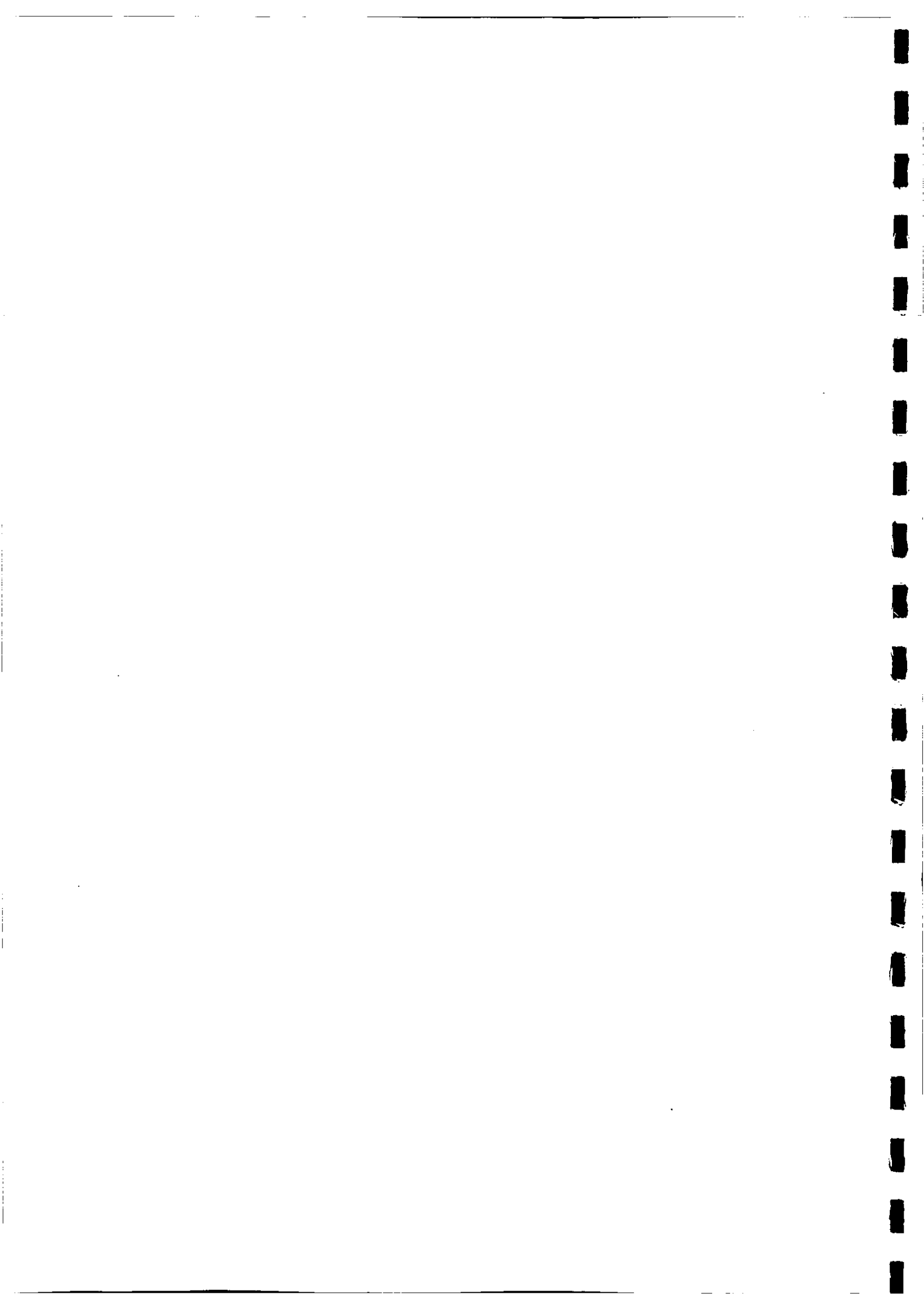
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Directors' report

The directors present their annual report and the audited financial statements for the period ended 29 March 2008.

Principal activities and business review

The principal activity of the company is that of an intermediate investment holding company in the retailing of toys, games, gifts and sports equipment. The ultimate holding company of The Hamleys Group Ltd is Corporal Ltd.

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:

N Mather (resigned 2 May 2008)
K Osborne (resigned 31 May 2007)
A Dunn
G Reynisson (appointed 2 May 2008)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



A Dunn
Director

2 Fouberts Place
London
W1F 7PA

4 June 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of The Hamleys Group Limited for the period ended 29 March 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of The Hamleys Group Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 March 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

5 June 2009

Profit and loss account
for the period ended 29 March 2008

	<i>Note</i>	Period ended 29 March 2008 £000	Period ended 31 March 2007 £000
Administrative expenses		(116)	(746)
Operating loss		(116)	(746)
Profit on sale of subsidiary undertaking		-	976
Interest receivable	4	-	63
Interest payable and similar charges	5	-	-
(Loss)/profit on ordinary activities before taxation		(116)	293
Tax on (loss)/profit on ordinary activities	6	40	-
(Loss)/profit for the financial period	11	(76)	293

All amounts relate to continuing activities.

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

There is no difference between the (loss)/profit for the financial periods and their historical cost equivalents.

Balance sheet
at 29 March 2008

	<i>Note</i>	29 March 2008		31 March 2007	
		£000	£000	£000	£000
Fixed assets					
Investments	8		19,198		19,198
Current assets					
Debtors	9	12,687		12,397	
Cash at bank and in hand		966		1,116	
		<u>13,653</u>		<u>13,513</u>	
Creditors: Amounts falling due within one year	10	<u>(11,359)</u>		<u>(11,143)</u>	
Net current assets			<u>2,294</u>		<u>2,370</u>
Net assets			<u>21,492</u>		<u>21,568</u>
Capital and reserves					
Called up share capital	11		1,319		1,319
Share premium account	12		4,316		4,316
Capital redemption reserve	12		6,403		6,403
Merger relief reserve	12		978		978
Special reserve	12		10,921		10,921
Profit and loss account	12		(2,445)		(2,369)
Shareholders' funds	13		<u>21,492</u>		<u>21,568</u>

These financial statements were approved by the board of directors on 4 June 2009 and were signed on its behalf by:



A Dunn
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.

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 and staff numbers

The emoluments of the directors are borne by Corporal Limited and disclosed within the financial statements of Corporal Limited. The company has no employees.

3 Auditors' remuneration

	Period ended 29 March 2008 £000	Period ended 31 March 2007 £000
Fees for the audit of the company	3	3

Fees paid to the company's auditor, KPMG LLP, for services other than the statutory audit of the company are not disclosed in The Hamleys Group Limited's financial statements since the consolidated financial statements of The Hamleys Group Limited's parent, Corporal Limited, are required to disclose non-audit fees on a consolidated basis.

The audit fee has been borne by Hamleys of London Limited, a fellow subsidiary.

Notes (continued)

4 Notes to the profit and loss account

	Period ended 29 March 2008 £000	Period ended 31 March 2007 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Management recharge in respect of directors' emoluments	1,945	-
Redistribution of directors' emoluments to subsidiaries	(1,945)	-
	<hr/>	<hr/>

5 Interest receivable

	Period ended 29 March 2008 £000	Period ended 31 March 2007 £000
Bank interest receivable	-	63
	<hr/>	<hr/>

6 Interest payable and similar charges

	Period ended 29 March 2008 £000	Period ended 31 March 2007 £000
Bank loans and overdrafts	-	-
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7 Tax on (loss)/profit on ordinary activities

Analysis of (credit)/charge in period

	Period ended 29 March 2008 £000	Period ended 31 March 2007 £000
<i>UK corporation tax</i>		
Current tax on loss for the period	(40)	-
Tax in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	(40)	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	(40)	-
	<hr/>	<hr/>

Notes (continued)

7 Tax on (loss)/profit on ordinary activities (continued)

Factors affecting the tax (credit)/charge for the current year

The current tax (credit)/charge for the year is higher (2007: lower) than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	Period ended 29 March 2008 £000	Period ended 31 March 2007 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(116)	293
Current tax at 30% (2007: 30%)	(35)	88
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(5)	141
Increase in tax losses carried forward	-	64
Non taxable proportion of capital gains	-	(293)
Total current tax (credit)/charge (see above)	(40)	-

Factors that may affect future charges

On 21 March 2008, in its annual budget statement, the British Government made certain announcements regarding corporation tax that will impact the company when passed into law. These announcements included a proposed reduction in the standard rate of UK corporation tax to 28% on 1 April 2008.

Under FRS 19, deferred taxation is provided in the balance sheet at the tax rate that is expected to be enacted or substantially enacted at the time it will reverse. Any timing differences which reverse before 1 April 2008 will be taxed or relieved at 30%; any timing differences that reverse after that date will reverse at 28%. Because of the inherent uncertainty as to when deferred tax will reverse it is not possible to quantify the full financial impact of this proposed change.

8 Investments

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At start of period	19,198
Disposals	-
At end of period	19,198
<i>Provisions</i>	
At start and end of period	-
<i>Net book value</i>	
At 29 March 2008	19,198
At 31 March 2007	19,198

Notes (continued)

8 Investments (continued)

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

Name	Principal activity	Country of incorporation	Class and percentage of shares held
Hamleys of London Limited	Toy retailing	Great Britain	100%
Hamleys Trustees limited	Employee share trust	Great Britain	100%
Hamleys BV	Toy retailing	The Netherlands	100%
Hamleys Employment Services Limited	Employment services	Great Britain	100%
Hamleys Financial Services Limited	Card handling company	Great Britain	100%
Hamleys Properties Limited	Property holding company	Great Britain	100%
Hamleys Bear Investment Limited	Toy retailing	Great Britain	100%
Hamleys (Franchising) Limited	Franchising Company	Great Britain	100%
Hamleys Asia Limited	Import company	Hong Kong	100%

During the prior period the company disposed of its entire investment in The Bear Factory Limited for consideration of £14.1 million realising a profit on disposal of £976,000.

9 Debtors

	29 March 2008 £000	31 March 2007 £000
Amounts owed by group undertakings	12,299	12,374
Other debtors	348	23
Group relief debtor	40	-
	<u>12,687</u>	<u>12,397</u>

10 Creditors: Amounts falling due within one year

	29 March 2008 £000	31 March 2007 £000
Amounts owed to group undertakings	10,827	10,308
Other creditors	532	835
	<u>11,359</u>	<u>11,143</u>

Notes (continued)

11 Share capital

	29 March 2008		31 March 2007	
	Number	£000	Number	£000
Ordinary 5 5/9p shares				
Authorised	28,170,000	1,565	28,170,000	1,565
Allotted, issued and fully paid	23,740,354	1,319	23,740,354	1,319
Non-cumulative redeemable B preference shares of 25.75p				
Authorised	23,944,998	6,166	23,944,998	6,166

12 Reserves

	Share premium account £000	Capital redemption reserve £000	Merger relief reserve £000	Special reserve £000	Profit and loss account £000
At 31 March 2007	4,316	6,403	978	10,921	(2,369)
Loss for the period	-	-	-	-	(76)
At 29 March 2008	4,316	6,403	978	10,921	(2,445)

The special reserve is not distributable.

13 Reconciliation of movements in shareholders' funds

	29 March 2008 £000	31 March 2007 £000
(Loss)/profit for the financial period	(76)	293
Opening shareholders' funds	21,568	21,275
Closing shareholders' funds	21,492	21,568

14 Contingent liabilities

Bank loans and overdrafts are secured on debenture mortgages and cross-guarantees between the company, its parent company and subsidiary undertakings. The total exposure at the year end was £12,811,000 (2007: £12,147,000).

15 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.

The majority shareholder of Corporal Limited is Baugur hf (in administration), a company registered in Iceland.