

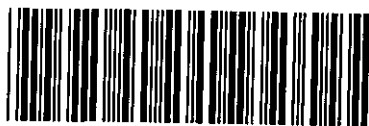
The Hamleys Group Limited

**Directors' report and financial
statements**

Registered number 2352435

For the period ended 25 March 2006

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Directors' report

The directors present their annual report and the audited financial statements for the period ended 25 March 2006.

Principal activities and business review

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

The results for the period and the position at 25 March 2006 are shown in the profit and loss account on page 5 and balance sheet on page 6 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:

NCH Mather
K Osborne
A Dunn (appointed 1 November 2005)

The directors had no beneficial interest in the shares of the company at 25 March 2006. All of the directors' interests in the shares of Corporal Limited, the ultimate holding company, are disclosed in the financial statements of that company.

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

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



A Dunn
Director

2 Fouberts Place
London
W1F 7PA

8 January 2007

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 25 March 2006 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 Directors' Report and 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 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 other transactions is not disclosed.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatement 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 group's and 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 25 March 2006 and of the company's 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

8 January 2007

Profit and loss account
for the period ended 25 March 2006

	<i>Note</i>	Period ended 25 March 2006 £000	Period ended 26 March 2005 £000
Administrative expenses		(137)	-
Operating loss		(137)	-
Interest payable and similar charges	4	(211)	(227)
Loss on ordinary activities before taxation	5	(348)	(227)
Tax on loss on ordinary activities	6	-	(868)
Loss for the financial period	11	(348)	(1,095)

All amounts relate to continuing activities.

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

The notes on pages 7 to 11 form part of these financial statements.

Movements on reserves are shown in note 10 to the financial statements.

Balance sheet
 at 25 March 2006

	Note	25 March 2006		26 March 2005	
		£000	£000	£000	£000
Fixed assets					
Investments	7		31,410		31,410
Current assets					
Debtors	8	7,514		7,514	
Cash at bank and in hand		305		516	
		<u>7,819</u>		<u>8,030</u>	
Creditors: Amounts falling due within one year	9	<u>(17,954)</u>		<u>(17,817)</u>	
Net current liabilities			<u>(10,135)</u>		<u>(9,787)</u>
Net assets			<u>21,275</u>		<u>21,623</u>
Capital and reserves					
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		(2,662)		(2,314)
Shareholders' funds	12		<u>21,275</u>		<u>21,623</u>

These financial statements were approved by the board of directors on 8 January 2007 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, except as noted below:

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 "Events after the balance sheet date";
- the presentation requirements of FRS 25 "Financial instruments presentation and disclosure"; and
- FRS 28 "Corresponding amounts".

FRS 21 and FRS 25 have had no effect on the financial statements.

In addition, FRS 28 "Corresponding amounts" has had no material effect as it imposes the same requirements for comparatives hitherto required by the Companies Act 1985.

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

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 25 March 2006 £000	Period ended 26 March 2005 £000
Bank loans and overdrafts	211	227

5 Loss on ordinary activities before taxation

Audit fees are borne by other group undertakings.

6 Tax on loss on ordinary activities

Analysis of charge in period

	Period ended 25 March 2006 £000	Period ended 26 March 2005 £000
UK corporation tax	-	-
Current tax on loss for the period	-	868
Tax in respect of prior periods	-	-
Total current tax	-	868
Tax on loss on ordinary activities	-	868

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2005: higher) than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below:

	Period ended 25 March 2006 £000	Period ended 26 March 2005 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(348)	(227)
Current tax at 30% (2005: 30%)	(104)	(68)
Effects of:		
Adjustment in respect of prior periods	-	868
Increase in tax losses carried forward	104	68
Total current tax charge (see above)	-	868

Factors that may affect future charges

In addition to the above, the company has tax losses of approximately £463,000 (2005: £358,000) available for carry forward against future profits. No deferred tax asset is recognised in respect of these tax losses as recovery of the asset is not sufficiently certain.

Notes (continued)

7 Investments

	Shares in subsidiary undertakings £000
Cost	
At start and end of period	32,910
Provisions	
At start and end of period	1,500
Net book value	
At 25 March 2006	31,410
At 26 March 2005	31,410

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

	25 March 2006 £000	26 March 2005 £000
Amounts owed by group undertakings	7,430	7,491
Other debtors	84	23
	<u>7,514</u>	<u>7,514</u>

Notes (continued)

9 Creditors: Amounts falling due within one year

	25 March 2006 £000	26 March 2005 £000
Amounts owed to group undertakings	17,946	17,809
Other creditors	8	8
	<u>17,954</u>	<u>17,817</u>

10 Share capital

	25 March 2006		26 March 2005	
	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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-cumulative redeemable B preference shares of 25.75p				
Authorised	23,944,998	6,166	23,944,998	6,166
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

11 Reserves

	Share premium account £000	Capital redemption reserve £000	Merger relief reserve £000	Special reserve £000	Profit and loss account £000
As at 27 March 2005	4,316	6,403	978	10,921	(2,314)
Loss for the period	-	-	-	-	(348)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 25 March 2006	<u>4,316</u>	<u>6,403</u>	<u>978</u>	<u>10,921</u>	<u>(2,662)</u>

The special reserve is not distributable.

12 Reconciliation of movements in shareholders' funds

	25 March 2006 £000	26 March 2005 £000
Loss for the financial period	(348)	(1,095)
Opening shareholders' funds	21,623	22,718
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>21,275</u>	<u>21,623</u>

Notes *(continued)*

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 £7,475,000 (2005: £9,134,000).

14 Post balance sheet events

On 1 April 2006, the company sold its entire holding in Bear Factory Limited for consideration of £14,096,000.

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.