

The Hamleys Group Limited

**Directors' report and financial
statements**

Registered number 2352435

For the period ended 28 March 2009

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Directors' report

The directors present their annual report and the audited financial statements for the period ended 28 March 2009.

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.

Results and dividends

The results of the company for the period are shown on page 5.

The directors do not recommend the payment of a dividend (2008: £Nil).

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)
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

14 August 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 28 March 2009 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 28 March 2009 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

14 August 2009

Profit and loss account
for the period ended 28 March 2009

	<i>Note</i>	Period ended 28 March 2009			Period ended 29 March 2008 Total
		Excluding exceptional items £000	Exceptional items (see note 4) £000	Including exceptional items £000	£000
Administrative expenses		447	(1,240)	(793)	(116)
Operating profit/(loss)		447	(1,240)	(793)	(116)
Interest receivable	5	7	-	7	-
Interest payable and similar charges	6	(19)	-	(19)	-
Profit/(loss) on ordinary activities before taxation	3	435	(1,240)	(805)	(116)
Tax on profit/(loss) on ordinary activities	7	29	-	29	40
Profit/(loss) for the financial period	13	464	(1,240)	(776)	(76)

All amounts relate to continuing activities.

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

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

Balance sheet
at 28 March 2009

	<i>Note</i>	28 March 2009		29 March 2008	
		£000	£000	£000	£000
Fixed assets					
Investments	8		19,198		19,198
Current assets					
Debtors	9	14,529		12,687	
Cash at bank and in hand		3,693		966	
		<u>18,222</u>		<u>13,653</u>	
Creditors: Amounts falling due within one year	10	<u>(15,288)</u>		<u>(11,359)</u>	
Net current assets			<u>2,934</u>		<u>2,294</u>
Total assets less current liabilities			<u>22,132</u>		<u>21,492</u>
Creditors: amounts falling due after more than one year	11		<u>(1,731)</u>		<u>-</u>
Net assets			<u>20,401</u>		<u>21,492</u>
Capital and reserves					
Called up share capital	12		1,319		1,319
Share premium account	13		4,316		4,316
Capital redemption reserve	13		6,403		6,403
Merger relief reserve	13		978		978
Special reserve	13		10,921		10,921
Profit and loss account	13		(3,536)		(2,445)
Shareholders' funds	14		<u>20,401</u>		<u>21,492</u>

These financial statements were approved by the board of directors on 14 August 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 financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Corporal Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Corporal Limited, within which this Company is included, can be obtained from the address given in note 16.

Going concern

The retail industry experienced a dramatic slowdown starting in late 2008 due to low consumer confidence as a result of the general economic crisis popularly referred to as the "credit crunch". The directors believe the retail climate through 2009 is uncertain and is likely to remain challenging, with little evidence yet of returning consumer spend levels.

In response to the above market conditions, the directors have taken a number of actions to protect against any potential future sales downturn. Financial forecasts, including sensitivities, for the year have been prepared using extremely conservative sales levels and cost planning has accordingly been aligned to those low sales estimates. An organisational restructure exercise was carried out in June 2009, involving redundancies, which implemented a flatter, simpler and considerably lower cost structure. Various costs savings initiatives are ongoing. These actions have significantly reduced the holding company group's fixed cost base and improved flexibility, making the group better able to cope with a further deterioration in economic conditions. Current trading, profits and cash are all ahead of the financial forecast.

The holding company group's majority shareholder, BG Holding ehf, is in administration. The shares of BG Holding ehf are now controlled by Landsbanki Islands hf, an Icelandic bank, who are formally in a winding up process under Icelandic law. The administration of BG Holding ehf and position of Landsbanki Islands hf does not, in any way whatsoever, impact the holding company group's ability to trade and to pay its debts as they fall due, because the group does not require or rely on any funding from its shareholders for either short term operations or long term development. Additionally, all shareholder debt, including preference shares, cannot legally be repaid by the holding company group unless there is an Exit Event, defined in the group's Articles as a trade sale or listing. The shareholders therefore cannot demand the repayment of this debt. With an Exit Event, the funds for repayment of shareholder debt would come from that event and not from the holding company group's operational cash flow. The directors are therefore satisfied there is no significant operational or financial risk to the group from the current situation with the holding company group's shareholders.

The holding company group's overdraft facility was renewed recently and the directors expect, based on discussions with the bank, that the facility will continue to be available for at least the next 12 months.

The directors, after considering the financial forecasts, appropriate sensitivities, current trading and available facilities, expect the group to have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Notes (continued)

1 Accounting policies (continued)

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.

Taxation

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.

Foreign exchange

Transactions in foreign currencies are translated at rates appropriate to the transaction date. Assets and liabilities denominated in overseas currencies are translated into sterling at the balance sheet date. All exchange differences are taken to the profit and loss account.

2 Directors' emoluments and staff numbers

The emoluments of the directors are borne by other group companies and disclosed within their financial statements. With the exception of directors, the company has no employees.

3 Notes to the profit and loss account

	Period ended 28 March 2009 £000	Period ended 29 March 2008 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Management recharge in respect of directors' emoluments	558	1,945
Redistribution of directors' emoluments to subsidiaries	(558)	(1,945)
	<hr/>	<hr/>
<i>Auditors' remuneration</i>		
Audit of these financial statements	2	2
	<hr/>	<hr/>

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

Amounts receivable by the company's auditors and their associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, Corporal Limited.

Notes (continued)

4 Exceptional costs

	Period ended 28 March 2009 £000	Period ended 29 March 2008 £000
Closure costs	1,240	-

All closure costs of £1,240,000, relate to an accounting provision relating to a retail unit in Watford for which the group took over the lease as a result of the sale of The Bear Factory Limited in 2006. The group does not trade this unit and is actively marketing it but it is currently sub-let for partial rent. According to FRS 12, the group must provide for the cost of an onerous lease. A provision was made in 2006 but the directors felt it appropriate to increase this provision this year. The provision now represents the cost of the unit for 3 years plus an estimate exit premium, which the directors consider to be a reasonable assumption given the current market conditions. This is an accounting provision and, as such, a non-cash item.

5 Interest receivable

	Period ended 28 March 2009 £000	Period ended 29 March 2008 £000
Bank interest receivable	7	-

6 Interest payable and similar charges

	Period ended 28 March 2009 £000	Period ended 29 March 2008 £000
Finance charges payable in respect of finance leases and hire purchase contracts	19	-

Notes (continued)

7 Tax on loss on ordinary activities

Analysis of credit in period

	Period ended 28 March 2009 £000	Period ended 29 March 2008 £000
<i>UK corporation tax</i>		
Current tax on loss for the period	-	(40)
Tax in respect of prior periods	(29)	-
	<hr/>	<hr/>
Total current tax	(29)	(40)
	<hr/>	<hr/>
Tax on loss on ordinary activities	(29)	(40)
	<hr/>	<hr/>

Factors affecting the tax credit for the current year

The current tax credit for the year is lower (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	Period ended 28 March 2009 £000	Period ended 29 March 2008 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(805)	(116)
	<hr/>	<hr/>
Current tax at 28% (2008: 30%)	(225)	(35)
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	(5)
Increase in tax losses carried forward	230	-
Other timing differences	(10)	-
Adjustment to tax charge in respect of previous periods	(29)	-
	<hr/>	<hr/>
Total current tax credit (see above)	(29)	(40)
	<hr/>	<hr/>

Factors that may affect future charges

The company has not recognised the following deferred tax assets in these financial statements:

	£000	£000
Net losses	230	739
	<hr/>	<hr/>

As a result of a capital gain arising in another group company in 2007, net losses brought forward of £739,000 above were transferred and utilised to shelter the capital gain.

The directors recognise an asset for the remaining losses in relation to deferred taxation only to the extent that its utilisation can be forecast, with reasonable certainty, in the foreseeable future.

Notes (continued)

8 Investments

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning and end of period	19,198
<i>Provisions</i>	
At beginning and end of period	-
<i>Net book value</i>	
At 28 March 2009	19,198
At 29 March 2008	19,198

The company's wholly owned subsidiary undertakings, all of which are owned directly (with the exception of Hamleys BV) 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%
Hamleys Toys (Ireland) Limited	Toy retailing	Ireland	100%

9 Debtors

	2009 £000	2008 £000
Amounts owed by group undertakings	14,326	12,299
Other debtors	1	348
Group relief debtor	69	40
Other tax and social security	133	-
	<u>14,529</u>	<u>12,687</u>

Notes (continued)

10 Creditors: Amounts falling due within one year

	2009 £000	2008 £000
Obligations under finance leases and hire purchase contracts (secured)	98	-
Trade creditors	110	-
Amounts owed to group undertakings	12,276	10,827
Other creditors	2,792	532
Accruals	12	-
	<u>15,288</u>	<u>11,359</u>

Amounts owed under finance lease and hire purchase contracts are secured on the assets to which they relate.

The assets held under finance leases are included within the fixed asset registers of Hamleys of London Limited and Hamleys Toys (Ireland) Limited.

11 Creditors: Amounts falling due after more than one year

	2009 £000	2008 £000
Amounts owed to group undertakings	1,538	-
Amounts owed under finance leases and hire purchase contracts (secured – see note 10)	193	-
	<u>1,731</u>	<u>-</u>

Amounts owed under finance leases and hire purchase contracts all fall due within five years.

12 Share capital

	2009 Number	2009 £000	2008 Number	2008 £000
Ordinary 5 5/9p shares				
Authorised	28,170,000	1,565	28,170,000	1,565
Alotted, issued and fully paid	<u>23,740,354</u>	<u>1,319</u>	<u>23,740,354</u>	<u>1,319</u>
Non-cumulative redeemable B preference shares of 25.75p				
Authorised	<u>23,944,998</u>	<u>6,166</u>	<u>23,944,998</u>	<u>6,166</u>

Notes (continued)

13 Reserves

	Share premium account £000	Capital redemption reserve £000	Merger relief reserve £000	Special reserve £000	Profit and loss account £000
At beginning of period	4,316	6,403	978	10,921	(2,445)
Loss for the period	-	-	-	-	(776)
Foreign currency translation movement	-	-	-	-	(315)
At end of period	4,316	6,403	978	10,921	(3,536)

The special reserve is not distributable.

14 Reconciliation of movements in shareholders' funds

	28 March 2009 £000	29 March 2008 £000
Loss for the financial period	(776)	(76)
Movement in foreign currency translation reserve	(315)	-
Net reduction in shareholders' funds	(1,091)	(76)
Opening shareholders' funds	21,492	21,568
Closing shareholders' funds	20,401	21,492

15 Contingent liabilities

Bank loans and overdrafts are secured on debenture mortgages and cross-guarantees between certain group companies. The company exposure at the year end was £11,678,000 (2008: £9,697,000).

16 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 BG Holding ehf (in administration), a company registered in Iceland.