

2352435

A copy of this document, which comprises listing particulars relating to Hamleys plc prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

The Directors of Hamleys plc, whose names appear on page 4 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Directors of Hamleys plc (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons receiving this document should note that, in connection with the Placing and Intermediaries Offer, J O Hambro Magan & Company Limited and Cazenove & Co. are acting for Hamleys plc and no-one else and will not be responsible to anyone other than Hamleys plc for providing the protections afforded to their respective customers or for providing advice in relation to either the Placing or the Intermediaries Offer.

Hamleys plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered no. 2352435)

Placing and Intermediaries Offer of 10,337,463 ordinary shares of 5p each at a price of 185p per ordinary share payable in full on application

Sponsored by

J O Hambro Magan & Company Limited

and

Cazenove & Co.

LONDON STOCK EXCHANGE	
Listing Department	
Listing particulars approved	
Date:	26 April 1994
Signed:	D J J A S
	P B W R C

Authorised		Share capital immediately following the Placing and Intermediaries Offer		Issued and fully paid	
Nominal	Number	ordinary shares of 5p each		Nominal	Number
£1,565,000	31,300,000			£1,142,051	22,841,028

The ordinary shares now being placed and offered will rank in full for all dividends declared, made or paid on the ordinary share capital of the Company following Listing. 10,337,463 ordinary shares are being placed by Cazenove & Co., of which 6,719,351 are being placed firm, and 3,618,112 are being placed subject to recall in order to meet valid applications under the Intermediaries Offer and from Preferential Applicants. The Placing and Intermediaries Offer have been fully underwritten by Cazenove & Co.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of Hamleys plc, issued and now being issued, to be admitted to the Official List. It is expected that admission of the ordinary shares to the Official List will become effective and that dealings will commence on 6 May 1994.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, ordinary shares in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution in or into the United States or Canada. The ordinary shares have not been and will not be registered under the United States Securities Act of 1933 or under the applicable securities laws of Canada and, subject to certain exceptions, may not be offered or sold within the United States or Canada or to any national, resident or citizen of the United States or Canada.

At the close of business on 31 March 1994, the Hamleys Group had outstanding total indebtedness of £13,830,000, comprising secured bank loans of £8,094,000, Unsecured Loan Notes 1998 of £2,040,000, Deep Discount Unsecured Loan Stock 1998 of £3,435,000 and obligations under finance leases of £47,000. In addition, the Group had contingent liabilities and guarantees of £20,000.

Save as aforesaid, and apart from intra-group indebtedness and guarantees, neither Hamleys plc nor any of its subsidiaries had outstanding at the close of business on 31 March 1994 any mortgages, charges, loan capital (whether outstanding or created but unissued), term loans or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or finance lease commitments, guarantees or other contingent liabilities.

At the same date, the Group had cash, bank balances and short term deposits of £2,643,000.

No person has been authorised to give any information or make any representations in connection with the Placing and Intermediaries Offer or the Group other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, J O Hambro Magan & Company Limited, Cazenove & Co. or any of them.



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Placing and Offer Statistics

Offer Price	185p
Number of ordinary shares being	
— placed firm	6,719,351
— placed subject to recall to satisfy valid applications under the Intermediaries Offer and from Preferential Applicants	3,618,112
Ordinary shares in issue following the Placing and Offer	22,841,028
Market capitalisation at the Offer Price	£42.3 million
Estimated total proceeds of the Placing and Offer receivable by the Company, net of expenses	£12.0 million
Earnings per ordinary share for the year ended 29 January 1994	
— on an actual basis (note 1)	11.8p
— on a pro forma basis (note 2)	10.4p
Price earnings multiple at the Offer Price	
— on an actual basis	15.7 times
— on a pro forma basis	17.8 times
Notional net dividend per ordinary share for the year ended 29 January 1994 (note 3)	4.7p
Notional gross dividend yield at the Offer Price (note 4)	3.2 per cent.
Notional dividend cover based on pro forma earnings per ordinary share	2.2 times

Notes

- 1) The earnings per share on an actual basis for the year ended 29 January 1994 have been extracted from the Accountants' Report set out in Part IV of this document.
- 2) The pro forma earnings per share for the year ended 29 January 1994 are based on the number of ordinary shares which will be in issue following the Placing and Offer, as set out in Part V of this document.
- 3) The notional net dividend per share is explained in section 8 of Part II of this document.
- 4) The notional gross dividend yield is calculated by expressing the notional gross dividend for the year ended 29 January 1994, being the notional net dividend of 4.7p per share with the associated 20 per cent. tax credit, as a percentage of the Offer Price.

Expected Timetable

Latest time for receipt of completed application forms and cleared funds from Intermediaries	12 noon on Wednesday, 4 May 1994
Announcement of result of Intermediaries Offer and basis of allocation	Thursday, 5 May 1994
Despatch of renounceable letters of allocation	Thursday, 5 May 1994
Dealings commence	Friday, 6 May 1994
Latest time for splitting	3.00 p.m. on Thursday, 26 May 1994
Latest time for registration of renunciation	3.00 p.m. on Tuesday, 31 May 1994
Despatch of definitive share certificates	by Tuesday, 14 June 1994



Directors and Advisers

Directors and registered office

Howard Paul Dyer (Chairman)
Stephen John Woodbridge (Managing Director)
Alan Michael Riddy (Finance Director)
Rupert Nicholas Hambro (Non-executive)
Alexander Donald Mackenzie (Non-executive)
James Clifford Hodgkinson (Non-executive)
all of 188-196 Regent Street, London W1R 6BT

Company Secretary

Ladan Hall, ACA

Financial Adviser and Sponsor

J O Hambro Magan & Company Limited
32 Queen Anne's Gate, London SW1H 9AB

Stockbrokers and Sponsor

Cazenove & Co.
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Solicitors to the Company

Clifford Chance
200 Aldersgate Street, London EC1A 4JJ

Solicitors to the Offer

Freshfields
65 Fleet Street, London EC4Y 1HS

Auditors and Reporting Accountants

Pannell Kerr Forster
New Garden House, 78 Hatton Garden, London EC1N 8JA
Wilnot House, St James's Court, Friar Gate, Derby, DE1 1BT

Principal Bankers

Bank of Scotland
38 St Andrew Square, Edinburgh, EH2 2YR

Receiving Bankers

National Westminster Bank Plc
Registrar's Department, New Issues Section, P.O. Box 859, Consort House, East Street, Bedminster, Bristol, BS99 1XZ

Registrars

Exchange Registrars Limited
18 Park Place, Cardiff, CF1 3PD



Part I Key Information

The following information is derived from, and should be read in conjunction with, the full text of this document.

Background

Hamleys is a unique, prestigious, internationally recognised and successful specialist retailer of toys, games and gifts.

- It is one of the oldest and best known toy retailers in the world with an internationally recognised brand name.
- Its flagship Regent Street store is in one of London's leading tourist shopping destinations and this location, together with Hamleys' international reputation, attracts substantial numbers of tourist visitors to the store.
- The combination of UK and international customers differentiates Hamleys from other toy retailers and ensures a more balanced, year round business which is less dependent on trading in the Christmas period.
- The Regent Street store currently stocks a significantly larger range of toys, games and gifts for all ages than any other UK specialist toy retailer.
- Hamleys' customer and product mix enables the Company to achieve high margins.
- The Regent Street store provides a special retail environment. Seven floors of toys and games, approximately 40,000 product lines, substantial numbers of product demonstrators, specialist displays and concessions combine to create an atmosphere of activity, fun and entertainment.

Hamleys' new management team has developed a strategy for future growth, capitalising on the Company's strengths. Steps have already been taken to expand the Company's business beyond the Regent Street store.

Successful management team

Following a succession of ownership and management changes, a new management team (Howard Dyer and Stephen Woodbridge) has been in place since February 1991. Together with existing Hamleys management they have transformed the Company's performance and refocused Hamleys on its traditional strengths and attractions. Over this three year period, operating profits have increased from £980,000 to £3.6 million. This has been achieved through:

- Refurbishment of the Regent Street store to create additional sales area, enhance displays and improve both store layout and merchandising systems.
- Containment of the cost base against a background of increasing sales and the opening of new shops.
- A refined product range and strengthened relationships with major suppliers encouraging greater supplier participation in the store through demonstrations and displays.
- Better management and financial controls, resulting in substantial reductions in surplus stocks.



Selective and successful new initiatives have been taken to enable the Company to benefit from both the tourist trade and its established brand name.

- New shops were opened at Heathrow Terminal 4, in May 1991, and at Covent Garden, in November 1993. These shops are targetted to capitalise on the traveller and tourist markets.
- Since September 1992, Hamleys has supplied "Skyflyers" children's travel activity packs to British Airways.

Trading and operating performance

Set out below is a summary of Hamleys' trading record for the three years ended 29 January 1994, which has been extracted from the Accountants' Report, together with certain operating statistics for the Company.

	1992 £'000	1993 £'000	1994 £'000
Turnover	16,280	17,888	20,915
Operating profit	980	2,401	3,595
(Loss)/profit before tax	(846)	1,220	2,696
Net operating cashflow	1,985	2,828	4,556
Operating margin	6.0%	13.4%	17.2%
Turnover per sq. ft. of selling space (£)	371	402	445
Operating profit per sq.ft. of selling space (£)	22	54	76
Turnover per full-time equivalent employee (£'000)	85	98	108
Operating profit per full-time equivalent employee (£'000)	5.1	13.2	18.6
Selling space (000's sq. ft.)	43.9	44.5	47.0

Growth prospects

The Directors have developed a strategy for the future growth of the Group based on the successful Regent Street store and utilising the Company's internationally recognised brand name, tourist appeal and toy retailing expertise.

The Directors believe that there are opportunities for growth in the following areas:-

■ Regent Street

There is further scope to improve profits at the Regent Street store through refining the product mix, improving margins, product displays, stock management systems and converting more visitors into paying customers.

■ Tourists

Hamleys intends to build on its international reputation through additional shops in areas of high tourist activity (such as Covent Garden) or where there is travel-related business (such as Heathrow). Such additional shops are expected to provide profitable growth and less-seasonal sales patterns compared with other specialist toy retailers. This strategy has already resulted in the signing of an agreement for a new shop at the entrance to the Channel Tunnel.



■ Toy retailing skills

Hamleys intends to utilise its considerable experience and expertise in toy retailing to develop additional business without using the Hamleys name. Contracts have been signed recently for Hamleys to select and supply the range of products to be sold by the toy departments of 24 House of Fraser stores. Hamleys will also operate 18 of these departments on a full-time or seasonal basis. Further similar opportunities will be pursued.

■ Hamleys' brand name

The Directors believe that Hamleys' own-branded product range is presently under-developed and the Company is seeking to expand its range of own-branded toys, classic games and tourist souvenirs. This will further differentiate Hamleys from other toy retailers and may also lead in the medium term to the establishment, on a franchise or joint venture basis, of toy shops in major cities overseas and of a specialist mail order business.



Part II Information on Hamleys

1. Introduction and historical development

Hamleys is a unique, prestigious, internationally recognised and successful specialist retailer of toys, games and gifts. It is one of the oldest and best known toy retailers in the world and its flagship Regent Street store is one of the world's largest toy shops.

Hamleys' international reputation is enhanced by the patronage of famous personalities which also generates media interest and publicity for the Company. The Regent Street store is in one of London's leading tourist shopping destinations.

The Company is currently the holder of the Royal Warrant for toys and sports. It was originally granted a Royal Warrant by Queen Mary in 1932 and received a second Royal Warrant from Queen Elizabeth II in 1955.

The business dates back to 1760 when William Hamley opened a toy shop in Holborn, making Hamleys one of the longest established retailers in London. The store has been based in Regent Street for approximately 100 years, where it has acquired a reputation for being the largest and most comprehensive toy store in the UK. From 1976, the business was a non-core subsidiary of several large retail groups until its acquisition by a management buy-in team in May 1989. In February 1991, continued unsatisfactory performance led the then board to commission Howard Dyer and Stephen Woodbridge (who had previously held board and senior management positions, respectively, with Williams Holdings plc) to undertake a complete review of the Company's business.

The implementation of this review included the restructuring of the retailing and purchasing operations, improvements in the quality of management systems and reductions of staff numbers. The Company was successfully refinanced in January 1992, when its share capital was reorganised, raising approximately £3 million from existing shareholders. At the same time, Howard Dyer and Stephen Woodbridge were appointed Chief Executive and Operations Director, respectively, and each subscribed for shares in the Company. They have subsequently been appointed Chairman and Managing Director, respectively.

This new management team, in conjunction with Michael Riddy, who had been appointed Finance Director in October 1990, is committed to the development of Hamleys as an independent company. The Board has developed a revised business strategy to build on the success and growth of the Regent Street store, Hamleys' acknowledged toy retailing expertise and the international recognition of its brand name.

Hamleys' operating profits have grown from £980,000 for the year ended 31 January 1992 to £3.6 million for the year ended 29 January 1994. Its business has proved resilient in the face of an increasingly competitive toy retail market and recent recessionary pressures.

2. Hamleys' market

The UK toy retail market

The toy retail market in the UK is dominated by national specialist toy retailers, catalogue outlets and high street general retailers. The major retailers within these three categories are Toys "R" Us, Argos and Woolworths, respectively.



- Toys "R" Us is an international toy retail chain which operates warehouse-style, self-service outlets selling a wide range of toys and other children's merchandise.
- Argos' catalogues list a wide range of products, not solely focused on toys, in which Argos has a limited range.
- Woolworths is a general retailer and its high street chain has a limited range of toy products.

Whilst the overall toys and games market in the UK has grown significantly over recent years, to an estimated value of approximately £1.3 billion in 1992 (*Source: MINTEL*), this has been substantially due to sales of Sega and Nintendo computer games. These products are widely distributed and increasingly being sold through high street record and electrical retailers leading to increasing competitive price pressure.

Demographic trends to the year 2000 (as indicated by HM Government Statistics) indicate an increase in the number of children under the age of 15. Furthermore, there is expected to be an increase in the parent/grandparent population, who are significant spenders in the toy market. The Directors believe that these factors will benefit the UK toy market.

Hamleys' position in the UK toy market

Hamleys has successfully differentiated itself from national toy retailers and the Directors believe that Hamleys occupies a unique position in the UK toy market due to:

- Hamleys' reputation, history, the "Hamleys man" logo and packaging, which together attract considerable numbers of tourists
- its prestigious Regent Street site in the heart of London's West End
- the Regent Street store's special retail environment featuring active demonstrations, displays and "hands on" experience of toys, creating an atmosphere of fun and entertainment
- the Regent Street store's product range of approximately 40,000 lines, which is significantly larger than that of any other UK toy retailer and includes a wide range of specialist toys for collectors
- the Regent Street store's role as a showcase for new product launches
- the publicity and media interest deriving from Hamleys' experience and toy retailing expertise.

Hamleys is the pre-eminent provider of toys and games in London's West End. A Disney store opened on Regent Street in 1990 and Warner Bros. is proposing to open a shop adjacent to the Regent Street store later this year. The Directors believe that the presence of these stores will serve to attract more visitors to Regent Street, enhancing the sales potential at the Regent Street store. High profile London department stores, such as Harrods and Selfridges, offer an alternative shopping experience to Hamleys. However, such stores, with their diverse product ranges, offer a smaller range of toys and games than the Regent Street store.



Hamleys' customer base is wider than that of other specialist toy retailers as a result of its internationally renowned name, extensive product range and the Regent Street store's location in a major London tourist shopping destination. In addition to the London market, Hamleys' customer base extends to overseas visitors, UK residents visiting London and toy collectors.

The tourist trade contributes significantly to the Regent Street store's sales and is an important factor in reducing the seasonality of the store's turnover, promoting international awareness of the Hamleys brand name and enabling the achievement of high margins on certain products. In 1992, the latest year for which *MINTEL* figures are available, the proportion of Hamleys' turnover generated in the fourth quarter of the year was 42 per cent. compared with 55 per cent. for specialist toy retailers in general.

3. Management team initiatives

The current management team, led by Howard Dyer and Stephen Woodbridge, together with Michael Riddly, has substantially improved controls, revised operating practices and arranged a refinancing of the Company. A number of key actions have been taken:

- A refurbishment of the Regent Street store, which took 12 months, was completed in June 1993. The refurbishment improved both customer circulation through the store and the accessibility of products through better lighting, flooring, signage and location of tills. As part of the refurbishment, 2,400 sq. ft. of trading space was created on the fifth floor by relocating the Company's administrative functions. Hamleys' expenditure on the refurbishment was £1.3 million; the refurbishment of the lower ground floor was carried out by the lower ground floor concessionaires.
- A series of retail improvements have been made, with an emphasis on detail and retailing discipline. Merchandise has been re-organised by brand and relocated to maximise sales potential. Improved stock control and the introduction of a new, electronic surveillance system have reduced stock losses.
- Surplus stock was reduced by approximately £1.9 million during the year ended 31 January 1992 (allowing the Company to surrender 40,000 sq. ft. of temporary warehouse space).
- Warehouse operating procedures have been subjected to greater control and transport utilisation has been improved.
- The cost base has been contained against a background of increasing sales and the opening of new shops. Staff costs as a percentage of sales have fallen from 17 to 14 per cent. over the past three financial years. Over the same period, other operating costs as a percentage of sales have fallen from 23 to 20 per cent.
- Relationships with a number of important suppliers have been strengthened, resulting in additional supplier-provided displays and demonstrations and the creation of dedicated areas including the World of Barbie centre and the LEGO/Duplo centre.

In addition to these measures, the Directors have undertaken initiatives to expand the Company's business and capitalise on its brand name. Additional shops have been opened at Heathrow Terminal 4 and Covent Garden. The Company entered into these projects on the basis of limited financial exposure and they have operated profitably. In addition, based on the same commercial criteria, a contract was entered into with British Airways for the supply of children's "Skyflyers" travel activity packs.



4. Business description

Regent Street

Hamleys' core operation comprises the Regent Street store, which consists of approximately 45,000 sq.ft. of retail space spread over seven floors. The store moved to its current site at 188-196 Regent Street in 1981, when a 99-year lease was acquired from the Crown Estates Commissioners.

The Directors believe that the Regent Street store has one of the widest ranges of children's toys, games and gifts available anywhere under one roof and the store currently stocks approximately 40,000 product lines with a focus on Hamleys' traditional strengths in toys and games. Products stocked range from popular high-profile branded goods, soft toys, dolls, models, board games and die-cast products to specialised collectors' items and gifts.

Store Layout

<i>Fifth Floor</i>	Customer Services, Sega/Nintendo, Carnival and Party Time, Bargain Attic and Fireworks. (<i>Destination shoppers</i>)
<i>Fourth Floor</i>	Board Games, Classic Games, Jigsaws and Outdoor Sports. (<i>Games for all ages</i>)
<i>Third Floor</i>	Dolls, Girls Concepts, Boys Concepts and Battery Operated. (<i>Fashion toys for the older child</i>)
<i>Second Floor</i>	Nursery, Pre-School, Dressing Up, Books, Arts & Crafts. (<i>Educational and activity toys for younger children</i>)
<i>First Floor</i>	Radio Control, Trains, Executive Games, Die-cast, Soldiers, Model Kits and LEGO. (<i>Activity toys and collectors' items</i>)
<i>Ground Floor</i>	Soft Toys, Gifts, Tourist and Promotional. (<i>Impulse buys for casual and tourist shoppers</i>)
<i>Lower Ground Floor</i>	Hamleys Family Entertainment Centre and Hamleys Café.

Store layout has been developed by the Company to maximise the sales potential of the product range. Each floor is stocked with a range of products aimed at a specific sector of the market. Soft toys and products aimed at tourists which are most likely to be purchased on impulse are sold on the ground floor while products which consumers will seek out, such as computer games, are on the higher floors.

In particular, the reorganisation of the lower ground floor area has enabled Hamleys to generate additional income. This area is occupied by the Hamleys Family Entertainment Centre, established in September 1992 as an initial three year concession with Sega, consisting of "pay as you play" machines, and Hamleys Café, a themed restaurant concession granted in 1992 for ten years.

Further concessions operate in specialist product areas adding to the breadth of product range. These concessions occupy an aggregate floor area of approximately 2,300 sq. ft. and Hamleys receives a commission based on their sales. The stock is owned by the concessionaires who provide the staffing for all concessions other than the Hamleys Family Entertainment Centre, which is staffed by the Company.

In order to maximise the space at the Regent Street store available for retail sales, all backup stock is held at the Company's warehouse in Saffron Walden, Essex. Efficient delivery and stock replenishment systems have been developed and linked to the Regent Street store's EPOS tills system. This ensures that the store has a constant supply of fast-moving lines.



The Regent Street store is renowned for its in-store displays and award-winning windows which provide a valuable means of sales promotion and add to the store's special retail environment. The Christmas window displays generate significant media attention and publicity for Hamleys, as well as attracting sizeable crowds and potential customers.

Close relationships with many of the world's leading toy suppliers are an important feature of Hamleys' business. A number of Hamleys' suppliers provide displays and, on occasion, product ranges exclusive in the UK to Hamleys. Many of these suppliers provide demonstrators, numbering up to 75 at Christmas. These factors all combine to enhance the special atmosphere of the Regent Street store.

Due to Hamleys' international reputation and profile, the Regent Street store provides suppliers with a showcase for product launches in the UK. In the last two years, 12 products have been launched at the store, including the Sonic 2 and Sonic 3 computer games. Product launches enhance Hamleys' reputation and provide the Regent Street store with free publicity.

In anticipation of the proposed changes in Sunday trading legislation, the Regent Street store currently opens seven days a week.

Airport terminals

Following a successful initial trial, Hamleys leased retail premises at Heathrow Terminal 4 in 1992. This "airside" shop has a selling area of 650 sq. ft. with rental payments based on a percentage of turnover, subject to a guaranteed minimum figure. The shop operates profitably and offers tax free sales of selected collectables and gift items specifically targeted at the Terminal 4 customer base.

As part of a scheme aimed at developing "airside" retailing at Gatwick's North Terminal, Hamleys took a two year lease there in 1992. Gatwick has a different passenger profile to Heathrow and this shop, although profitable, had, in the Directors' opinion, limited scope for growth. The lease was not renewed on its expiry in February 1994.

Covent Garden

In November 1993, Hamleys opened a 1,500 sq. ft. shop on two floors in Covent Garden, one of the most popular tourist destinations in London. This shop is expected to benefit, like Regent Street, from lower seasonal sales fluctuations than are usual in the toy retailing market. To date, trading has been profitable and in line with management's expectations.

Children's travel packs

In September 1992, Hamleys entered into an agreement to supply British Airways with children's "Skyflyers" packs for an initial period to 30 May 1995. These packs, branded with the British Airways and Hamleys names, contain a selection of toys, such as crayons, colouring books and puzzles appropriate to keep children amused on long-haul flights. "Skyflyers" packs were initially only available on long-haul flights and Hamleys now also supplies smaller packs for use on short-haul flights. This initiative represents a further profitable addition to Hamleys' business.

Buying and sourcing

Over recent years toy supply has become concentrated in the hands of a few major companies. These major suppliers generally have their own manufacturing capability in, or are themselves supplied from, the Far East. Hamleys purchases its products from the UK divisions of these major companies as well as from many smaller manufacturers and distributors. The major US suppliers to Hamleys include Hasbro Bradley, Mattel and Tyco



Matchbox, whilst Japanese suppliers include Tomy, Sega and Nintendo. Major UK suppliers to Hamleys include Britains Petite, Hornby, Adam Leisure and Bluebird Toys. In addition, several continental suppliers such as LEGO, Steiff and Playmobil supply products to the Company.

Hamleys does not rely significantly on any one supplier. The largest supplier accounts for less than five per cent. of Hamleys' total purchases and the top 15 suppliers only account for 36 per cent. In total there are around 300 regular suppliers, many of whom have been selling to Hamleys for a number of years. Hamleys is constantly looking for new and unusual products in toys and gifts to keep the product range fresh and to enhance margins. The Company does not rely solely on its existing suppliers to develop these products but regularly attends toy fairs around the world to seek new ideas, products and suppliers.

In March 1994, the European Commission imposed import quotas on a range of products including three categories of toys originating from the Peoples Republic of China. These quotas restrict European imports of such toys and have been fixed for 1994, on an annual basis, at a level equal to approximately 80 per cent. of such imports in 1992. The Company and its suppliers are unable to assess fully how these restrictions are to be applied, although the Directors believe that the Company's performance will not be materially prejudiced.

Systems

Hamleys has two separate stand alone computing systems; its merchandising system is linked to an IBM EPOS tills system for stock control and purchasing decisions and a distributed personal computer based accounting system is used to maintain purchase, sales and nominal ledgers. Sales are recorded by item at the tills. These are linked to the merchandising system which maintains stock and buying data by item and location. Daily information is therefore available for buying and stock replenishment decisions.

Warehousing

Hamleys has a 53,000 sq. ft warehouse facility, in Saffron Walden, Essex which services all Hamleys' outlets. Deliveries to the Regent Street store range from five per week to over 20 per week during the peak Christmas period.



5. Financial review

Trading record

The summarised profit and loss accounts set out below have been extracted from the Accountants' Report. The operating data have been derived from a combination of information contained in the Accountants' Report and the Company's records.

Summarised Profit and Loss Accounts

Year end January	1992	1993	1994
	£'000	£'000	£'000
Turnover	16,280	17,888	20,915
Gross profit	7,965	9,136	10,683
Net operating expenses	(6,985)	(6,735)	(7,088)
Operating profit	980	2,401	3,595
Interest payable and similar charges	(1,826)	(1,181)	(899)
(Loss)/profit before tax	(846)	1,220	2,696
Taxation	—	(530)	(837)
(Loss)/profit after tax	(846)	690	1,859
Gross margin	48.9%	51.1%	51.1%
Operating margin ^(note)	6.0%	13.4%	17.2%
(Loss)/earnings per ordinary share	(5.9)p	4.4p	11.8p
(Loss)/earnings per ordinary share (before exceptional items) ^(note)	(2.9)p	4.4p	11.5p
Funds from operations (£'000)	1,985	2,828	4,556
Operating cashflow per share	13.9p	18.0p	28.8p

Note

Net operating expenses included exceptional charges of £427,000 in 1992 relating to the refinancing review and cost of the refinancing and a net exceptional credit of £34,000 in 1994 relating to the revaluation of the long leasehold property and the release of a dilapidations provision. Operating margin before exceptional items would have been 8.6 per cent. for the year ended 31 January 1992 and 17.0 per cent. for the year ended 29 January 1994.

<i>Operating data</i>	1992	1993	1994
Selling space (000's sq. ft.)	43.9	44.5	47.0
Turnover per sq. ft. of selling space (£)	371	402	445
Operating profit per sq. ft. of selling space (£)	22	54	76
Turnover per full-time equivalent employee (£'000)	85	98	108
Operating profit per full-time equivalent employee (£'000)	5.1	13.2	18.6

Turnover growth

Despite recessionary pressures in the three years ended 29 January 1994, Hamleys' turnover has increased from £16.3 million to £20.9 million. The results for the year ended 29 January 1994 reflect significant growth in sales at the Regent Street store which includes the effect of an increase in the number of Sundays traded, a full twelve month contribution from the British Airways "Skyflyers" contract and the Hamleys Family Entertainment Centre and a small first time contribution from the Covent Garden store.



High gross margins

Gross margins have been maintained at a high level during a period of turnover growth. This reflects management's focus on achieving an appropriate pricing structure and product mix.

Improved operating margins

Operating margins increased from 7.1 per cent. for the year ended 31 January 1992 (excluding directors' termination payments of £170,000) to 17.0 per cent. for the year ended 29 January 1994 (before net exceptional credit of £34,000).

The operating cost base as a percentage of turnover has been reduced. Over the three year period to 29 January 1994, whilst turnover has increased by 28.5 per cent., the increase in net operating expenses (excluding directors' termination payments) has been restricted to 4.0 per cent. Expenses (excluding directors' termination payments) have, accordingly, decreased as a percentage of sales from 41.9 per cent. to 33.9 per cent.

Hamleys has high operational gearing, as demonstrated by the 50 per cent. increase in operating profits for the year ended 29 January 1994 over the year ended 31 January 1993 compared with a 17 per cent. increase in sales over the same period.

Strong operating cashflow

Hamleys' business is highly cash generative and has produced funds from operations of approximately £9.4 million over the last three financial years. Significant emphasis has been placed on reducing the overall level of investment in stock, which was reduced by approximately £1.9 million during the year ended 31 January 1992. This reduction has been achieved whilst maintaining the number of lines stocked, on which Hamleys places great importance.

Pro forma profit statement and pro forma earnings per share

The *pro forma* consolidated profit statement for the year ended 29 January 1994 and the assumptions on which it is based are set out in full in Part V of this document. Profits and earnings per share for that year have been adjusted as if (i) the net proceeds due to the Company from the Placing and Offer had been received on 1 February 1993 and had been applied in accordance with the section entitled "Reasons for the Placing and Offer and use of proceeds" below and (ii) the capital structure which will be in place following Listing had been in place from 1 February 1993.

The following is an extract from the *pro forma* consolidated profit statement of the Group set out in Part V of this document.

<i>Year ended 29 January 1994</i>	<i>Per Accountants'</i>	
	<i>Report</i>	<i>Pro forma</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	3,595	3,595
Net interest payable	(899)	(131)
Profit on ordinary activities before taxation	2,696	3,464
Taxation	(837)	(1,090)
Profit on ordinary activities after taxation	1,859	2,374
Earnings per ordinary share	11.8p	10.4p



Current trading

The current financial year has started well, with sales ahead of both budget and the same period in 1993. The Directors are confident that Hamleys will continue to reap the benefits of the improvements made to the Regent Street store and that there will be an increasing contribution from the initiatives undertaken to expand Hamleys' activities.

6. Growth prospects

The Directors intend to continue to develop Hamleys as an independent specialist toy retailer whilst building on the Company's brand name and further exploiting its toy retailing skills. New stores, based around the tourist and travel markets, may be opened in carefully selected locations. In addition, the Company's specialist toy retailing skills will be used to operate toy departments for other retailers, although the Company has decided that these concessions will not use the Hamleys name. The Company also intends to investigate suitable opportunities for growth by acquisition.

Regent Street

Profits at the Regent Street store have improved significantly over the last three financial years, but the Directors believe that further improvements may be achieved by:

- Refining the product mix by, for example, expanding the store's gift and tourist range to meet the identified customer demand for these products.
- Improving margins by sourcing direct from the country of origin.
- Continuing improvement of the display of products by, for instance, the provision of additional display cabinets for die-cast models.
- Developing further improved stock management systems in order to ensure a constant supply of products on the shelves.
- Converting more visitors into paying customers by increasing the number and improving the profile of the active product demonstrations within the store.

In addition, the Directors believe that the number of people visiting the Regent Street store will increase due to forecast growth in consumer spending (*Source: MINTEL*) and the number of international visitors to the UK, which the British Tourist Authority and English Tourist Board forecast to grow steadily up to 1997.

Given Hamleys' high level of operational gearing, these further developments should improve profitability.

Tourists

Passenger volume through London's main airports (Heathrow, Gatwick and Stansted) is expected to grow by more than one-third in the period from 1992 to the turn of the century. The Directors believe that this will increase the profitability of the Hamleys shop at Heathrow Terminal 4. The Directors are seeking further opportunities to continue expansion into other airport terminals and areas of high tourist activity over the medium term.

The Company has signed an agreement for a lease on a new 660 sq. ft. shop at the entrance to the Channel Tunnel. The shop, which will be one of a limited number of retail outlets at this location, will open when the tunnel itself opens to the public.

Toy retailing skills

In March 1994, Hamleys agreed with House of Fraser (Stores) Limited to select and supply the range of products to be sold by the toy departments of 24 House of Fraser stores. Hamleys will, under a different name, operate 18 of these departments, the majority of



which will only be open for business during the Christmas trading period (October to January). The Group has thus achieved an entry into the high street which will enable Hamleys' management to capitalise on its toy retailing skills and further strengthen its supplier relationships. Working capital required in operating the House of Fraser toy departments will be funded from existing cashflow.

The Directors intend to seek further similar opportunities.

Hamleys' brand name

Hamleys will capitalise on its brand name through extending the range of toys sold under the Hamleys name.

The Directors believe that Hamleys' own-branded product range is presently under-developed, accounting for less than three per cent. of the Regent Street store's sales and that this can be improved over the medium term. The Company is currently evaluating opportunities to expand its range of own-branded toys, classic games and tourist souvenirs which will further differentiate Hamleys from other toy retailers. This may lead, in the medium term, to additional business opportunities which might include the establishment, on a franchise or joint venture basis, of toy shops in major cities overseas and of a specialist mail order business.

7. Directors, management and employees

Directors

The Board comprises three executive directors and three non-executive directors. Brief biographies of the Directors are set out below. None of the directors is aware of any potential conflicts of interest in view of their other directorships or other interests.

Howard Dyer *Chairman* (aged 44) held a number of management positions within the British Alcan Group until 1986 when he left to join Williams Holdings plc. Having established that group's North American activities, he became a director of Williams Holdings plc in 1988, with responsibility for those operations. During his time at Williams Holdings plc, turnover of that group's North American activities grew substantially.

Subsequently, he returned to the UK to act as a consultant for Citibank, evaluating management buy-ins. He began acting for Hamleys in an advisory capacity in February 1991, becoming Chief Executive in January 1992 and Chairman in March 1994. Since June 1993, he has also been Chairman and Chief Executive of Ascot Holdings plc.

Stephen Woodbridge *Managing Director* (aged 52) held a number of management positions within the British Alcan Group before joining Howard Dyer at Williams Holdings plc in 1986, where they worked together to establish North American operations. He subsequently became responsible for Special Assignments in North America. In February 1991 he became a consultant to Hamleys before being appointed as Operations Director in January 1992, with responsibility for the management of the buying and merchandising departments, warehousing, stock control and data processing. Following the appointment of Howard Dyer at Ascot Holdings plc, Stephen Woodbridge became responsible for the day to day management of Hamleys, and was appointed Managing Director in March 1994.

Michael Riddy *Finance Director* (aged 37) trained with Coopers & Lybrand and qualified as a Chartered Accountant in 1983. He then had six years retailing experience with BAT Stores Limited and The Burton Group plc, where he was Financial Controller of the Principles division. Prior to joining Hamleys in October 1990, Michael Riddy was Business Planning Manager for the European division of Hertz Inc.



Rupert Hambro *Non-executive* (aged 50) joined Hambros Bank Limited in 1964 and became a Director of the bank in 1969, Deputy Chairman in 1980 and Chairman in 1983. In 1986, he left Hambros Bank Limited to form J O Hambro & Company Limited. This company has interests in corporate finance, private client investment management and institutional fund management. He joined the board of Hamleys in May 1989 and was non-executive Chairman until March 1994. He holds a number of other directorships.

Donald Mackenzie *Non-executive* (aged 37) is an executive director of CVC Capital Partners Limited. He joined the Hamleys board in May 1989 as an alternate director, becoming a full member of the board in January 1992 and holds five other non-executive directorships.

Jim Hodgkinson *Non-executive* (aged 50) has 31 years retailing experience. He started his career at F.W. Woolworth Limited in 1962 and joined B&Q plc in 1972 as a store manager, becoming Operations Director in 1979 and Group Managing Director in 1986. He is currently director of international development at Kingfisher plc and is also Chairman of Upton & Southern Holdings plc. He joined the Hamleys board in April 1994.

Company Secretary

Ladan Hall (aged 29) graduated from Kings College, London in 1986 and qualified as a Chartered Accountant with Coopers & Lybrand in 1990. Prior to joining Hamleys in October 1993, Ladan Hall was on secondment with Coopers & Lybrand in Dubai.

Management

Hamleys has a well qualified and experienced management team which runs the separate functions of the Group on a day to day basis. The senior managers of the Group are as follows:

David Pearson *Department Stores Concessions Manager* (aged 38) has 20 years experience gained with a number of major retailers, namely J. Sainsbury plc, Marks and Spencer plc, The Burton Group plc, The Rack plc and Virgin Retail Group Limited. David Pearson joined Hamleys in 1992.

Gavin Brewer *Store Manager* (aged 40) gained a Diploma in Retail Management and Buying, and joined Hamleys in 1974. He has since risen through the store management side of the business to occupy his current position as Regent Street store manager.

Audrey Barnes *Senior Buyer* (aged 43) has been with Hamleys since 1970. She has over twenty years experience in the Buying Department and was promoted to Senior Buyer in 1989.

Cynthia Fulks *Personnel Manager* (aged 40) joined Hamleys in October 1986, after having worked for the Debenhams Department Store Division of The Burton Group plc for five years.

Peter Skinner *Marketing Manager* (aged 36) graduated from Liverpool University and joined The Boots Company plc as a Brand Manager. Following five years with that company, he moved to Kingswood Chemists Limited as Marketing Controller for five years. Peter Skinner was appointed Hamleys' Marketing Manager in July 1991.

Alan Kearns *Merchandising Manager* (aged 30) joined Hamleys in 1987 after studying at North East London Polytechnic. In 1988, he was promoted to the position of Sales Floor Manager and subsequently to Merchandising Manager. From February 1994, his role has been expanded to include responsibility for Hamleys' warehouse.



Brian Joseph Business Development Manager (aged 35) joined Hamleys in March 1994 and has a Business Studies degree from Oxford Polytechnic. He has twelve years experience with Digital Equipment Limited, latterly with responsibility for European business planning and financial and marketing analysis.

Lin Warwick Display Manager (aged 34) obtained a British Display Society Diploma before joining the display department of D H Evans in 1977. Lin Warwick joined Hamleys as Display Manager in 1987 and has won a number of awards for the Hamleys window displays, most recently for the 1993 Christmas windows.

Employees

A summary analysis of average staff numbers (including part-time staff) and aggregate payroll costs for each of the last four years is as follows:

<i>Year end January</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>
Full-time equivalent employees				
: Regent Street	146	128	119	131
: Head office and administration	36	34	30	27
: Other	14	29	33	35
	<u>196</u>	<u>191</u>	<u>182</u>	<u>193</u>
Aggregate payroll costs (£'000)	2,720	2,817	2,968	2,967

The Company benefits from having a young and enthusiastic sales team complemented by a significant number of experienced employees. Three of the four buyers have an aggregate of 50 years experience with Hamleys.

Hamleys Floor Managers have, on average, over six years of retail experience gained in a number of major high street stores including W.H. Smith, Habitat, Next, and the Disney Store.

The Company employs part-time staff for weekends and temporary staff to meet seasonal requirements. In addition, there are a number of full-time in-store demonstrators, who are at least part-funded by suppliers or concessionaires.

A sales-related bonus is paid to Hamleys' sales staff based upon performance against internal monthly targets. At Regent Street, these targets are set by sales floor. An annual profit-related bonus is paid to senior management (other than Directors) based upon internal budgets set with reference to overall Hamleys' targets.

Concession staff are usually employees of the particular concession, and no charge is made to the Company for these staff. The only concession staffed by Hamleys is the Family Entertainment Centre.

Pension Scheme

From 1989 until April 1992, the Company operated a defined benefit pension scheme. Since April 1992 the Company has made contributions to qualifying employees' personal pension schemes.

Corporate Governance

The Company complies, and intends to continue to comply, with the recommendations set out in the Cadbury report on Corporate Governance. In particular, Remuneration and Audit Committees, which comprise the non-executive directors, have recently been established as committees of the Board with formally delegated duties and responsibilities. The Audit Committee is responsible for ensuring that the financial performance of the Company is properly measured, controlled and reported. The Remuneration Committee is responsible for setting the remuneration of Directors.



8. Dividends

For the year ended 29 January 1994, no dividend has been declared or paid.

The ordinary shares which are the subject of the Placing and Offer will rank in full for all dividends or other distributions declared, made or paid in respect of the ordinary share capital of the Company after Listing. If the ordinary shares had been listed on the London Stock Exchange for the whole of the year ended 29 January 1994 and the proceeds had been applied as set out in Section 9 below and the Company had reported *pro forma* earnings per ordinary share of 10.4p as set out in Part V of this document, the Directors consider that they would have recommended a net dividend of 4.7p per ordinary share. This dividend would represent a gross yield of 3.2 per cent. at the Offer Price and be covered approximately 2.2 times by *pro forma* earnings per ordinary share.

Following Listing, it is the Directors' intention to pay in respect of each financial year an interim dividend in December and a final dividend in June of the following financial year, in the proportions of approximately one third and two thirds respectively. The Directors intend to follow a progressive but prudent dividend policy, whilst maintaining the Group's dividend cover at a conservative level.

The Directors intend that the first interim dividend will be payable in December 1994 as if the Company had been listed throughout the six month period (February 1994 to July 1994) to which that interim dividend will relate.

9. Reasons for the Placing and Offer and use of proceeds

At the time of the refinancing in January 1992, it was envisaged that the Company would seek a listing on the London Stock Exchange.

The Directors believe that Hamleys has reached a stage in its development where a listing for the Company's shares is appropriate. Listing will enable Hamleys to pay down all the Company's existing debt, provide it with a platform from which to expand, and widen the shareholder base.

The Placing and Offer will raise approximately £12.0 million (net of expenses) for the Company. This will be used to repay the remaining bank and other debt assumed at the time of the refinancing.



Part III The Placing and Offer

The Placing and Offer comprises 10,337,463 ordinary shares, valued at £19.1 million at the Offer Price, of which 7,027,028 are new ordinary shares being issued by the Company to raise approximately £12.0 million (after expenses) and 3,310,435 are ordinary shares being sold by existing shareholders.

Of the ordinary shares which are the subject of the Placing and Offer, 6,719,351 ordinary shares are being placed firm with institutional and other investors and 3,618,112 ordinary shares are being offered to Preferential Applicants and to Intermediaries on behalf of their clients. The ordinary shares being offered to Preferential Applicants and Intermediaries are also being conditionally placed by Cazenove & Co. with institutional and other investors, subject to recall to satisfy valid applications by Preferential Applicants and by Intermediaries under the Intermediaries Offer.

Arrangements have been made whereby 361,811 ordinary shares (representing ten per cent. of the shares to be offered to Intermediaries) are being made available to meet applications from Preferential Applicants.

Certain institutional shareholders and the Directors (and persons connected with them) are together selling 3,310,435 ordinary shares in the Placing and Offer, representing 14.5 per cent. of the Company's enlarged issued ordinary share capital on Listing. Following the Placing and Offer, the interests of the Directors (and persons connected with them) will amount, in aggregate, to 10.3 per cent. of the issued ordinary share capital of the Company and existing institutional shareholders will own 44.6 per cent. of the issued ordinary share capital of the Company.

The Placing and Offer have been fully underwritten by Cazenove & Co. at the Offer Price.

Further copies of these listing particulars can be obtained from:

J O Hambro Magan &
Company Limited
32 Queen Anne's Gate
London SW1H 9AB

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

Hantleys plc
188-196 Regent Street
London W1R 6BT

An application under the Intermediaries Offer must be made on an Intermediaries Offer application form provided by Cazenove & Co. and must be sent or delivered to Cazenove & Co. at the address set out above so as to arrive, together with cleared funds for the full amount payable, not later than 12 noon on Wednesday, 4 May 1994 (or such later time as Cazenove & Co. may decide). Further terms and conditions of the Intermediaries Offer are set out in the Intermediaries Offer application form.

Members of the public or institutions who wish to apply for ordinary shares in the Intermediaries Offer must do so through Intermediaries.



Part IV Accountants' Report

The following is the full text of a report on the Hamleys Group by Pannell Kerr Forster, Chartered Accountants:



**PANNELL
KERR
FORSTER**
CHARTERED ACCOUNTANTS

Wilmot House
St. James's Court
Friar Gate
Derby DE1 1BT

The Directors
Hamleys plc
188-196 Regent Street
London W1R 6BT

The Directors
J O Hambro Magan & Company Limited
32 Queen Anne's Gate
London SW1H 9AB

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

26 April 1994

Dear Sirs

HAMLEYS PLC

We report in connection with the listing on the London Stock Exchange of 22,841,028 ordinary shares in Hamleys plc, formerly Hamleys of London Limited, ("the Company") referred to in the listing particulars dated 26 April 1994 ("the Listing Particulars").

The consolidated financial information set out in this report is based upon the audited consolidated accounts of the Company and its subsidiaries, Hamleys of London Limited, formerly Hamleys Limited, and Hamleys Trustees Limited, (together referred to as "Hamleys" or "the Group"), for the years ended 31 January 1992, 31 January 1993 and 29 January 1994 after making such adjustments as we consider necessary.

We have examined the audited consolidated accounts of Hamleys for each of the three years stated above for which we were the auditors and for which unqualified audit opinions were given. Our examination has been carried out in accordance with the Auditing Guidelines: Prospectuses and the reporting accountant. No audited accounts of the Company or any of its subsidiaries have been made up in respect of any period subsequent to 29 January 1994.

In our opinion, the consolidated financial information gives, for the purposes of the Listing Particulars, a true and fair view of the results and cash flows and of the state of affairs of Hamleys for the periods and as at the dates stated.



1. Accounting policies

The principal accounting policies adopted in the preparation of the financial information set out in this report are as follows:

(a) *Accounting convention*

The consolidated financial information has been prepared in accordance with applicable accounting standards and under the historical cost convention modified, for the year ended 29 January 1994, to include long leasehold property at revalued amounts.

(b) *Basis of consolidation*

The consolidated financial information incorporates the financial statements of the Company and its subsidiaries made up to the end of each accounting period.

(c) *Goodwill*

Goodwill arising on the acquisition of subsidiaries is transferred to reserves in the year of acquisition. There have been no acquisitions or disposals during the three years ended 29 January 1994.

(d) *Turnover*

Turnover comprises sales of merchandise to third parties and income from concessionaires, both excluding value added tax.

(e) *Tangible fixed assets*

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Long leasehold property	2% per annum
Leased assets	Over the term of the lease
Computer equipment	20% per annum
Fixtures and fittings	15% per annum

(f) *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost represents purchase price and applicable freight costs.

(g) *Deferred taxation*

Deferred taxation is provided at the anticipated rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the consolidated accounts to the extent that it is probable that a liability or asset will crystallise in the future.

(h) *Pension costs*

The Group contributes to individual personal pension plans for certain of its employees. Contributions are charged to the profit and loss account as they become payable.

(i) *Leases*

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

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



2. Consolidated profit and loss accounts

The consolidated profit and loss accounts of the Group for the years ended 31 January 1992, 31 January 1993 and 29 January 1994, which represent solely continuing activities, are set out below:

	Notes	1992 £'000	1993 £'000	1994 £'000
Turnover	6.1	16,280	17,888	20,915
Cost of Sales		<u>(8,315)</u>	<u>(8,752)</u>	<u>(10,232)</u>
Gross Profit		7,965	9,136	10,683
Distribution costs		<u>(5,236)</u>	<u>(5,405)</u>	<u>(5,792)</u>
Administration expenses (after exceptional items of: 1992 £427,000 charge; 1994 £34,000 credit)		<u>(1,749)</u>	<u>(1,330)</u>	<u>(1,296)</u>
Operating profit	6.2	980	2,401	3,595
Interest payable and similar charges	6.3	<u>(1,826)</u>	<u>(1,181)</u>	<u>(599)</u>
(Loss)/profit on ordinary activities before taxation	6.1	(846)	1,220	2,696
Taxation	6.5	<u>—</u>	<u>(530)</u>	<u>(837)</u>
(Loss)/profit for the year		<u>(846)</u>	<u>690</u>	<u>1,859</u>
(Loss)/profit per ordinary share	6.6	<u>(5.9)p</u>	<u>4.4p</u>	<u>11.8p</u>
(Loss)/profit per ordinary share before exceptional items	6.6	<u>(2.9)p</u>	<u>4.4p</u>	<u>11.5p</u>

The movements in reserves are given in note 6.15

The reported results for the years above are not materially different from the results on an unmodified historical cost basis.

There are no recognised gains and losses other than those reported above.



3. Consolidated balance sheets

The consolidated balance sheets of the Group at 31 January 1992, 31 January 1993 and 29 January 1994 are set out below:

	Notes	1992 £'000	1993 £'000	1994 £'000
Fixed assets				
Tangible assets	6.7	1,801	2,177	2,280
Current assets				
Stocks	6.8	1,811	1,712	1,923
Debtors	6.9	450	733	774
Cash at bank and in hand		38	399	2,780
		<u>2,299</u>	<u>2,844</u>	<u>5,477</u>
Creditors: amounts falling due within one year	6.10	(3,440)	(3,290)	(4,193)
		<u>(1,141)</u>	<u>(446)</u>	<u>1,284</u>
Net current (liabilities)/assets		660	1,731	3,564
Total assets less current liabilities				
Creditors: amounts falling due after more than one year	6.11	(13,159)	(13,318)	(13,771)
Provision for liabilities and charges	6.12	-	(139)	(160)
Deferred taxation	6.13	(750)	(830)	(330)
Other provisions		<u>(13,249)</u>	<u>(12,556)</u>	<u>(10,697)</u>
Net liabilities				
Capital and reserves	6.14	432	432	432
Called up share capital	6.15	6,125	6,128	6,128
Share premium account	6.15	(749)	(59)	1,800
Profit and loss account		<u>5,808</u>	<u>6,501</u>	<u>8,360</u>
	6.15	<u>(19,057)</u>	<u>(19,057)</u>	<u>(19,057)</u>
Goodwill reserve		<u>(13,249)</u>	<u>(12,556)</u>	<u>(10,697)</u>
Shareholders' funds				



4. Consolidated cash flow statements

The consolidated cash flow statements of the Group for the years ended 31 January 1992, 31 January 1993 and 29 January 1994 are set out below:

	<i>Notes</i>	<i>1992</i> <i>£'000</i>	<i>1993</i> <i>£'000</i>	<i>1994</i> <i>£'000</i>
Net cash flow from operating activities	6.16	1,985	2,828	4,556
Servicing of finance				
Interest paid		(1,707)	(586)	(466)
Interest element of finance lease rentals		(27)	(14)	(4)
Net cash outflow from servicing of finance		(1,734)	(600)	(470)
Taxation paid		-	-	(330)
Investing activities				
Purchase of tangible fixed assets		(122)	(714)	(1,010)
Sale of tangible fixed assets		-	-	2
Net cash outflow from investing activities		(122)	(714)	(1,008)
Net cash inflow before financing		129	1,514	2,748
Financing				
Issue of ordinary shares		62	3	-
Issue of Deep Discount Unsecured Loan Stock 1998		3,017	-	-
Repayment of superior bank loan		(3,050)	-	(250)
Share issue costs		(507)	-	-
Principal repayments under finance leases		(63)	(76)	(81)
Net cash outflow from financing	6.17	(541)	(73)	(331)
(Decrease)/increase in cash and cash equivalents	6.18	(412)	1,441	2,417

5. Reconciliations of movements in shareholders' funds

The summarised reconciliations of movements in shareholders' funds for the years ended 31 January 1992, 31 January 1993 and 29 January 1994 are set out below:

	<i>1992</i> <i>£'000</i>	<i>1993</i> <i>£'000</i>	<i>1994</i> <i>£'000</i>
Shareholders' funds at the beginning of the year	(11,958)	(13,249)	(12,556)
Share capital issued	62	3	-
Share issue costs	(507)	-	-
Retained (loss)/profit for year	(846)	690	1,859
Shareholders' funds at the end of the year	(13,249)	(12,556)	(10,697)



6. Notes to the consolidated financial information

6.1 Turnover and profit

The Group's turnover and profit before taxation are attributable to the retailing of toys and games. The Group has no significant sales or operating activities outside the United Kingdom.

6.2 Operating profit

Operating profit is after charging:

	1992 £'000	1993 £'000	1994 £'000
Auditors' remuneration:			
– audit services	34	32	38
– non audit services	7	19	9
Depreciation:			
– own assets	166	222	364
– assets held under finance leases	63	116	64
Rentals under operating leases:			
– hire of plant and machinery	69	46	41
– other operating leases	1,308	1,256	1,294
Renewal and re-assignment of trade marks	–	5	45
Exceptional items:			
– costs incurred in the refinancing of the Group (including ex gratia payments to former directors of £170,000)	427	–	–
– net credit in connection with revaluation of long leasehold property (note 6.7) and release of dilapidations provision (note 6.13)	–	–	(34)

6.3 Interest payable and similar charges

	1992 £'000	1993 £'000	1994 £'000
Interest on bank overdrafts and other loans wholly repayable within 5 years	172	400	317
Interest on bank and other loans	1,627	767	578
Finance charges – finance leases	27	14	4
	<u>1,826</u>	<u>1,181</u>	<u>899</u>



6.4 Information regarding directors and employees

Directors' emoluments comprised:

	1992 £'000	1993 £'000	1994 £'000
Services as directors	228	442	360
Ex gratia payments to former directors	170	-	-
	<u>398</u>	<u>442</u>	<u>360</u>
Remuneration of the chairman	13	20	20
Remuneration of the highest paid director	<u>48</u>	<u>231</u>	<u>142</u>

Scale of other directors' remuneration:

	Number	Number	Number
£0-£5,000	4	1	-
£5,001 - £10,000	4	2	2
£10,001 - £15,000	1	-	-
£20,001 - £25,000	1	-	-
£25,001 - £30,000	1	-	-
£40,001 - £45,000	1	-	-
£65,001 - £70,000	-	1	-
£70,001 - £75,000	-	-	1
£100,001 - £105,000	-	1	-
£105,001 - £110,000	-	-	1

Directors' contract

H P Dyer is a director and shareholder of Greymart Limited, a company with which Hamleys had a contract for consultancy services. Payments made to this company under this contract (1994: £131,000, 1993: £222,000, and 1992: £13,000 including pension and social security costs) have been included above within directors' emoluments. In addition, during the year ended 31 January 1992, Greymart Limited received £448,000 for the provision of the services of consultants to the Group, which sum has not been included in directors' emoluments in the above table.

Employee costs, including the emoluments of directors, amounted to:

	1992 £'000	1993 £'000	1994 £'000
Wages and salaries	2,547	2,709	2,708
Social security costs	209	210	209
Other pension costs	61	49	50
	<u>2,817</u>	<u>2,968</u>	<u>2,967</u>

Average number of employees during the year:

	1992 Number	1993 Number	1994 Number
Sales and distribution	157	152	166
Administration	34	30	27
	<u>191</u>	<u>182</u>	<u>193</u>



6.5 Taxation

The charge to tax comprised:

	1992 £'000	1993 £'000	1994 £'000
United Kingdom corporation tax payable at 33%			
- current year	-	391	877
- prior year	-	-	(61)
Deferred taxation			
- current year	-	139	28
- prior year	-	-	(7)
	<u>-</u>	<u>530</u>	<u>837</u>

6.6 (Loss)/profit per ordinary share

The (loss)/profit per ordinary share has been calculated on the basis of the weighted average number of shares adjusted (i) for the capital reorganisation effected on 10 January 1992 and (ii) on the assumption that the issue of 75,116,500 ordinary shares and subsequent consolidation to 5p ordinary shares referred to in note 6.24 becomes unconditional and the consequent adjustment to the number of ordinary shares in issue was in effect throughout the period. The 7,027,028 new ordinary shares which are to be issued pursuant to a placing and intermediaries offer have been excluded.

	1992 £'000	1993 £'000	1994 £'000
(Loss)/profit attributed to ordinary shares	(846)	690	1,859
Exceptional items	<u>427</u>	<u>-</u>	<u>(34)</u>
(Loss)/profit attributed to ordinary shares before exceptional items	<u>(419)</u>	<u>690</u>	<u>1,825</u>
	<i>Number 000's</i>	<i>Number 000's</i>	<i>Number 000's</i>
Adjusted average number of ordinary shares in issue	<u>14,279</u>	<u>15,689</u>	<u>15,814</u>

6.7 Tangible assets

Tangible assets at 31 January 1993 and 29 January 1994 comprised the following:

	Cost/ valuation £'000	Depreciation £'000	Net book value £'000
Long leasehold property	600	-	600
Fixtures and fittings	1,930	452	1,478
Computer equipment	<u>651</u>	<u>449</u>	<u>202</u>
At 29 January 1994	<u>3,181</u>	<u>901</u>	<u>2,280</u>
At 31 January 1993	<u>2,809</u>	<u>632</u>	<u>2,177</u>

The net book value of the Group's computer equipment included £45,000 (1993: £109,000) in respect of assets held under finance leases.

The Group's long leasehold property was valued as at 31 January 1994 by Messrs Drivers Jonas, Chartered Surveyors, on the basis of open market value for the existing use at £600,000. The resulting deficit of £466,000 compared to book value has been reflected in the profit and loss account as an exceptional item.



6.7 Tangible assets (continued)

The historical cost of long leasehold property included at valuation was £1,190,000 (1993: £1,190,000) less accumulated depreciation of £124,000 (1993: £99,000).

6.8 Stocks

At 31 January 1993 and 29 January 1994, stocks comprised wholly of finished goods and goods for resale. The replacement cost of stocks at 31 January 1993 and 29 January 1994 was not significantly different from the amount at which they are stated in the consolidated accounts.

6.9 Debtors

As at 31 January 1993 and 29 January 1994, debtors, all falling due within one year, comprised:

	1993 £'000	1994 £'000
Trade debtors	237	224
Other debtors	17	17
Prepayments and accrued income	479	533
	<u>733</u>	<u>774</u>

6.10 Creditors: amounts falling due within one year

As at 31 January 1993 and 29 January 1994, creditors falling due within one year comprised:

	1993 £'000	1994 £'000
Bank loans and overdrafts	536	250
Trade creditors	1,237	1,736
Corporation tax	390	876
Other taxation and social security	504	666
Obligations under finance leases	81	66
Other creditors	110	160
Accruals and deferred income	432	439
	<u>3,290</u>	<u>4,193</u>



6.11 Creditors: amounts falling due after more than one year

As at 31 January 1993 and 29 January 1994, creditors falling due after more than one year comprised:

	1993 £'000	1994 £'000
Unsecured Loan Notes 1998	2,177	2,285
Deep Discount Unsecured Loan Stock 1998	3,207	3,399
Superior secured bank loan	4,200	4,200
Inferior secured bank loan	3,668	3,887
Obligations under finance leases	66	-
	<u>13,318</u>	<u>13,771</u>
Analysis of loans payable partly or wholly after five years:		
Bank loans:		
- repayable within one year	500	250
- repayable between one and two years	750	750
- repayable between two and five years	4,250	4,250
- repayable after five years	2,868	3,087
Other loans:		
- repayable between two and five years	5,384	5,684
	<u>13,752</u>	<u>14,021</u>
Other loans repayable between two and five years:		
Unsecured Loan Notes 1998	2,177	2,285
Deep Discount Unsecured Loan Stock 1998	3,207	3,399
	<u>5,384</u>	<u>5,684</u>
Bank loans repayable by instalments some of which fall due after five years:		
Total amount	8,368	8,337
Instalments due after five years	<u>2,868</u>	<u>3,087</u>

The bank loans are secured by a legal mortgage over the long leasehold property of Hamleys of London Limited, formerly Hamleys Limited, and a mortgage debenture over all the other assets of that company. The superior bank loan bears interest at a normal commercial rate linked to LIBOR, subject to a maximum LIBOR of 11.5%, until 31 January 1996. The inferior bank loan bears 6% interest rolled up until 31 January 1996 on which date the loan, plus the accrued interest, is added to the superior loan.

The Unsecured Loan Notes 1998 bear 5% interest rolled up until the date of redemption, 9 January 1998.

The issued Deep Discount Unsecured Loan Stock 1998 with a nominal value of £4,280,000 will be redeemed at its nominal value on 9 January 1998, if not previously repaid or purchased by the Company. The income element of the stock (as a percentage of the nominal amount of the stock) was 4.2% in the first 12 months rising to 5.7% in the final year. The income element is accrued and charged to the profit and loss account each year. In addition, the nominal value bears interest at 0.00001% rolled up.

The loan stock is subordinated to all other creditors of the Company including trade creditors.



6.12 Deferred taxation

As at 31 January 1993 and 29 January 1994, deferred taxation comprised:

	1993 £'000	1994 £'000
Accelerated capital allowances	236	281
Other short term timing differences	(97)	(121)
	<u>139</u>	<u>160</u>

The Group had no unprovided deferred tax liabilities at either of the above dates.

6.13 Other provisions for liabilities and charges

As at 31 January 1993 and 29 January 1994, other provisions and liabilities comprised:

	1993 £'000	1994 £'000
Provision for dilapidations of the long leasehold property	500	—
Provision for improvement of the computer system	250	250
Provision for dilapidations and reorganisation of the warehouse	80	80
	<u>830</u>	<u>330</u>

A provision of £500,000 was set up to cover dilapidations of the long leasehold property and other potential liabilities existing at 10 May 1989, the date Hamleys of London Limited, formerly Hamleys Limited, was acquired by the Company. Having taken external advice, the directors are of the opinion that this provision is no longer required and its release has been reflected in the profit and loss account for the year ended 29 January 1994, as an exceptional item.

6.14 Called up share capital

As at 31 January 1992, 31 January 1993 and 29 January 1994, share capital comprised:

	Authorised			
	At 31 January 1992 and 1993		and 29 January 1994	
	Number	£'000	Number	£'000
Ordinary shares of 1p each	3,626,245	36		
"B" ordinary shares of 1p each	327,255	3		
Deferred ordinary shares of 1p each	41,798,000	418		
				<u>457</u>
Allotted and fully paid				
	At 31 January 1992		At 31 January 1993	
	Number	£'000	Number	£'000
Ordinary shares of 1p each	3,566,943	36	3,626,245	36
"B" ordinary shares of 1p each	327,255	3	327,255	3
Deferred ordinary shares of 1p each	39,299,100	393	39,299,100	393
		<u>432</u>		<u>432</u>



6.15 Reserves

	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>
At 1 February 1991	6,608	97
Loss for the year	-	(846)
On issue of shares during the year	24	-
Share issue costs	(507)	-
At 31 January 1992	6,125	(749)
Profit for the year	-	690
On issue of shares during the year	3	-
At 31 January 1993	6,128	(59)
Profit for the year	-	1,859
At 29 January 1994	6,128	1,800

The goodwill reserve arose in connection with the acquisition of Hamleys of London Limited, formerly Hamleys Limited, by the Company on 10 May 1989.

6.16 Net cash flow from operating activities

The reconciliations of the operating profit to the net cash flow from operating activities for each of the years ended 31 January 1992, 31 January 1993 and 29 January 1994 are set out below.

	<i>1992 £'000</i>	<i>1993 £'000</i>	<i>1994 £'000</i>
Net profit before interest and taxation	980	2,401	3,595
Depreciation of tangible fixed assets	229	338	428
Loss on sale of tangible fixed assets	-	-	11
Write down of long leasehold property	-	-	466
Decrease/(increase) in stocks	1,875	99	(211)
Decrease/(increase) in debtors	89	(283)	(41)
(Decrease)/increase in creditors	(1,188)	193	808
Increase/(decrease) in provisions for liabilities and charges	-	80	(500)
Net cash inflow from operating activities	1,985	2,828	4,556



6.17 Analysis of changes in financing

For each of the years ended 31 January 1992, 31 January 1993 and 29 January 1994, the changes in financing were as follows:

	Share capital and share premium £'000	Loans £'000	Finance lease obligations £'000
At 1 February 1991	7,002	13,200	286
Shares issued for cash (net of expenses)	(445)	-	-
Loans received	-	3,017	-
Interest rolled up in the year	-	92	-
Capital repayments	-	(3,050)	(63)
At 31 January 1992	6,557	13,259	223
Shares issued for cash	3	-	-
Interest rolled up in the year	-	493	-
Capital repayments	-	-	(76)
At 31 January 1993	6,560	13,752	147
Interest rolled up in the year	-	519	-
Capital repayments	-	(250)	(81)
At 29 January 1994	6,560	14,021	66

6.18 Analysis of changes in cash and cash equivalents

For each of the years ended 31 January 1992, 31 January 1993 and 29 January 1994, the changes in cash and cash equivalents were as follows:

	Cash at bank and in hand £'000	Bank overdrafts £'000	Net cash inflow/ (outflow) £'000
At 1 February 1991	136	(802)	
Net cash outflow	(98)	(314)	(412)
At 31 January 1992	38	(1,116)	
Net cash inflow	361	1,080	1,441
At 31 January 1993	399	(36)	
Net cash inflow	2,381	36	2,417
At 29 January 1994	2,780	-	

6.19 Major non-cash transactions

As detailed in note 6.11, the inferior bank loan, the Unsecured Loan Notes 1998 and the Deep Discount Unsecured Loan Stock 1998 attracted rolled up interest amounting to; 1994: £519,000, 1993: £493,000 and 1992: £92,000.



6.20 *Contingent liabilities*

As at 29 January 1994, the Group had a contingent liability in respect of a guarantee given in favour of Her Majesty's Customs and Excise for potential liabilities to the value of £20,000.

6.21 *Capital commitments*

As at 31 January 1993 and 29 January 1994, capital commitments comprised:

	1993 £'000	1994 £'000
Contracted for but not provided	292	—
Authorised but not yet contracted for	577	—

6.22 *Other financial commitments*

As at 31 January 1993 and 29 January 1994, the Group was committed to making the following annual payments in respect of operating leases:

	<i>Land and buildings</i>		<i>Other</i>	
	1993 £'000	1994 £'000	1993 £'000	1994 £'000
Leases which expire:				
– within one year	—	106	4	—
– within two to five years	106	118	37	38
– after five years	1,150	1,150	—	—
	<u>1,256</u>	<u>1,374</u>	<u>41</u>	<u>38</u>

As at 31 January 1993 and 29 January 1994, the Group had the following obligations due under finance leases in respect of the purchase of tangible fixed assets:

	1993 £'000	1994 £'000
Minimum lease payments payable:		
– within one year	92	69
– within two to five years	69	—
	<u>161</u>	<u>69</u>
Finance charges allocated to future periods	(14)	(3)
	<u>147</u>	<u>66</u>



6.23 Pension schemes

Until 31 March 1992, the Group operated a defined benefit pension scheme. From that date, employee and employer contributions to this scheme ceased and a group administered personal pension plan scheme has been established in its stead. The new scheme is not a company scheme; however, the Group does contribute to the individual employee pension plans. Total contributions in the year amounted to £50,000 (1992: £49,000). There were no contributions payable at the year end.

Existing benefits of the members of the old defined benefit scheme are in the process of being transferred to the relevant individuals' personal pension plans. Once this has been achieved, this pension scheme will be wound up. Having taken advice from the old scheme's actuarial consultants, the directors believe this scheme to be solvent.

6.24 Post balance sheet events

At an extraordinary general meeting held on 25 April 1994, a resolution was passed, conditional, *inter alia*, upon the London Stock Exchange agreeing to admit the ordinary share capital of the Company to the Official List ("Listing"), whereby the directors were authorised and directed (i) to apply an amount of share premium in paying up 75,116,500 ordinary shares of 1p each in full at par to be allotted to the members of the Company on a 19 for 1 basis (ii) to consolidate the then existing ordinary share capital into ordinary shares of 5p each (iii) to repurchase all of the deferred ordinary shares of 1p each of the Company at a price of 1p for every 100,000 shares and (iv) to redesignate and consolidate all of the deferred ordinary shares into ordinary shares of 5p each.

On 26 April 1994, the Company entered into an agreement with J O Hambro Magan & Company Limited and Cazenove & Co. (conditional upon Listing) for 10,337,463 ordinary shares to be placed (subject to recall to satisfy applicants to an intermediaries offer) at an offer price of 185p, of which 7,027,028 are new ordinary shares of 5p each being issued by the Company to raise approximately £12.0 million (after expenses) to be used to repay borrowings.

Yours faithfully

Pannell Kerr Forster
Chartered Accountants



Part V Pro Forma Financial Information

1. Pro forma consolidated profit statement and pro forma earnings per ordinary share

Set out below is a *pro forma* consolidated profit statement of the Group for the year ended 29 January 1994. This statement is included as the Placing and Offer will result in a fundamental change in the Company's capital structure and is for illustrative purposes only. The statement is based on the consolidated profit and loss account for the year ended 29 January 1994 as set out in the Accountants' Report, after making adjustments as if the net proceeds of the Placing and Offer of £12.0 million receivable by the Company had been received on 1 February 1993 and had been applied at that date as set out in the section entitled "Reasons for the Placing and Offer and use of proceeds" in Part II of this document. Accordingly, interest payable has been reduced by £768,000, being the interest payable on the net decrease of £12.0 million in borrowings following the Placing and Offer, calculated at the average rate payable on the Group's borrowings for the year of 6.4 per cent. The adjustments to taxation which arise from this reduction are calculated at the UK corporation tax rate of 33 per cent.

Year ended 29 January 1994	Per Accountants'		Pro forma
	Report	Adjustments	
	£'000	£'000	£'000
Operating profit	3,595	-	3,595
Net interest payable	(899)	768	(131)
Profit on ordinary activities before taxation	2,696	768	3,464
Taxation on profit on ordinary activities	(837)	(253)	(1,090)
Profit on ordinary activities after taxation	1,859	515	2,374
Earnings per ordinary share	11.9p		10.4p

Pro forma earnings per ordinary share have been calculated on the *pro forma* profit on ordinary activities after taxation and 22,841,028 ordinary shares, being the number of ordinary shares in issue immediately following the Placing and Offer.

No adjustments have been made to reflect trading or any other events since 29 January 1994.



2. Pro forma consolidated balance sheet

Set out below, for illustrative purposes only, is a *pro forma* consolidated balance sheet of the Group as at 29 January 1994, which because of its nature cannot give a complete picture of the financial position. This is based on the consolidated balance sheet of the Group as at 29 January 1994 as set out in the Accountants' Report, after making adjustments as if the net proceeds of the Placing and Offer of £12.0 million, assumed to be received by the Company on 29 January 1994, had been applied in the repayment of bank and other debt and to reflect the Capital Reorganisation described in Part VI of this document.

At 29 January 1994	Per Accountants'		Pro forma £'000
	Report £'000	Adjustments £'000	
Fixed assets	2,280	—	2,280
Tangible assets			
Current assets	1,923	—	1,923
Stock	774	—	774
Debtors	2,790	(2,021)	759
Cash at bank and in hand	5,477	(2,021)	3,456
Creditors: amounts falling due within one year	(4,193)	250	(3,943)
Net current assets/(liabilities)	1,284	(1,771)	(487)
Total assets less current liabilities	3,564	(1,771)	1,793
Creditors: amounts falling due after more than one year	(13,771)	13,771	—
Provisions for liabilities and charges	(490)	—	(490)
Net (liabilities)/assets	(10,697)	12,000	1,303
Capital and reserves	432	710	1,142
Called up share capital	6,128	11,290	17,418
Share premium account	1,800	—	1,800
Profit and loss account	8,360	12,000	20,360
Goodwill reserve	(19,057)	—	(19,057)
Shareholders' funds	(10,697)	12,000	1,303

No adjustments have been made to reflect trading or any other events since 29 January 1994.

The Directors intend, following Listing, to make application to the High Court for permission to apply the share premium account against the goodwill reserve.



3. Letter from Pannell Kerr Forster



**PANNELL
KERR
FORSTER**

CHARTERED ACCOUNTANTS

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The Directors
Hamleys plc
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The Directors
J O Hambro Magan & Company Limited
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London SW1H 9AB

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

26 April 1994

Dear Sirs

Hamleys plc and subsidiary companies (the "Hamleys Group")

We have reviewed the calculations and bases of preparation of the pro forma consolidated profit statement and pro forma earnings per ordinary share for the year ended 29 January 1994 and the pro forma consolidated balance sheet at 29 January 1994 of the Hamleys Group ("the pro forma statements"), for which the Directors of Hamleys plc are solely responsible. The pro forma statements, which have been prepared for illustrative purposes only, are set out in Part V of the listing particulars of Hamleys plc dated 26 April 1994.

In our opinion, the pro forma statements have, so far as the calculations are concerned, been properly compiled on the bases of preparation set out therein and on bases consistent with the accounting policies of the Hamleys Group. Further, in our opinion, the bases of preparation are appropriate in the context of the purpose for which the pro forma statements have been prepared.

Yours faithfully

Pannell Kerr Forster
Chartered Accountants



Part VI Additional Information

1. The Company

- (a) The Company was incorporated and registered in England and Wales on 24 February 1989 under the Companies Act 1985 (as amended) (the "Act") as a private company limited by shares with the name Larchwood Limited and with registered number 2352435. On 18 October 1989, the name of the Company was changed to Hamleys of London Limited.
- (b) The Company's registered office and principal place of business is 188-196 Regent Street, London W1R 6BT. It is a holding company. Its subsidiaries are described in paragraph 8 below.
- (c) On 8 April 1994, the Company was re-registered as a public limited company and changed its name to Hamleys plc.

2. Share capital

- (a) Prior to the passing of the Ordinary Resolutions referred to in paragraph (b) below, the authorised share capital of the Company was £418,980 divided into 22,000 Ordinary Shares of £1 each, 75,000 "A" or "B" Ordinary Shares of £1 each, 3,000 "C" Ordinary Shares of 1p each, 255,200 Preferred Ordinary Shares of £1 each and 6,675,000 Redeemable Cumulative Preference Shares of 1p each of which 20,900 Ordinary Shares, 73,350 "A" Ordinary Shares, 1,650 "B" Ordinary Shares, 1 "C" Ordinary Share, 231,300 Preferred Ordinary Shares and 6,675,000 Redeemable Cumulative Preference Shares had been issued fully paid or credited as fully paid.
- (b) Pursuant to Ordinary Resolutions passed on 10 January 1992, the authorised share capital of the Company was increased from £418,980 to £457,515 by the creation of a further 3,853,500 Ordinary Shares of 1p each. In addition:
 - (i) each of the Ordinary Shares of £1 each was divided and redesignated into one Ordinary Share of 1p each and 99 Deferred Shares of 1p each;
 - (ii) each of the "A" Ordinary Shares of £1 each was divided and redesignated into one Ordinary Share of 1p each and 99 Deferred Shares of 1p each;
 - (iii) each of the "B" Ordinary Shares of £1 each (created as a result of the conversion of 1,650 "A" Ordinary Shares of £1 each on 28 September 1989 in accordance with the Company's then Articles of Association) was divided into and redesignated as one "B" Ordinary Share of 1p each and 99 Deferred Shares of 1p each;
 - (iv) each of the "C" Ordinary Shares of 1p each was redesignated as an Ordinary Share of 1p each;
 - (v) each of the Redeemable Cumulative Preference Shares of 1p each was redesignated as a Deferred Share of 1p each;
 - (vi) each of the Preferred Ordinary Shares of £1 each was divided into and redesignated as 100 Deferred Shares of 1p each.
- (c) On 10 January 1992, a further 3,472,692 Ordinary Shares of 1p each and 325,605 "B" Ordinary Shares of 1p each were issued fully paid. On 12 August 1992, a further 59,802 Ordinary Shares of 1p each were issued fully paid.
- (d) Prior to the passing of the special resolution referred to in paragraph (c) below, the authorised share capital of the Company was £457,515 divided into 3,626,245 Ordinary Shares of 1p each, 327,255 "B" Ordinary Shares of 1p each and 41,798,000 Deferred Ordinary Shares of 1p each, of which 3,626,245 Ordinary Shares of 1p each, 327,255 "B" Ordinary Shares of 1p each and 30,299,100 Deferred Ordinary Shares of 1p each were issued fully paid.



- (e) In accordance with a special resolution passed on 25 April 1994 the authorised and issued share capital of the Company was reorganised conditionally upon Listing as follows:
- (i) each of the "B" Ordinary Shares of 1p each was redesignated as an Ordinary Share of 1p each;
 - (ii) the authorised share capital of the Company was increased from £457,515 to £1,565,000 by the creation of an additional 110,748,500 Ordinary Shares of 1p each;
 - (iii) 75,116,500 Ordinary Shares of 1p each were allotted and issued, credited as fully paid, by way of bonus to holders of Ordinary Shares on the basis of 19 new Ordinary Shares of 1p each for every Ordinary Share of 1p each then held;
 - (iv) all of the Ordinary Shares of 1p each (including the Ordinary Shares issued by way of bonus as effected in paragraph (iii) above) were consolidated into ordinary shares at the rate of one ordinary share for every five Ordinary Shares of 1p;
 - (v) the Directors were authorised for the purposes of Section 80 of the Act to allot and issue ordinary shares having a nominal amount not exceeding £351,351.40 for cash at the Offer Price to be sold pursuant to the Placing and Offer as if Section 89 of the Act did not apply to any such allotment;
 - (vi) an agreement by the Company to repurchase all of the Deferred Shares of 1p each at a price of 1p for every 100,000 Deferred Shares (or part thereof) so purchased was approved, with the purchase to be completed on Listing;
 - (vii) subject to the purchase of the Deferred Shares by the Company pursuant to the agreement referred to in paragraph (vi) above, all of the Deferred Shares of 1p each were redesignated and consolidated into 8,359,600 ordinary shares;
 - (viii) the Directors were authorised for the purposes of Section 80 of the Act to allot and issue ordinary shares having a nominal amount not exceeding £380,680, such authority (unless previously revoked, varied or renewed) to expire on or at the conclusion of the Annual General Meeting of the Company to be held in 1999;
 - (ix) the Directors were given authority to allot equity securities (as defined in Section 94(2) of the Act) of the Company as if Section 89(1) of the Act did not apply to any such allotment. This authority expires (unless previously renewed, varied or revoked by the Company in general meeting) at the earlier of the conclusion of the Annual General Meeting of the Company next following the passing of the resolution and fifteen months from the date of the resolution. The power is limited to (i) allotments of equity securities offered by way of rights issue, open offer or otherwise to holders of ordinary shares made in proportion (as nearly as may be) to their existing holdings (subject to exclusions or arrangements in relation to fractions or legal or practical problems under the laws of or requirements of, *inter alia*, stock exchanges in any territory) or (ii) allotments of equity securities for cash up to an aggregate nominal amount of £57,100 (which excludes those to be subscribed pursuant to the Placing and Offer). The Company may, before the expiry of the period of authority, make an offer or agreement which would or might require equity securities to be allotted after the expiry of the authority and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired; and
 - (x) the share premium account, including the share premium arising pursuant to the Placing and Offer, will be cancelled subject to the cancellation being confirmed by the High Court.
 - (f) Immediately following Listing the purchase of all the Deferred Shares of 1p each will be completed and the authorised share capital of the Company will be £1,565,000 divided into 31,300,000 ordinary shares of which 22,841,028 will be issued and fully paid and 8,458,972 will remain unissued. Of the unissued share capital, 685,231 ordinary shares will be subject to the executive share option scheme referred to in paragraph 4 below and will be reserved for issue in respect of options granted or to be granted under such executive share option scheme.



(g) Save as disclosed in paragraph 8 below and in this paragraph 2, and save for the allotment and issue of ordinary shares pursuant to the Placing and Offer and the executive share option scheme referred to in paragraph 4 below (i) no share or loan capital of the Company or of any of its subsidiaries has, within the three years before the date of this document, been issued or agreed to be issued or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash or has been repurchased by the Company (ii) save as disclosed in paragraph 7 below, no commissions, discounts or brokerages have been granted by the Company or by any of its subsidiaries within the three years before the date of this document in connection with the sale or issue of any shares or loan capital of any such company and (iii) neither the Company nor any of its subsidiaries has granted any options over its share or loan capital which remain outstanding or has agreed to grant any such options.

3. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that its principal objects are to act as an investment holding company. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association.

The Articles of Association of the Company (the "Articles"), which were adopted conditionally on Listing pursuant to a special resolution passed on 25 April 1994, contain provisions, amongst others, to the effect described below. For the purposes of this paragraph, the "Acts" means the Companies Acts 1985 and 1989.

(a) *Voting rights*

Subject to any special terms as to voting upon which shares may have been issued or may for the time being be held or any suspension or abrogation of voting rights pursuant to the Articles (including circumstances where a statutory notice requiring disclosure of the beneficial ownership of shares has not been complied with), at a general meeting every member present in person shall on a show of hands, have one vote and every member present in person or by proxy shall, on a poll, have one vote for every ordinary share of which he is the holder.

(b) *Dividends*

Subject to the Acts and the Articles, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests, but no dividend may exceed the amount recommended by the board. The board may declare and pay such interim dividends (including a dividend payable at a fixed rate) as appear to it to be justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, a dividend shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid, but no amount paid up on a share in advance of a call may be treated as paid up on the share. Dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Dividends unpaid for a period of 12 years after having been declared are forfeited and cease to remain owing by the Company.

Without prejudice to the provisions of the Articles, the board may, with the prior authority of an ordinary resolution of the Company, direct that payment of a dividend may be satisfied wholly or in part by the distribution of specific assets and, in particular of paid up shares or debentures of another company. The board may, with the prior authority of an ordinary resolution of the Company, allot to those holders of a particular class of shares who have elected to receive them further shares credited as fully paid, instead of cash in respect of all or part of a dividend or dividends specified by the resolution.



(c) Distribution of assets on a winding up

On a voluntary winding up of the Company, the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets shall consist of property of one kind or of different kinds. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

(d) Transfer of shares

A member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in another form approved by the board and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee. The board may, in its absolute discretion and without giving reason, refuse to register the transfer of a share or renunciation of a renounceable letter of allotment unless all of the following conditions are satisfied:

- (i)* it is in respect of a share which is fully paid;
- (ii)* it is in respect of a share on which the Company has no lien (this right only applies to partly paid shares);
- (iii)* it is in respect of only one class of shares;
- (iv)* it is in favour of a single transferee or renounee or not more than four joint transferees or renounees;
- (v)* it is duly stamped (if required); and
- (vi)* it is delivered for registration to the office or such other place as the board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognised person where a certificate has not been issued, or in the case of a renunciation) and such other evidence as the board may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

The registration of transfers may be suspended at such times and for such period (not exceeding 30 days in any year) as the board may decide and either generally or in respect of a particular class of shares.

The Articles do not contain any pre-emption rights. The provisions of Section 89 of the Act, which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company, save to the extent disappplied, as referred to in paragraph 2(e) above.

(e) Variation of rights

- (i)* Subject to the Acts, the rights attached to a class of shares may be varied whether or not the Company is being wound up (i) in such manner (if any) as may be provided by those rights, or (ii) in the absence of provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles.



- (ii) The rights attached to a class of shares are not, unless otherwise expressly provided in the rights attaching to those shares, deemed to be varied by the creation or issue of further shares ranking *pari passu* with, or subsequent to them, or by the purchase or redemption by the Company of its own shares in accordance with the Acts and the Articles.

(f) Share capital and changes in capital

- (i) The Company may, by ordinary resolution, increase its share capital by a sum to be divided into shares of an amount prescribed by the resolution, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and decide that the shares resulting from the sub-division have amongst themselves a preference or other advantage or be subject to a restriction and cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by a person and diminish the amount of its share capital by the amount of the shares so cancelled.
- (ii) Subject to the Acts the Company may by special resolution reduce its share capital, any capital redemption reserve and share premium account in any way.
- (iii) Subject to the Acts the Company may purchase shares of any class (including redeemable shares) in its own capital in any way.

(g) Directors

- (i) A director may not vote on a resolution of the board or of a committee of the board concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he is, to his knowledge, materially interested directly or indirectly (otherwise than by virtue of his interest in shares, or debentures or other securities of or otherwise in or through the Company) but this prohibition does not apply to a resolution concerning any of the following matters:
- (1) the giving to him of a guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (2) the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
 - (3) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or of any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub underwriting thereof;
 - (4) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company (including a subsidiary undertaking of the Company) in which he is interested (directly or indirectly) and whether as an officer, shareholder, creditor or otherwise, if he is not the holder of or beneficially interested in one per cent. or more of the capital of the relevant company;
 - (5) a contract, arrangement, transaction or proposal concerning the adoption, modification or operation of a pension, retirement, death or disability benefits scheme or personal pension plan or employees' share scheme under which he may benefit and which either (a) has been approved, or is subject to and is conditional on approval, by the Inland Revenue for taxation purposes, or (b) relates to both employees and directors of the Company (or any of its subsidiary undertakings) and does not accord to a director as such a privilege or advantage not accorded to the employees to whom the scheme or fund relates;



- (6) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings under which the director benefits in a similar manner to employees and which does not accord to a director as such a privilege or advantage not accorded to the employees to whom it relates; and
- (7) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.
- (ii) A director may not vote or be counted in the quorum on a resolution of the board or committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.
- (iii) Unless otherwise decided by the Company by ordinary resolution, the Company shall pay to the directors (but not alternate directors) for their services as directors such amount of aggregate fees as the board decides (not exceeding £200,000 per annum) or such larger amount as the Company may by ordinary resolution decide. The aggregate fees shall be divided among the directors in such proportions as the board decides or, if no decision is made, equally. A fee payable to a director is distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of the Articles and accrues from day to day.
- (iv) A director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as a director, including expenses incurred in attending meetings of the board or of committees of the board or general meetings or separate meetings of the holders of a class of shares or debentures.
- (v) At each annual general meeting one-third of the directors who are subject to retirement by rotation or if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office. If there are fewer than three directors who are subject to retirement by rotation, one shall retire from office.
- (vi) No person is incapable of being appointed a director by reason of his having reached the age of 70 or another age. Special notice is not required in connection with the appointment or the approval of the appointment of such person. No director is required to vacate his office because he has reached the age of 70 or another age and Section 293 of the Act does not apply to the Company. Where a general meeting is convened at which, to the knowledge of the board, a director is to be proposed for appointment or reappointment who is at the date of the meeting 70 or more, the board shall give notice of his age in the notice convening the meeting or in a document accompanying the notice, but the accidental omission to do so does not invalidate proceedings or an appointment or reappointment of that director at that meeting.
- (vii) A director need not be a member.
- (viii) Unless otherwise decided by the Company by ordinary resolution the number of directors is not subject to a maximum but must not be less than two.

(h) Borrowing powers

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of the undertaking, property, assets (present or future) and uncalled capital of the Company and, subject to the Acts, to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party. The board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to procure (as regards subsidiary undertakings, to the extent that it can procure by such exercise) that the aggregate principal amount outstanding in respect of monies borrowed by the Group does not at any time without the previous



sanction of an ordinary resolution of the Company exceed a sum equal to three times the adjusted capital and reserves (as defined in the Articles) or, if higher, £5,000,000.

(i) Pensions and benefits

(i) The board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for a person who is or has at any time been a director of (i) the Company or (ii) a company which is or was a subsidiary undertaking of the Company or (iii) a company which is or was allied to or associated with the Company or a subsidiary undertaking of the Company or (iv) a predecessor in business of the Company or of a subsidiary undertaking of the Company (and for any member of his family, including a spouse or former spouse, or any person who is or was dependent on him). For this purpose, the board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. The board may arrange for this to be done by the Company alone or in conjunction with another person.

(ii) The board may exercise the powers conferred on the Company by the Acts to make provision for the benefit of a person employed or formerly employed by the Company or any of its subsidiary undertakings (or any member of his family, including a spouse or former spouse, or any person who is or was dependent on him) in connection with the cessation or the transfer to a person of the whole or part of the undertaking of the Company or the subsidiary undertaking.

(j) Untraced shareholders

The Company is entitled to sell a share if:

- (i) during a period of not less than 12 years, no cheque, order or warrant sent by the Company through the post addressed to the member or person entitled by transmission has been cashed;
- (ii) no communication has been received by the Company from the member or person entitled by transmission;
- (iii) in that period of 12 years the Company has paid at least three cash dividends (whether interim or final); and
- (iv) no such dividend has been claimed by the person entitled to it.

After the expiry of this 12 year period, the Company must give three months' notice in a leading daily newspaper and in a newspaper circulating in the area of the member's registered address of its intention to sell and must also give notice to the London Stock Exchange of its intention to sell the share.

4. Executive share option scheme and employee share trust

Executive share option scheme

On 11 April 1994, the Company adopted an executive share option scheme to be known as the Hamleys Executive Share Option Scheme (the "Scheme"). The Scheme has been approved by the Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988 ("ICTA"). No options have been granted to date but options are intended to be granted under the Scheme on Listing at the Offer Price. A summary of the principal terms of the Scheme is set out below.



(a) Eligibility

The directors may select any director or employee of any member of the Group who is required to devote substantially the whole of his working time, and in any event at least 20 hours a week (25 hours in the case of a director), to the service of the Group (other than anyone within two years of retirement or anyone who has a material interest in a close company and is thereby prohibited from participating under Paragraph 8, Schedule 9 to ICTA) to participate in the Scheme.

(b) Grant of options

Options to acquire ordinary shares may normally only be granted in the period of six weeks beginning with each of the dates below:

- (i) the date on which the Scheme was adopted by the Company;
- (ii) the date of approval of the Scheme by the Inland Revenue;
- (iii) the date of Listing; and
- (iv) the dealing day next following the date on which the Company announces its results for any period.

No options may be granted after 11 April 2004. Options granted under the Scheme are personal to the option holder and may not be transferred.

(c) Price

The price payable for each ordinary share under an option will be determined by the directors before the grant of the option, provided that it shall not be less than:

- (i) in the case of options granted on the date of Listing but before dealings have commenced, the Offer Price; and
- (ii) in the case of options granted after dealings have commenced, the middle market quotation for such shares as derived from the London Stock Exchange Daily Official List for the dealing day immediately preceding the date of grant.

(d) Limits

The Scheme is subject to the following limits:

- (i) the number of ordinary shares which may be issued on the exercise of options granted under the Scheme and any other executive share option scheme adopted by the Company in any ten year period may not exceed such number of ordinary shares as represents five per cent. of the ordinary share capital of the Company in issue from time to time;
- (ii) no options shall be granted under the Scheme in the period of five years beginning with the year 1994 or any successive period of five years if, at the time they are granted, they would cause the number of ordinary shares which have been, or which may be, issued pursuant to options granted under the Scheme or any other employee share scheme adopted by the Company in the five year period in question or been issued in that period otherwise than pursuant to options to exceed five per cent. of the ordinary share capital of the Company in issue at that time or would cause the number of shares which shall have been or may be issued in pursuance of options granted in that period under the Scheme or any other executive share option scheme adopted by the Company to exceed three per cent. of such ordinary share capital;
- (iii) no options shall be granted in the period of three years beginning with the year 1994 or any successive period of three years if at the time they are granted, they would cause the number of ordinary shares which have been or which may be issued in that period pursuant



to options granted under the Scheme or any other employee share scheme adopted by the Company or been issued in that period otherwise than pursuant to options to exceed three per cent. of the ordinary share capital of the Company in issue at that time provided that this limit shall not apply if the limit in (ii) above has been complied with at all times;

- (iv) in the period of four years from the date of adoption of the Scheme, not more than two and a half per cent. of the issued ordinary share capital of the Company may be placed under option or issued under the Scheme and any other executive share option scheme adopted by the Company;
- (v) the number of ordinary shares which may be issued under any employee share schemes adopted by the Company in any ten year period may not exceed such number of ordinary shares as represents ten per cent. of the Company's ordinary share capital in issue from time to time;
- (vi) the total subscription price payable for ordinary shares under options granted in any ten year period to any executive under the Scheme and any other executive share option scheme adopted by the Company (leaving out of account options which have been exercised) may not exceed four times the higher of the total remuneration (expressed as an annual rate payable by the Group to the executive) at that time and the total remuneration paid by the Group to the executive in the preceding 12 months. Options may be granted to replace earlier options which have been exercised;
- (vii) the aggregate market value of ordinary shares which may be acquired in pursuance of options granted to any employee or director under the Scheme and any other Inland Revenue approved executive share option scheme adopted by the Company or any associated company of the Company may not exceed the higher of:

- (1) £100,000;
- (2) four times the amount of relevant emoluments for the current or preceding year of assessment, whichever is the greater; or
- (3) if there were no relevant emoluments for the preceding year of assessment, four times the amount of the relevant emoluments for the period of 12 months beginning with the first day during the current year of assessment in respect of which there are relevant emoluments.

(e) *Exercise of options*

In normal circumstances, an option granted under the Scheme may not be exercised earlier than three years or more than ten years after the grant date and unless any performance conditions attaching to the option have been met. However, early exercise of an option granted under the Scheme is allowed if an option holder ceases to be employed by reason of death, injury, disability, redundancy or retirement. Special provisions apply in the circumstances of a takeover, reconstruction or winding up of the Company. Ordinary shares issued on exercise of options will rank *pari passu* with existing ordinary shares in accordance with the rules of the Scheme.

(f) *Performance targets*

Options granted under the Scheme on Listing will be subject to a performance target whereby they may not be exercised unless the growth in the earnings per share of the Company in any three year period following the grant of options exceeds the increase in the retail prices index during that period by at least six per cent.

(g) *Variations of capital*

In the event of any increase or variation of the share capital of the Company, the directors may make such adjustments as they consider appropriate to the number of ordinary shares in respect of which an option may be granted and the price at which they may be acquired under the Scheme. Adjustments to the terms of options granted under the Scheme must be approved by the Inland Revenue.



(h) *Amendments*

The directors may at any time amend the Scheme. However, on or after Listing the prior approval of the Company in general meeting must be obtained in the case of amendments to the advantage of option holders, unless the amendment is minor in nature and is made to benefit the administration of the Scheme or is made to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any member of the Group. Any amendment that is to the disadvantage of participants requires the consent of a majority of the participants. Any amendment to the Scheme also requires the prior approval of the Inland Revenue in order for the Scheme to retain its Inland Revenue approved status.

Employee share trust

On 15 December 1989 the Company established an employee share trust (the "Employee Share Trust") for the purpose of holding shares in the Company for the benefit of employees. Hamleys Trustees Limited, a wholly owned subsidiary of the Company, was appointed to act as trustee of the Employee Share Trust.

A trust deed setting out, *inter alia*, the trustees' powers and duties was entered into by the Company and Hamleys Trustees Limited on 15 December 1989. Pursuant to the terms of the trust deed, the trustees are obliged to transfer shares in the Company or to grant options to acquire shares in the Company to selected employees of the Group upon such terms and conditions as the Company may from time to time direct. Subject to that the trustees hold shares in the Company on discretionary trusts for the benefit of employees.

On 10 January 1992 the Employee Share Trust purchased shares in the Company using funds borrowed from the Company. These shares were later converted into 18,700 Ordinary Shares of 1p each and 20,201,300 Deferred Shares of 1p each. Immediately following Listing the Employee Share Trust will hold 74,800 ordinary shares. The Directors intend to allocate the ordinary shares held in the Employee Share Trust from time to time as, *inter alia*, bonuses and in recognition of long service. No ordinary shares held in the Employee Share Trust have been allocated or are subject to options.

5. Directors' and other interests

- (a) Immediately following Listing the interests of the Directors in the ordinary shares which have been notified by each Director to the Company pursuant to Section 324 or Section 328 of the Companies Act 1985 (the "Act") and required to be shown in the Register of Directors' Interests maintained under Section 325 of the Act (all of which are beneficial) (disregarding applications to be made by Directors under the Placing and Offer) will be as follows:

Director	Number of ordinary shares	Percentage of issued ordinary share capital
Howard Dyer	1,652,484	7.2
Stephen Woodbridge	209,208	0.9
Michael Riddy	209,208	0.9
Rupert Hambro	165,012	0.7
Donald Mackenzie	117,888	0.5
Jim Hodgkinson	-	-



- (b) J O Hambro & Company Limited, of which Rupert Hambro is a director and shareholder, is a minority shareholder in J O Hambro Magan & Company Limited. J O Hambro & Company Limited will, in aggregate, be interested in a total of 153,512 ordinary shares following Listing (on the basis that the reorganisation described in paragraph 2(e) above has become effective) representing 0.7 per cent. of the issued share capital. J O Hambro Magan & Company Limited will be paid an advisory fee by the Company in connection with the Placing and Offer. J O Hambro Nominees Limited holds 775,240 ordinary shares on behalf of a company in which Rupert Hambro is a director and in which J O Hambro & Company Limited has a 25 per cent. interest.
- (c) Donald Mackenzie is a director of CVC Capital Partners Limited which advises Citicorp Capital Investors Europe Limited which, together with Capital Investors Nominees Limited and Capital Partnership Nominees Limited will be interested in a total of 2,783,419 ordinary shares following Listing (on the basis that the reorganisation described in paragraph 2(e) above has become effective) representing 12.2 per cent. of the issued share capital and Donald Mackenzie has a personal economic interest in these shares.
- (d) Save as disclosed in Part VI of this document, none of the Directors, and no person connected with them for the purposes of Section 346 of the Act, has, or on Listing will have, any interest in the share capital of the Company or any of its subsidiaries.
- (e) Save as disclosed in paragraph (a) above and in the table below, the Directors are not aware of any person who, immediately following Listing, will be interested directly or indirectly in three per cent. or more of the issued ordinary share capital of the Company:

<i>Shareholder</i>	<i>Number of ordinary shares</i>	<i>Percentage of issued ordinary share capital</i>
Clients of the Prudential Corporation group of companies	778,824	3.4
Citicorp Capital Investors Europe Limited	2,283,483	10.0
CINVen Limited*	3,976,004	17.4
Lloyds Development Capital Limited	700,000	3.1
Phildrew Nominees Limited	852,976	3.7

*as manager of funds of British Coal Pension Funds and British Rail Pension Funds.

- (f) No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year or which was effected by the Company during any earlier financial year and which remains in any respect outstanding or unperformed.
- (g) There are no outstanding loans granted by any member of the Group to the Directors, nor any guarantees provided by any member of the Group for the benefit of the Directors.
- (h) None of the Directors has any or has had any direct or indirect interest in any assets which, during the two years immediately preceding the date of this document, were acquired by or disposed of or leased to the Company or any of its subsidiaries or are proposed to be acquired by or disposed of or leased to the Company or any of its subsidiaries.



6. Directors' service agreements and emoluments

- (a) The Executive Directors have each entered into a service agreement with the Company dated 12 April 1994. The service agreements are effective from 1 February 1994, are determinable on one years written notice by the Company (or, in the case of Stephen Woodbridge and Michael Riddy, two years in the event of a takeover of the Company) and six months written notice by the Directors given at any time (to take effect only after 1 February 1995). The service agreements, which are for full-time employment in relation to Stephen Woodbridge and Michael Riddy and for one day per week in relation to Howard Dyer, provide for payment of the following annual salaries and pension contributions:

<i>Name</i>	<i>Annual salary</i>	<i>Annual pension contribution</i>
Howard Dyer	£50,000	-
Stephen Woodbridge	£100,000	£20,000
Michael Riddy	£58,000	£11,600

- (b) Save as disclosed above, there are no existing service agreements between any Director and any member of the Group which do not expire or cannot be terminated without payment of compensation (other than statutory compensation) within one year and no such contracts are proposed.
- (c) The aggregate remuneration and bonuses paid, pension fund contributions made and benefits in kind granted to the Directors during the year ended 29 January 1994 was £360,000. The aggregate amount payable to the Directors under the arrangements in force at the date of this document (including in each case pension fund contributions and benefits in kind) is estimated to amount to £315,000 for the current financial year.
- (d) The following options will be granted to the Directors under the Hamleys Executive Share Option Scheme at the option price referred to below prior to Listing and will remain outstanding upon completion of the Placing and Offer.

<i>Director</i>	<i>Option price per ordinary share</i>	<i>Number of ordinary shares under option</i>
Stephen Woodbridge	185p	114,205
Michael Riddy	185p	57,103

7. Placing and Offer Agreement

- (a) By an agreement (the "Placing and Offer Agreement") dated 26 April between the Company, the Directors, the shareholders of the Company who are selling shares pursuant to the Placing and Offer (the "Vendors"), the Directors, Cazenove & Co. and J O Hambro Magan & Company Limited, Cazenove & Co. has agreed (conditionally upon Listing taking place not later than 6 May, or such later date as the Company and Cazenove & Co. may agree but, in any event, not later than 27 May):
- (i) as agent for the Vendors, to use its reasonable endeavours to arrange for placees to purchase 3,310,435 ordinary shares (the "Sale Shares"), of which, 1,158,652 ordinary shares shall be placed subject to a right of recall to satisfy applications by Intermediaries and Preferential Applicants
- (ii) as agent for the Company, to use its reasonable endeavours to arrange for placees to subscribe for 7,027,028 ordinary shares (the "Subscription Shares"), of which, 2,459,460 ordinary shares shall be placed subject to a right of recall to satisfy applications by Intermediaries and Preferential Applicants



- (iii) as agent for the Vendors in respect of the Sale Shares, and as agent for the Company in respect of the Subscription Shares to offer such shares (together the "Offer Shares") to Intermediaries and Preferential Applicants

in each case at the Offer Price, and, as principal, to purchase or subscribe at the Offer Price such of the Offer Shares as are not purchased or subscribed pursuant to the Placing and Offer.

- (b) In consideration of their services:

- (i) the Company has agreed to pay Cazenove & Co. an advisory fee of £50,000 together with a commission of two per cent. on the value at the Offer Price of the number of Subscription Shares comprised in the Offer Shares and a commission of one per cent. on the value at the Offer Price of the number of Subscription Shares which are placed firm

- (ii) the Vendors have agreed to pay to Cazenove & Co. a commission of two per cent. on the value at the Offer Price of the number of Sale Shares comprised in the Offer Shares and a commission of one per cent. on the value at the Offer Price of the number of Sale Shares which are placed firm

together in each case with any applicable value added tax. Out of the commission referred to above, Cazenove will pay commissions (if any) to placees;

- (iii) the Company has agreed to pay J O Hambro Magan & Company Limited an advisory fee of approximately £206,000.

- (c) The number of ordinary shares being sold by the Vendors pursuant to the Placing and Offer is as follows:

<i>Vendor</i>	<i>Number of ordinary shares</i>
Howard Dyer	280,000
Stephen Woodbridge	28,000
Michael Riddy	28,000
Citicorp Capital Investors Europe Limited	1,141,741
Capital Partnership Nominees Limited	332,368*
CINVen Limited**	500,000
J O Hambro Nominees Limited	387,620
Lloyds Development Capital Limited	398,980
Charterhouse Development Limited	203,056
Northern & Midland Nominees Limited	10,670

*includes 120,000 ordinary shares in which Donald Mackenzie has a personal interest

**as manager of funds of British Coal Pension Funds and British Rail Pension Funds.

- (d) The Placing and Offer Agreement contains warranties by the Company and the Directors (with the exception, by reason of his recent appointment to the Board, of Jim Hodgkinson) as to the accuracy of information contained in this document and other matters relating to the Group and its business; an indemnity from the Company and the Executive Directors in favour of Cazenove & Co. and J O Hambro Magan & Company Limited; and an indemnity from the Executive Directors to the Company in respect of certain liabilities to taxation. Cazenove & Co. may terminate the Placing and Offer Agreement in specified circumstances prior to Listing, principally in the event of a material breach of the Placing and Offer Agreement or of any of the warranties contained in it.

- (e) The Directors have undertaken not to dispose of any ordinary shares (other than pursuant to the Placing and Offer Agreement) during the period from the date of the Placing and Offer Agreement to the date of publication of the Company's report and accounts for the financial year ended 31 January 1995.



- (f) 361,611 ordinary shares (representing ten per cent. of the ordinary shares being offered pursuant to the Offer) are being reserved in the first instance to meet applications by or for the benefit of Preferential Applicants. Further details of the application procedure are set out in Part III of this document.
- (g) The Placing and Offer Agreement provides for the Company to pay the costs and expenses of and incidental to the Placing and Offer and the application for Listing including accountancy and legal fees and expenses, printing and advertising expenses and the fees and expenses of the Registrars except that the Vendors shall be responsible for their own fees and expenses including the payment of any stamp duty and commissions arising on the sale of their Sale Shares under the Placing and Offer Agreement. No expenses are being specifically charged to subscribers or purchasers under the Placing and Offer Agreement.

8. Subsidiaries

The Company has three wholly owned subsidiaries each of which is a private company registered in England and Wales and which has its registered office at 188-196 Regent Street, London W1R 6BT. Hamleys of London Limited and Hamleys Trustees Limited are included in the consolidated accounts of the Group. House of Toys Limited is not included in the consolidated accounts of the Group as it was only acquired by the Group (as a ready-made company) on 15 March 1994. All subsidiaries operate in their country of incorporation.

<i>Name</i>	<i>Date of incorporation</i>	<i>Principal activities</i>	<i>Issued capital (fully paid)</i>
Hamleys of London Limited (formerly Hamleys Limited)	17.8.1988	Retailers	100 Ordinary Shares of £1 each
Hamleys Trustees Limited	16.11.1989	Employee Benefit Trust	2 Ordinary Shares of £1 each
House of Toys Limited	14.1.1994	Concession Operations	1 Ordinary Share of £1 (issued upon incorporation)

9. Principal establishment

The Group's principal establishment is 188-196 Regent Street, London W1R 6BT. This property has an approximate total area of 65,000 sq.ft. and is held on a leasehold basis. The lease is for a term of 99 years and commenced on 5 January 1981. The annual rent, currently £1.15 million, is subject to review every five years (subject to variation) with the next rent review due to take place with effect from 5 January 1996.

10. Material contracts

The following contracts, not being contracts in the ordinary course of business, were entered into by the Company and its subsidiaries within the two years immediately preceding the date of this document and are, or may be, material:

- (a) A Facilities Termination Agreement dated 22 April 1994 between the Company, Hamleys of London Limited, National Westminster Bank Plc and The Governor and Company of the Bank of Scotland which, *inter alia*, establishes the terms upon which the Company's existing bank facilities will be repaid out of the proceeds of the Placing and Offer; and
- (b) The Placing and Offer Agreement referred to in paragraph 7 above.



11. Litigation

In 1989, Harleys Limited was prosecuted by Westminster City Council for contravention of the Shops Act 1950 and fined £2,000. The Regent Street store is continuing to open for six hours every Sunday in contravention of the Shops Act 1950. The Sunday Trading Bill which is intended to reform the Shops Act 1950 is currently progressing through Parliament. If the Sunday Trading Bill is enacted in its current form, the Regent Street store's Sunday opening hours will be in accordance with that legislation. The existing restrictions on Sunday trading also apply to the Company's shop at Covent Garden in relation to 54 Sundays in each year, but do not apply to the Company's shop at Heathrow Terminal 4.

Save as disclosed above neither the Company nor any of its subsidiaries is or has been engaged in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position nor are any such proceedings pending or threatened against the Company or any of its subsidiaries.

12. Working capital

The Directors are of the opinion that, taking into account bank facilities available to the Group following the Placing and Offer and the proceeds of the Placing and Offer, the Group has sufficient working capital for its present requirements.

13. Taxation

(a) Stamp duty and stamp duty reserve tax

Except in relation to depositary receipt arrangements and clearance services where special rules apply:

- (i) no stamp duty or stamp duty reserve tax ("SDRT") is payable on the allotment by the Company pursuant to the Placing and Offer of new ordinary shares for cash or on the issue of renounceable letters of allocation or share certificates in respect of such shares;
- (ii) a sale by a Vendor to an applicant under the Intermediaries Offer or an original placee pursuant to the Placing and Offer of existing ordinary shares where the sale is not completed by a transfer of the Vendor's registered title to such shares will generally not be liable to stamp duty, but the applicant or original placee will generally be liable to SDRT at the rate of 50p for every £100 or part thereof of the amount or value of the consideration.

However, the Vendors have agreed to pay such SDRT, provided that the liability of the applicant or original placee is to SDRT at the rate of 50p per £100 or part thereof. The Commissioners of Inland Revenue have agreed in terms of Regulation 4 of the Stamp Duty Reserve Tax Regulations 1986 that they will accept notification and payment by Cazenove & Co. of any SDRT liability incurred by original placees who pursuant to the Placing and Offer are allocated existing ordinary shares being sold by the Vendors as discharging any liability of such placees to notify and account for SDRT, provided that their liability would otherwise be to pay SDRT at the rate of 50p per £100 or part thereof;

- (iii) a purchaser of rights to existing or new ordinary shares represented by renounceable letters of allocation from an applicant under the Intermediaries Offer or an original placee or a renouncee on or before the latest time for registration of renunciation will generally be liable to SDRT at the rate of 50p for every £100 (or part thereof) of the amount or value of the consideration. The Regulation 4 agreement mentioned in sub-paragraph (ii) above does not cover any such SDRT liability and does not therefore, in particular cover any SDRT liability incurred by clients of Cazenove & Co. or any Intermediary arising from the sale by Cazenove & Co. or any Intermediary to such clients of rights to existing or new ordinary shares represented by renounceable letters of allocation where Cazenove & Co. or any Intermediary has become entitled to the rights as a principal and is selling them as such;



- (iv) a sale of existing ordinary shares by a Vendor to an applicant under the Intermediaries Offer or an original placee under the Placing and Offer or a sale of existing or new ordinary shares by the applicant, original placee or an intermediate renounee to the ultimate renounee or a sale of existing or new ordinary shares after the latest time for registration of renunciation, in each case where the sale is completed by a transfer of the Vendor's registered title to such shares within two months of the date of the agreement or, if later, of its becoming unconditional, will generally be subject to stamp duty at the rate of 50p for every £100 (or part thereof) of the amount or value of the consideration, and an agreement to sell existing or new ordinary shares after that time which is not completed by a duly stamped transfer within two months of the date of the agreement or, if later, of its becoming unconditional will generally be subject to SDRT at the rate of 50p for every £100 (or part thereof) of the amount or value of the consideration. The purchaser normally pays the stamp duty or SDRT. However, the Vendors have agreed to pay the stamp duty on transfers of their registered titles to such shares to an applicant, original placee or ultimate renounee, as the case may be, provided that his liability is to pay stamp duty at the rate of 50p per £100 or part thereof;
- (v) no stamp duty or SDRT is payable on the registration of the original holders of renounceable letters of allocation or their renounees pursuant to the Placing and Offer or on the issue to them of new ordinary shares pursuant to such registration.

(b) *Dividends*

Under current legislation no tax is withheld by the Company from dividend payments. However, on paying a dividend the Company is liable to account to the Inland Revenue for advance corporation tax ("ACT"). The rate of ACT is equal to one quarter of the dividend. ACT paid by the Company can be set off against the Group's liability to corporation tax, subject to certain limits and restrictions.

Any individual shareholder resident for tax purposes in the United Kingdom will be entitled to a tax credit in respect of any dividend received equal to one-quarter of the amount of the dividend. Such an individual shareholder's liability to United Kingdom income tax is calculated on the sum of the dividend and the tax credit which will be regarded as the top slice of the individual's income. The tax credit therefore equals 20 per cent. of the combined amount of the dividend and tax credit. The tax credit will be available to offset such shareholder's liability (if any) to income tax on the dividend. A shareholder liable to income tax at only the lower or basic rate will have no further liability to income tax on the dividend. A shareholder liable to income tax at the higher rate will be liable to pay additional income tax at a rate equivalent to the difference between the lower rate and the higher rate of income tax (that difference currently being 20 per cent.). If the tax credit exceeds the shareholder's overall liability to income tax (taking into account his other income and any other tax credits and allowances), he may be able to claim payment of the excess in cash from the Inland Revenue.

A corporate shareholder resident for tax purposes in the United Kingdom will not normally be liable to United Kingdom taxation on any dividend received. The dividend and associated tax credit are instead normally treated as franked investment income and, accordingly, the shareholder can offset the tax credit against its own liability to account for ACT on its own distributions.

In appropriate cases, the tax credit may be reclaimed in cash from the Inland Revenue.



Whether shareholders who are resident for tax purposes in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of any dividends received depends in general upon the provisions of any double taxation convention which exists between such countries and the United Kingdom. Individual shareholders who are resident for tax purposes in countries other than the United Kingdom but who are Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands or certain other persons are entitled to a tax credit which they may set off against their total United Kingdom income tax liability or, in appropriate cases, reclaim in cash. Shareholders who are resident for tax purposes in countries other than the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received and as to whether they are entitled to reclaim any part of the tax credit and, if so, the procedure for claiming payment and what relief or credit may be claimed in respect of such tax credit in the country in which they are so resident.

Immediately following the Placing and Offer the Company is unlikely to be a close company within the meaning of Section 414 of the Income and Corporation Taxes Act 1988.

The statements made in the paragraphs above are intended as a general guide only to current United Kingdom law and Inland Revenue practice and may not apply to certain classes of persons (such as dealers in securities). Any person who is in any doubt as to his tax position or requires more detailed information should consult his professional adviser.

14. Pensions

Until 31 March 1992 the Company operated a defined benefit pension scheme. From that date, employee and employer contributions to this scheme ceased and a group administered personal pension plan scheme was established in its stead. The new scheme is not operated by the Company. However, the Company does contribute to individual employee pension plans. Total contributions by the Company for the year ended on 31 January 1993 amounted to approximately £49,000 and for the year ended on 29 January 1994 amounted to approximately £50,000. For the year ended 29 January 1994, this amount constituted approximately 8.75 per cent. of pensionable salaries.

Existing benefits of the members of the old defined benefit scheme are in the process of being transferred to the relevant individuals' personal pension plans. Once these transfers have been made the defined benefit scheme will be wound up.

15. Consents and general

- (a) Pannell Kerr Forster have given and have not withdrawn their written consent to the issue of this document with the inclusion of their report set out in Part IV and their letter set out in Part V of this document and with the references thereto and to itself in the form and context in which they appear.
- (b) J O Hambro Magan & Company Limited and Cazenove & Co. have each given and have not withdrawn their written consent to the issue of this document with the references to them in the form and context in which they appear.
- (c) The Offer Price represents a premium of 180p per ordinary share over the nominal value of 5p per ordinary share.
- (d) It is expected that renounceable letters of allocation will be despatched on 5 May 1994 and definitive share certificates on 14 June 1994, whereupon all the ordinary shares will be in registered form.
- (e) J O Hambro Magan & Company Limited, a member of The Securities and Futures Authority Limited, is registered in England and Wales with registered number 2197343 and its registered office is at 32 Queen Anne's Gate, London SW1H 9AB.



- (f) Cazenove & Co., a member of The Securities and Futures Authority Limited, has its principal place of business at 12 Tokenhouse Yard, London EC2R 7AN.
- (g) The total costs payable by the Company (exclusive of VAT but inclusive of underwriting commissions as set out in paragraph 7 of Part VI of this document) in connection with the Placing and Offer and Listing are estimated to amount to £1.0 million.
- (h) There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.
- (i) No payment or other benefit has been paid, or given, to a promoter of the Company.
- (j) Save as disclosed in paragraph 6.24 of Part IV of this document there has been no significant change in the financial or trading position of the Group since 29 January 1994, the date to which the last audited accounts were made up.
- (k) Jim Hodgkinson is a director of Survival Group Limited, a private company which went into creditors voluntary liquidation on 23 April 1993. Rupert Hambro is a director of Cavelink Limited, a private company which went into creditors voluntary liquidation on 18 October 1993.

16. Documents available for inspection

Copies of the following documents may be inspected at the offices of Clifford Chance, 200 Aldersgate Street, London EC1A 4JJ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 14 days following the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated accounts of the Company and its subsidiaries for the two years ended 29 January 1994;
- (c) the Accountants' Report set out in Part IV of this document and the statement of adjustments relating thereto;
- (d) the Accountants' Letter set out in Part V of this document;
- (e) the rules of the executive share option scheme referred to in paragraph 4 above;
- (f) the trust deed relating to the Employee Share Trust referred to in paragraph 4 above;
- (g) the service agreements referred to in paragraph 6 above;
- (h) the material contracts referred to in paragraph 10 above; and
- (i) the written consents referred to in paragraph 15 above.

26 April 1994. ✓



Definitions

"Accountants' Report"	the Accountants' Report set out in Part IV of this document
"Capital Reorganisation"	the reorganisation of the authorised and issued share capital of the Company which has been effected conditionally upon Listing, as described in Part VI of this document
"Directors" or "Board"	the directors of the Company, whose names appear on page 4 of this document
"EPOS"	electronic point of sale
"Hamleys" or "the Company"	Hamleys plc
"Hamleys Group" or "the Group"	the Company together with its subsidiaries
"Intermediaries"	member firms of the London Stock Exchange and other securities houses authorised in the United Kingdom by The Securities and Futures Authority Limited, in each case, independent of both J O Hambro Magan & Company Limited and Cazenove & Co. and "Intermediary" shall be construed accordingly
"Intermediaries Offer"	the offer by Cazenove & Co. of 3,618,112 ordinary shares to Intermediaries, further details of which are set out in Part III of this document
"Listing"	admission of the ordinary share capital of the Company, issued and now being issued, to the Official List of the London Stock Exchange becoming effective
"London Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"MINTEL"	Mintel International Group Limited, publishers of the Specialist Toy Retailers Report in 1993
"Official List"	the Official List of the London Stock Exchange
"Offer Price"	185p per ordinary share
"ordinary shares"	ordinary shares of 5p each in the Company
"Placing and Offer"	the Placing and the Intermediaries Offer



"Placing"

the placing by Cazenove & Co. of 10,337,463 ordinary shares, as described in Part III of this document

"Preferential Applicants"

Directors, former directors and eligible employees who apply for ordinary shares

"Regent Street store"

Hamleys' store at 188-196 Regent Street, London W1R 6BT

"Vendors"

certain shareholders of the Company who are selling ordinary shares in the Placing and Offer

