Registered Number: 2352435

HAMLEYS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 MARCH 2003

CONTENTS

DIRECTORS' REPORT

The Directors of Hamleys plc present their Annual Report and the audited financial statements for the year ended 29 March 2003.

Principal activity and review of business

The principal activity of the Group is the retailing of toys, games, gifts and sports. The business has continued on it's stated policy of developing it's three core brands across a variety of channels to market. The three brands are Hamleys, The Bear Factory and The English Teddy Bear Company and the principal channels to market are Shops, Catalogue, Web and Business to Business via franchising or wholesale arrangements.

The principal asset of the business is the store on Regent Street which has been affected by the decline in tourists visiting London from February 2003 to June 2003. The summer has seen an increase in tourists as the impact of SARS and the War in Iraq have declined.

The Bear Factory continues to grow with 31 shops now in the UK and a further 10 stores now open internationally through franchising to five partners. We expect to have over 50 shops open by March 2004. You can now find a Bear Factory in Sweden, Eire, Turkey, Dubai, Kuwait, China and Switzerland. This will shortly be followed by Australia, Greece, Cyprus, Malaysia and Denmark.

Trials are expected to start shortly on the sale of Hamleys own brand products through other peoples shops. This presents a low cost means of distributing Hamleys products across the world and has significant potential for growth.

The English Teddy Bear Company has been integrated with the business and one shop in Bath has been refurbished. Performance has been affected by the decline in overseas tourists, particularly from the US and Japan. This business has a strong fit with our overall strategy and provides potential for further growth.

Since February 2003 we have been constructing a purpose built warehouse in Royston. This facility was completed in October 2003 and will replace the current Warehouse in Saffron Walden that will close in January 2004. This new facility will provide sufficient capacity for the UK for the foreseeable future.

Management Buyout

The Group announced it's preliminary results on 17 June 2003. At the same time it announced that it had agreed a cash offer for the business at 205p per share. Through June and July the Management Team, backed by Baugur Group hf through it's Soldier bid vehicle and Children's Stores Holding Limited engaged in a bidding process to acquire Hamleys plc. On 17 July 2003 Children's Stores Holding announced that it had withdrawn from the process and the Independent Board of Directors announced that they were recommending the offer by Soldier Limited at 254p per share.

On 4 August 2003 the Board of Soldier limited announced that their offer for Hamleys plc was unconditional in all respects and on the 1 October 2003, following the expiration of the s429 notice period Soldier acquired the remaining share capital of Hamleys plc. On 3 October 2003 the shares of Hamleys plc were removed from the official list of the London Stock Exchange.

Directors

The following held the position of Director during the year ended 29 March 2003

Executive Directors
Simon Burke (resigned 6 August 2003)
John Watkinson
Ian Parker

Non Executive Directors
Jim Hodkinson (resigned 6 August 2003)
John Napier (resigned 6 August 2003)

The interests, all of which are beneficial, of the Directors (and their immediate families) in the share capital of the Company are set out below -

	Ordinary Shares 29 March 2003	**Ordinary Shares 30 March 2002**
Simon Burke	**47,500**	**47,500**
John Watkinson	**20,033**	**8,233**
Ian Parker	**14,000**	**14,000**
Jim Hodkinson	**2,250**	**2,250**
John Napier	**12,500**	**7,500**

All of the above shareholdings are now nil as they have been acquired by Soldier Limited as a result of the MBO.

Directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' report set out on page 22, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

As required by Company law, the Directors have prepared financial statements for the year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year and of the profit or loss of the Group for the year. The Directors consider that, in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied on a going concern basis, which are supported by judgments and estimates that are reasonable and prudent and that all accounting standards which they consider to be applicable have been followed.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Dividends

An interim dividend of £508,000 was paid on 17 January 2003. No final dividend is proposed.

Donations

During the period the Group made donations of toys, gifts and cash totalling £450 (2002: £1,247) to various charities mainly associated with children. There were no political donations.

Policy on payment of suppliers

The Group either agrees payment terms with each of its suppliers or ensures that the supplier is made aware of the Company's standard payment terms. In either case payment is made in accordance with the Company's contractual or other legal obligations. The Company does not trade, however creditor days in relation to Group trade creditors outstanding at the year end was 85 days (2002: 46 days).

Ethical trading

Hamleys fully supports the International Council of Toy Industries' code of business practice, which was updated in June 2001. This code specifies minimum standards in three specific areas: labour, the workplace and compliance. It is Hamleys' policy for this code of conduct to be complied with by all our suppliers and we seek to have this compliance affirmed by anyone seeking to supply us.

Equal opportunities

The employment policies of the Group are designed to attract, retain and motivate the highest quality personnel, recognising that this can only be achieved through offering equal opportunities, irrespective of race, colour, creed, age, sex, marital status, national origin or disability. Therefore, recruitment and promotion are solely dependent upon the suitability of an applicant for the job.

In respect of disabled personnel, it is the policy of the Group to give full and fair consideration to applicants for employment from people with disabilities, having regard to the nature of their employment. Suitable opportunities are offered to people with disabilities in order to promote

DIRECTORS' REPORT continued

their career development and, where appropriate, to continue the employment of those individuals who become disabled.

Employment involvement
The Group recognised the need to provide effective communication and consultation with employees through bulletins relating to the business performance and objectives and other issues.

Auditors
Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 20th March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation existence for the foreseeable future. For this reason the Company continues to adopt the going concern basis in preparing the accounts.

By order of the Board

Ian Parker
Secretary
21 October 2003

REMUNERATION REPORT

The Board presents its report to shareholders on Directors remuneration which has been prepared in compliance with Schedule 7A of the Companies Act . This report is unaudited unless stated otherwise.

The remuneration committee was comprised of the two non-executive Directors as shown on page 1.

Policy on remuneration
The remuneration committee reviewed it's policy annually to ensure that the package it offered were competitive in the market and were suitable to retain and incentivise the best staff. The key components of the package were -

i. Basic Salary - taking into account individual performance and comparisons to similar positions externally.

ii. Annual executive bonus scheme - based on exceeding operating targets agreed by the Board in the form of an annual budget. No bonus was paid for the year ended 29 March 2003 and a discretionary bonus of 3.33% was paid in the year ended 30 March 2002 although the target was not achieved.

iii. Share options - The company operates three schemes for Executive Directors

   a. Executive Share Options - granted to Directors and other senior employees with overall Company performance targets and vesting restrictions which operate as follows -

      - An option may be exercised after three and prior to ten years from the issuing of the grant. 25% can be exercised after three years, a further 25% can be exercised after four years and the remaining 50% after five years.

      - The options may not be exercised unless the Company's earnings per share grow by at least 6% more than the Retail Price Index over a three year period. The period is any three consecutive financial years of the Company ending before the date of the exercise of the option. Earnings per share is calculated on the "net basis" in accordance with FRS14.

   b. Phantom Share Options - granted to Simon Burke. At last year's AGM approval was granted to change these Options into regular Executive Share Options. The documentation relevant to these options were not executed so the Phantom Options remained in force. The rules in force for the scheme were as follows -

      - The vesting tranches are from the date of the grant, 25% in two years and six months, 25% in three years and six months and 50% in four years and six months.

      - The objective performance targets require the earnings per share (EPS) of the last completed financial period of the Company, as defined by FRS14 to achieve certain levels, and each level a percentage of the vested options then become exercisable. The scale ranges from an EPS of 18.4p, allowing 10% of vested options to be exercised, to an EPS of 33.4p allowing 100% of vested options to be exercisable.

   c. Save as You Earn - At last year's AGM the Shareholders approved the scheme which allows all employees the right to acquire options over the Company's shares at a discount. The scheme allows employees to save up to £250 per month and use this money in three years time to acquire shares in the Company at the agreed price.

iv. The table below provides details on service and employment contracts. The notice period of the termination of the Executive Directors service contracts or employment varies from six to twelve months. The Company does not enter into contracts with more than twelve months notice.

Name	Unexpired term or notice period	Any specific termination provisions	Date of contract or letter
Simon Burke	12 Months	None	21/7/1999
John Watkinson	12 Months	None	1/11/1999
Ian Parker	6 Months	None	26/6/2000
Jim Hodkinson	1 Month	None	28/4/1994
John Napier	1 Month	None	15/12/2000

Policy on external appointment
v. Hamleys recognizes that it's Directors are likely to be invited to become Non-executive Directors of other large companies and that exposure to such positions can broaden knowledge and experience which will benefit Hamleys. Executive Directors are allowed to accept positions so long as these do not pose any conflicts of interest or are in competing companies. Directors are allowed to retain fees for these positions.

Pensions
vi. The Executive Directors receive a supplement of up to 20% of basic salary, which they can elect to have paid directly into the Group administered pension scheme or a pension fund or invest in an ISA or other investments.

Policy on remuneration of non-executive directors
Non-executive Directors receive fees for their services in connection with Board and Board committee meetings and, where relevant, for additional services such as chairing the Board or Board committee. They do not have contracts of service and do not participate in the executive share option scheme. They can participate in the SAYE scheme and are entitled to staff discount on merchandise sold by the company.

REMUNERATION REPORT continued

Detailed Directors Emoluments

The table below provides details on the components of remuneration for each Director who held office in the year. In the year ended 29 March 2003, the Executive Directors did not earn any bonus. Their remuneration did not include any performance related pay. The bonus scheme is set annually, based on the Company's profit target and is aimed to pay a bonus of approximately 10% of salary for achieving this target.

Directors' emoluments

For the year ended 29 March 2003	Basic salary (£'000)	Pension (£'000)	Benefits (£'000)	Total 2003 (£'000)	Total 2002 (£'000)
Executive					
Simon Burke Executive chairman	307	18	10	335	318
John Watkinson Chief Operating Officer	167	24	18	209	193
Ian Parker Finance Director	98	9	–	107	104
Non-executive					
Jim Hodkinson	17	–	–	17	17
John Napier	15	–	–	15	15
Total	604	51	28	683	647

Benefits incorporate all assessable tax benefits arising from employment by the Company, which relate in the main to the provision of a company car.

Director Share Options

Details of the Directors Share options are shown below. These figures have been audited.

Name	Options 30/3/02	Granted during year	Options 29/3/03	Exercise price	Date of grant	Date normally first exercised	Expiry date	Type of option
Simon Burke	746,268		746,268	134p	29/2/2000	29/8/2002	29/2/2010	Phantom
	62,500		62,500	128p	27/3/2001	27/9/2003	27/3/2011	Phantom
		7,500	7,500	126p	10/9/2002	1/11/2005	30/4/2006	SAYE
John Watkinson	22,641		22,641	132.5p	3/4/2000	3/4/2003	3/4/2010	Executive Approved
	158,491		158,491	132.5p	3/4/2000	3/4/2003	3/4/2010	Executive
	164,062		164,062	128p	27/3/2001	27/3/2004	27/3/2011	Executive
		7,500	7,500	126p	10/9/2002	1/11/2005	30/4/2006	SAYE
Ian Parker	23,437		23,437	128p	27/3/2001	27/3/2004	27/3/2011	Executive Approved
	117,188		117,188	128p	27/3/2001	27/3/2004	27/3/2011	Executive
		4,500	4,500	126p	10/9/2002	1/11/2005	30/4/2006	SAYE
Jim Hodkinson		7,500	7,500	126p	10/9/2002	1/11/2005	30/4/2006	SAYE
John Napier		6,000	6,000	126p	10/9/2002	1/11/2005	30/4/2006	SAYE

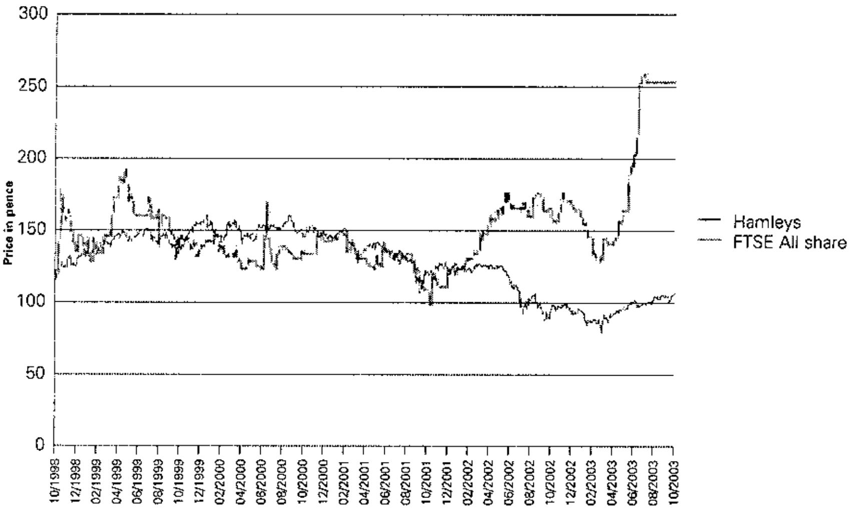
During the year ended 29 March 2003 the shares reached a low of 126.5p on 13 March 2003 and reached a high of 177p on 16 November 2002. The shares closed at 141.5p on 28 March 2003. The shares were subsequently acquired by Soldier Limited for 254p.

As a result of the MBO, all of these options have now been exercised.

Company Performance

The following chart shows the performance of Hamleys plc relative to the FTSE All Share index for the last five years. We considered that the All Share index provided the best comparison due to the size of Hamleys relative to other companies in it's sector. The Graph shows that the shares have out performed the All Share index by 240% over this period.

Hamleys Share Price Performance



On behalf of the Board

Ian Parker
21 October 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 MARCH 2003

	Note	**2003 (£'000)**	2002 (£'000)
Turnover	2	**51,782**	45,918
Operating profit before exeptional items	4	**6,262**	4,912
Bear Factory net litigation costs	4	**(200)**	–
Toystack rebranding related costs	4	–	(664)
Release of property provision	4	–	250
Operating profit		**6,062**	4,498
Net interest payable	8	**(690)**	(785)
Profit on ordinary activities before taxation	7	**5,372**	3,713
Taxation on profit on ordinary activities	9	**(1,678)**	(1,196)
Profit on ordinary activities after taxation		**3,694**	2,517
Dividends	11	**(508)**	(1,533)
Retained profit for the year	23	**3,186**	984
Earnings per share			
Basic	12	**16.8p**	12.0p
Diluted	12	**16.7p**	12.0p
Dividends per share	11	**2.2p**	7.3p

The reported profit in the year is not materially different from the profit on an unmodified historical cost basis.

All results are from continuing operations.

The Group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

CONSOLIDATED BALANCE SHEET
AT 29 MARCH 2003

	Note	**2003 (£'000)**	2002 (£'000)
Fixed assets			
Intangible assets	13	**908**	105
Tangible assets	14	**13,684**	10,956
		14,592	11,061
Current assets			
Stocks – goods for resale		**6,675**	5,542
Debtors	16	**1,952**	1,373
Cash at bank and in hand		**836**	1,279
		9,463	8,194
Creditors			
Amounts falling due within one year	17	**(6,510)**	(17,325)
Net current assets/(liabilities)		**2,953**	(9,131)
Total assets less current liabilities		**17,545**	1,930
Creditors			
Amounts falling due after more than one year	18	**(8,919)**	–
Provisions for liabilities and charges	19	**(576)**	(373)
Net assets		**8,050**	1,557
Capital and reserves			
Called up share capital	22	**1,284**	1,167
Share premium account	23	**3,511**	321
Capital redemption reserve	23	**6,403**	6,403
Profit and loss account	23	**(3,148)**	(6,334)
Equity shareholders' funds	5	**8,050**	1,557

Approved by the Board on 21 October 2003

IR Parker Director
JD Watkinson Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 29 MARCH 2003

	Note	2003 (£'000)	2002 (£'000)
Net cash inflow from operating activities	24	**7,970**	7,884
Returns on investments and servicing of finance			
Interest received		**731**	183
Interest paid		**(1,463)**	(1,010)
		(732)	(827)
Taxation paid		**(1,611)**	(1,020)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		**(69)**	(37)
Purchase of tangible fixed assets		**(4,358)**	(4,669)
		(4,427)	(4,706)
Acquisitions and disposals		**(640)**	–
Equity dividends paid		**(1,580)**	(1,533)
Net cash outflow before use of liquid resources and financing		**(1,020)**	(202)
Financing			
Repayment of bank loans		**(2,729)**	719
Issue of ordinary share capital (net of costs)		**3,306**	–
		577	719
Movement in cash		**(443)**	517
Reconciliation to net debt			
Balance at 30 March 2003		**(10,369)**	(10,167)
Net cash (outflow)/inflow		**(443)**	517
Movement in bank borrowings		**2,729**	(719)
Balance at 29 March 2003	25	**(8,083)**	(10,369)

COMPANY BALANCE SHEET
AT 29 MARCH 2003

	Note	2003 (£'000)	2002 (£'000)
Fixed assets			
Investments	15	**32,910**	30,910
Current assets			
Debtors	16	**3,328**	3,289
		3,328	3,289
Creditors			
Amounts falling due within one year	17	**(7,764)**	(10,709)
Net current liabilities		**(4,436)**	(7,420)
Total assets less current liabilities		**28,474**	23,490
Creditors			
Amounts falling due after more than one year	18	**(2,287)**	–
Net assets		**26,187**	23,490
Capital and reserves			
Called up share capital	22	**1,284**	1,167
Share premium account	23	**3,511**	321
Capital redemption reserve	23	**6,403**	6,403
Merger relief reserve	23	**978**	978
Special reserve	23	**10,921**	10,921
Profit and loss account	23	**3,090**	3,700
Equity shareholders' funds		**26,187**	23,490

Approved by the Board on 21 October 2003

IR Parker Director
JD Watkinson Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Accounting convention

The financial statements are prepared in accordance with applicable Accounting Standards and under the historical cost convention, modified to include long leasehold property which was written down to a revalued amount in 1994. The Group adopted the transitional provisions of FRS15 'Tangible Fixed Assets' not to update valuations.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries for the year ended 29 March 2003.

Accounting for acquisitions

On acquisition, the book value of tangible assets is adjusted to bring the accounting policies of businesses acquired into alignment with those of the Group.

Goodwill arising on acquisition represents the excess of the fair value of consideration given over the fair value of net assets acquired.

Goodwill on acquisitions made prior to 1 February 1998 was eliminated against reserves in the year of acquisition as a matter of accounting policy. Any goodwill on acquisitions since 1 February 1998 is capitalised and written off over its useful economic life. In accordance with the requirements of FRS10, goodwill arising on the acquisitions in this year has been capitalised on the balance sheet and is being amortised over the expected useful economic life of 20 years.

Intangible fixed assets

Amortisation is provided on cost in equal instalments over the estimated lives of the assets. The amortisation rates are as follows:

Trademarks	5% – 20%
Other franchising costs	20% – 50%

Tangible fixed assets

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

Freehold land	Not depreciated
Long leasehold property	2% per annum
Short leasehold property	Over the term of the lease
Leased assets	Over the term of the lease
Computer equipment	20% per annum
Fixtures, fittings and leasehold improvements	4% – 20% per annum
Motor vehicles	25% reducing balance
Freehold buildings	2% per annum

Assets under construction will not be depreciated until they become operational in the business.

Additional depreciation may be charged where Directors consider there to have been an impairment in the underlying value of an asset.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Stocks

Stocks are stated at the lower of invoice cost and net realisable value.

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future.

An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred taxation assets and liabilities have not been discounted.

Warranty costs

Provisions are made for warranty costs where material.

Pension cost

The pension cost represents contributions payable by the Group in the period.

Pre-opening costs

All revenue costs associated with the opening of new shops are charged to the profit and loss account as incurred.

Reverse premiums and rent free periods

Reverse premiums received and the value of any rent free period in excess of 10 weeks granted from store opening date on acquiring a new shop are included in deferred income and released to the profit and loss account over the shorter of the period to the next rent review or lease expiry.

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 and 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 periods of the leases.

1. Accounting policies continued

Foreign exchange

Assets and liabilities denominated in overseas currencies are translated into sterling at the balance sheet date. The trading results are translated into sterling at the average rate of exchange during the year. Transactions and non-monetary assets and liabilities are translated at rates appropriate to the transaction date.

Financial instruments

The profit impact of forward currency contracts are deferred until the underlying transaction is recognised in the profit and loss account.

2. Turnover and profit

Turnover represents sales and the net profit income from concession sales excluding VAT. The turnover and profit before taxation are attributable to the principal activity of the Group.

3. Segmental reporting

	Hamleys		Bears		Toystack		Total	Total
	2003 (£'000)	2002 (£'000)	**2003 (£'000)**	2002 (£'000)	**2003 (£'000)**	2002 (£'000)	**2003 (£'000)**	2002 (£'000)
Turnover	**32,036**	30,293	**19,746**	13,158	**–**	2,467	**51,782**	45,918
Gross profit	**17,212**	16,071	**13,554**	9,138	**–**	574	**30,766**	25,783
Contribution	**8,100**	7,818	**3,597**	2,854	**–**	(847)	**11,697**	9,825
Central and distribution costs							**(5,435)**	(4,913)
Bear Factory net litigation costs							**(200)**	–
Toystack rebranding related costs							**–**	(664)
Release of property provision (Hamleys)							**–**	250
Operating profit							**6,062**	4,498

The results of Hamleys Bear Investment Limited are not considered to be material enough for separate disclosure as an acquisition on the face of the profit and loss account in accordance to FRS3 "Reporting financial performance" as turnover was only £555,000 and a operating loss of £13,600.

Included in the above is turnover of £636,283 (2002: £394,450) for Hamleys BV, a wholly owned subsidiary operating a satellite store in the Netherlands. In all other cases the origin and destination of turnover are identical.

	Hamleys		Bears		Total	Total
	2003 (£'000)	2002 (£'000)	**2003 (£'000)**	2002 (£'000)	**2003 (£'000)**	2002 (£'000)
Operating net assets						
Group	**9,571**	9,425	**6,562**	3,572	**16,133**	12,997
Central – net liabilities						
Dividends					**–**	(1,071)
Net borrowings					**(8,083)**	(10,369)
Net assets					**8,050**	1,557

Central net liabilities comprise dividends, cash and borrowings which have not been allocated to segments.

4. Cost of sales and net operating expenses

	2003 (£'000)	2002 (£'000)
Turnover	**51,782**	45,918
Cost of sales	**(21,016)**	(20,135)
Gross profit	**30,766**	25,783
Selling and distribution costs	**(20,407)**	(17,232)
Administrative expenses	**(4,297)**	(4,053)
Operating profit	**6,062**	4,498

Administrative expenses in 2003 include £200,000 of exceptional costs that relate to Bear Factory net litigation costs.

Administrative expenses in 2002 include a net £414,000 of exceptional costs that relate to the rebranding of Toystack and the release of the property provision.

The exceptional items give rise to a tax credit of £60,000 (2002: £103,200).

NOTES TO THE FINANCIAL STATEMENTS continued

5. Reconciliation of movements in Group shareholders' funds

	2003 (£'000)	2002 (£'000)
Profit on ordinary activities after taxation	**3,694**	2,517
Dividends	**(508)**	(1,533)
Share issue	**117**	–
Premium on share issues	**3,360**	–
Share issue costs	**(170)**	–
	6,493	984
Opening shareholders' funds	**1,557**	573
Closing shareholders' funds	**8,050**	1,557

6. Information regarding Directors and employees

Details on Directors' emoluments and interest in shares are included in the Remuneration Report on pages 3 and 4.

Employees	2003 (£'000)	2002 (£'000)
Employee costs during the year		
Wages and salaries	**7,596**	6,698
Social security costs	**551**	484
Other pension costs (see note 29)	**160**	159
	8,307	7,341

The average number of staff employed by the Group during the year:

	Number	Number
Sales and distribution	**416**	363
Administration	**42**	40
	458	403

7. Profit on ordinary activities before taxation

	2003 (£'000)	2002 (£'000)
Total operating profit is after charging:		
Rentals under operating leases:		
Hire of machinery and equipment	**128**	107
Other operating leases		
– rental on the Regent Street store	**2,100**	2,100
– rental on other stores	**4,459**	3,024
Depreciation and amortisation:		
– intangible	**53**	30
– tangible	**1,625**	1,593
Exceptional loss on disposal of Toystack fixed assets	**–**	669
Auditors' remuneration (included in respect of the Company £2,122 (2002: £2,060))	**47**	55
Auditors remuneration – non-audit services	**5**	23

8. Net interest payable

	2003 (£'000)	2002 (£'000)
Interest receivable on bank deposits	**826**	183
Interest payable on bank loans	**(1,516)**	(968)
	(690)	(785)

9. Taxation on profit on ordinary activities

	2003 (£'000)	2002 (£'000)
Current corporation tax at 30% (2002: 30%)	1,457	1,205
Over provision in respect of prior periods	–	(74)
Subtotal	1,457	1,131
Overseas tax	18	2
Deferred tax – current period (see note 19)	255	103
Deferred tax – prior year (see note 19)	(52)	(40)
	1,678	1,196

The tax assessed for the period is different to the standard rate of corporation tax in the UK (30%) as explained below:

	2003 (£'000)	2002 (£'000)
Profit on ordinary activities before taxation	5,372	3,713
Tax at 30%	1,612	1,114
Factors affecting the tax charge:		
Depreciation on assets not eligible for tax relief	107	113
Other expenses not deductable for tax relief	11	83
Excess of capital allowances over depreciation	(255)	(103)
Over provision in respect of prior periods	–	(74)
Actual tax charge current/overseas	1,475	1,133

10. Parent company profit and loss

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss attributable to shareholders for the year ended 29 March 2003 amounted to £102,000 (2002: profit of £2,153,000).

11. Dividends

	2003 (£'000)	2002 (£'000)
Interim paid 2.2p per ordinary share (2002: 2.2p)	508	462
Final proposed £nil per ordinary share (2002: 5.1p)	–	1,071
	508	1,533

12. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings (£'000)	2003 weighted average no. of shares ('000)	Per share amount (pence)	Earnings (£'000)	2002 weighted average no. of shares ('000)	Per share amount (pence)
Profit attributable to shareholders	3,694			2,517		
Basic EPS						
Ordinary shares in issue		22,010			21,006	
Shares held by Employee Share Trust		(67)			(67)	
Earnings attributable to ordinary shareholders	3,694	21,943	16.8	2,517	20,939	12.0
Effect of dilutive securities		240	(0.1)		–	–
Diluted EPS	3,694	22,183	16.7	2,517	20,939	12.0

NOTES TO THE FINANCIAL STATEMENTS continued

13. Intangible fixed assets

	Goodwill (£'000)	Trademarks (£'000)	Other (£'000)	Total (£'000)
The Group				
Cost				
At 31 March 2002	–	247	199	446
Additions	787	69	–	856
At 29 March 2003	**787**	**316**	**199**	**1,302**
Accumulated amortisation				
At 31 March 2002	–	142	199	341
Charge for the year	21	32	–	53
At 29 March 2003	**21**	**174**	**199**	**394**
Net book value				
At 29 March 2003	**766**	**142**	**–**	**908**
At 30 March 2002	–	105	–	105

The Company had no intangible fixed assets at 29 March 2003 or 30 March 2002.

On 11 September 2002, Hamleys Bear Investment Limited, a wholly owned subsidiary of Hamleys plc, acquired four stores and stock, trading as The English Teddy Bear Company from the liquidator of Avonhire Limited. Summarised below are the assets and liabilities with related fair value adjustments:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Stock	60	(30)	30
Creditors	(70)	(107)	(177)
	(10)	(137)	(147)
Goodwill			787
Total cash consideration			640

The fair value adjustment of stock reflects the net realisable value of stock at the date of acquisition. The fair value adjustment to creditors is reflecting the higher level of known liabilities at the date of acquisition.

14. Tangible fixed assets

	Freehold land & property (£'000)	Long leasehold property (£'000)	Short leasehold property (£'000)	Fixtures and fittings (£'000)	Computer equipment (£'000)	Total (£'000)
The Group						
Cost or valuation						
At 31 March 2002	–	633	808	11,685	2,436	15,562
Additions	1,678	–	136	2,027	512	4,353
At 29 March 2003	**1,678**	**633**	**944**	**13,712**	**2,948**	**19,915**
Accumulated depreciation						
At 31 March 2002	–	109	257	2,568	1,672	4,606
Charge for the year	–	23	61	1,250	291	1,625
At 29 March 2003	**–**	**132**	**318**	**3,818**	**1,963**	**6,231**
Net book value						
At 29 March 2003	**1,678**	**501**	**626**	**9,894**	**985**	**13,684**
At 30 March 2002	–	524	551	9,117	764	10,956

Notes:

a) The long leasehold property was valued at £600,000 at 29 January 1994 on the basis of existing use.

b) The historical cost of long leasehold property included at valuation is as follows:

	2003 (£'000)	2002 (£'000)
Cost	**1,190**	1,190
Accumulated depreciation	**(334)**	(310)
Net book value	**856**	880

c) The Company had no tangible fixed assets at 29 March 2003 or at 30 March 2002.

15. Investments

Investments in Subsidiaries

The Company	2003 (£'000)	2002 (£'000)
Shares in subsidiary undertakings (at cost)		
At 31 March 2002	**30,910**	28,982
Additions during the year	**2,000**	11,212
Disposals during year	**–**	(9,284)
At 29 March 2003	**32,910**	30,910

The Company owns the entire share capital of Hamleys of London Limited, The Bear Factory Limited, Hamleys Bear Investment Limited, Hamleys Financial Services Limited and Hamleys Employment Services Limited. Hamleys of London Limited owns the entire share capital of Hamleys Trustees Limited, Hamleys BV, Hamleys Properties Limited and House of Toys Limited. House of Toys Limited is dormant.

During the year the Company subscribed for the entire share capital of Hamleys Bear Investment Limited on incorporation.

In 2002 the Company increased its investment in The Bear Factory Limited, and disposed of the entire share capital of Hobbies and Models Limited on 16 November 2001.

The principal activity of each trading subsidiary is as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

16. Debtors

	The Group 2003 (£'000)	The Group 2002 (£'000)	The Company 2003 (£'000)	The Company 2002 (£'000)
Trade debtors	**341**	241	**–**	–
Amounts owed by Group undertakings	**–**	–	**3,099**	3,103
Corporation tax recoverable	**–**	–	**206**	163
Other debtors	**641**	177	**23**	23
Prepayments and accrued income	**970**	955	**–**	–
	1,952	1,373	**3,328**	3,289

Included with other debtors for The Group and The Company are own shares of £23,000 (2002: £23,000) see note 30.

17. Creditors – Amounts falling due within one year

	The Group 2003 (£'000)	The Group 2002 (£'000)	The Company 2003 (£'000)	The Company 2002 (£'000)
Bank borrowings	**–**	11,648	**–**	3,190
Trade creditors	**4,878**	2,523	**–**	–
Amounts owed to Group undertakings	**–**	–	**7,711**	6,389
Other creditors	**177**	194	**48**	48
Corporation tax	**427**	573	**–**	–
Other taxation and social security	**442**	326	**–**	–
Dividends	**–**	1,071	**–**	1,071
Accruals	**586**	990	**5**	11
	6,510	17,325	**7,764**	10,709

The Group obtained a new loan facility in the year which is shown within creditors due after more than one year. The old facility expired on 30 April 2002 and hence bank borrowings at 30 March 2002 were shown in creditors due within one year.

18. Creditors – Amounts falling due after more than one year

	The Group 2003 (£'000)	The Group 2002 (£'000)	The Company 2003 (£'000)	The Company 2002 (£'000)
Bank borrowings	**8,919**	–	**2,287**	–

On 28 April 2002 the Group re-arranged the bank facilities with HBOS. The bank facilities are secured by a debenture by way of legal mortgage and fixed and floating charge over the property assets of Hamleys plc, Hamleys of London Limited, The Bear Factory Limited, and Hamleys Bear Investment Limited. As a result of the management buyout these facilities were repaid and new facilities were negotiated through the acquisition of the business. See note 32.

19. Provisions for liabilities and charges

	Deferred taxation (£'000)	Total (£'000)
At 31 March 2002	373	373
Provisions created in the year	255	255
Provisions released in the year	(52)	(52)
At 29 March 2003	**576**	**576**

The analysis of deferred taxation is detailed in note 21.

The Company had no provisions for liabilities or charges at 29 March 2003 or 30 March 2002.

20. Financial instruments

The disclosures for the 29 March 2003 and 30 March 2002 are given below and are considered representative of the Group's position throughout the last 2 years.

Financial risk

The Group's approach to financial risk has remained consistent and is to reduce the level of risk to which the Group is exposed whilst maintaining the level of flexibility required to respond to the commercial needs of the business. The main areas of financial risk are: currency risk (both translation and transaction), interest rate risk and funding risk.

Currency risk

The Group has only limited international operations, with one store in The Netherlands, and hence the exposure that can arise from movements in foreign exchange rates in connection with this business is small. The Group does not hedge the translation exposure, as the cost is not commensurate with the risk.

With regard to transactional currency exposures, the Group will consider taking forward cover where significant payments or receipts are due. Funds remitted between cross-border entities are minimised to reduce the transaction exposure of earnings. In terms of borrowing, the Group aims to ensure that the currency of borrowings is matched to the trading cash flows that will service them.

Interest rate risk

The Group has exposure to interest rate fluctuations on its floating rate borrowings, having no fixed rate borrowings. This exposure is reviewed periodically by the Board, however exposure has not been significant in recent years.

Funding risk

With regard to funding risk, the Group aims to achieve a balance between certainty of funding and a flexible cost-effective borrowing structure.
To ensure a prudent approach is taken, the Group ensures that there are sufficient funds or credit lines available to meet known obligations for the next twelve months.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all of the following disclosures, other than the currency risk disclosures. They are not considered significant to the risk profile of the entity.

(a) Interest rate risk of financial liabilities

The Group has a loan facility with the Bank of Scotland whereby all accounts held at the bank are offset against each other. The floating rate financial liabilities referred to below form part of this offset facility. The resulting liability bears interest at the annual LIBOR rate plus 1%.

	2003 (£'000)	2002 (£'000)
Floating rate financial liabilities – Sterling	**8,905**	11,647
Floating rate financial liabilities – US Dollars	**2**	1
Floating rate financial liabilities – Euro's	**12**	–
	8,919	11,648

(b) Interest rate risk of financial assets

The cash in hand balances earn interest based on relevant national LIBID equivalents.

	2003 (£'000)	2002 (£'000)
Cash at bank – Sterling	**489**	1,208
Cash at bank – Euro's	**347**	71
	836	1,279

(c) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities was as follows:

	2003 (£'000)	2002 (£'000)
Within one year - bank borrowings	**–**	11,648
Between 1 and 2 years - bank borrowings	**8,919**	–

On April 2002 the Group re-arranged the bank facilities with HBOS. The bank facilities are secured by a debenture by way of legal mortgage and fixed and floating charge over the property assets of Hamleys plc, Hamleys of London Limited, The Bear Factory Ltd and Hamleys Bear Investment Limited. As a resut of the management buyout these facilities were repaid and new facilities were negotiated through the acquisition of the business.
See note 32.

(d) Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 29 March 2003:

	2003 (£'000)	2002 (£'000)
Expiring within one year	**–**	5,590
Expiring in 1-2 years	**8,047**	–

NOTES TO THE FINANCIAL STATEMENTS continued

20. Financial instruments continued

(e) Currency exposures

The currency exposure of the Group's net monetary assets and liabilities is shown below. Such exposures comprise the monetary amounts that are not denominated in the operating (or "functional") currency of the operating unit involved.

Net foreign currency (liabilities) not in the functional currency of Group operation are as follows:

	2003 (£'000)	2002 (£'000)
US Dollars	**(2)**	(1)

The balances with Group companies have been excluded from this analysis, as they are not considered significant.

(f) Fair value of assets and liabilities

There are no material differences between the book and fair value of the Group's assets and liabilities. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and excludes accrued interest.

At the year end there was a forward contract to purchase $2,000,000 on 1 April 2003. At 29 March the book value of this contract was £1,230,700 and the fair value was £1,275,600.

(g) Hedges

The Group does not hedge the translation exposure and earnings.

The Group's aim is to match the currency of borrowings to the currency of trading cash flows that will service them.

The Group will consider entering forward foreign currency contracts where significant receipts or payments are due.

(h) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

21. Deferred tax

Deferred tax provided in the Group financial statements is as follows:

	2003 (£'000)	2002 (£'000)
Capital allowances in excess of depreciation	**576**	373

The Group had no unprovided amounts of deferred tax at 29 March 2003 or 30 March 2002.

The Company had no deferred tax, provided or unprovided, at 29 March 2003 or 30 March 2002.

22. Share capital

	29 March 2003		30 March 2002	
	Number	**(£'000)**	Number	(£'000)
Ordinary 5 5/9p shares				
Authorised	**28,170,000**	**1,565**	28,170,000	1,565
Allotted, issued and fully paid	**23,106,775**	**1,284**	21,006,160	1,167
Non-cumulative redeemable B preference shares of 25 3/4p				
Authorised	**23,944,998**	**6,166**	23,944,998	6,166

On 4 October 2002, the company allotted and issued 2,100,615 new ordinary shares of 5 5/9p. The issue was at 165.5p per share which gave rise to total proceeds of £3,476,518.

The Hamleys' executive share option scheme

On 11 April 1994, the Company adopted an executive share option scheme. The scheme has been approved by the Inland Revenue. On 6 May 1994 options were granted to senior employees and Directors of the Company to acquire ordinary shares in the Company at the offer price of 185p per share. During the period ended 31 January 1998, consent was obtained from the Inland Revenue to amend the existing scheme to include an Unapproved Share Option Scheme.

On 24 July 2002, the Company adopted an employees Savings-Related share option scheme. The scheme has been approved by the Inland Revenue.

As a result of the MBO, all these options have now been exercised.

22. Share capital continued

At 29 March 2003 the number of shares over which there were unexercised options amounted to 792,683 (2002: 725,115) ordinary shares as follows:

Date option granted	Option price (pence)	Exercisable at 29 March 2003 (number)	Exercisable at 30 March 2002 (number)	Exercisable
Senior employees share option scheme				
06/04/1994	185.4	37,473	37,473	06/04/1997 – 05/04/2004
22/05/1997	307.0	18,905	18,905	22/05/2000 – 21/05/2007
13/06/1997	273.0	5,333	5,333	13/06/2000 – 12/06/2007
27/05/1998	269.0	35,903	40,085	27/05/2001 – 26/05/2008
03/04/2000	132.5	181,132	181,132	03/04/2003 – 02/04/2010
27/03/2001	128.0	379,687	442,187	27/03/2004 – 26/03/2011
Sharesave scheme				
10/09/2003	126.0	134,250	–	01/11/2005 – 31/10/2007

The number of ordinary shares which may be issued on the exercise of options granted under the scheme of any other executive share option scheme adopted by the Company in any ten-year period may not exceed each number of ordinary shares as represents 5% of the ordinary share capital of the Company. An option granted under the scheme may not be exercised earlier than three years nor later than ten years after the grant date and unless performance conditions have been met.

23. Reserves

	Share Premium Account (£'000)	Capital Redemption reserve (£'000)	Profit and loss account (£'000)
The Group			
As at 31 March 2002	321	6,403	(6,334)
Profit for the year	–	–	3,186
Premium on shares issued	3,360	–	–
Share issue costs	(170)	–	–
At 29 March 2003	**3,511**	**6,403**	**(3,148)**

The cumulative amount of goodwill written off in earlier years in respect of subsidiary companies amounts to £26,653,000 (2002: £26,653,000).

	Share Premium Account (£'000)	Capital Redemption reserve (£'000)	Merger Relief Reserve (£'000)	Special reserve (£'000)	Profit and loss account (£'000)
The Company					
As at 31 March 2002	321	6,403	978	10,921	3,700
Loss for the year	–	–	–	–	(610)
Premium on shares issued	3,360	–	–	–	–
Share issue costs	(170)	–	–	–	–
At 29 March 2003	**3,511**	**6,403**	**978**	**10,921**	**3,090**

The special reserve is not distributable. The Company's distributable reserves within the profit and loss account at 29 March 2003 were £3,090,000 (2002: £3,700,000).

24. Reconciliation of operating profit to net cash inflow from operating activities

	2003 (£'000)	2002 (£'000)
Operating profit	**6,062**	4,498
Amortisation on intangible fixed assets	**53**	30
Depreciation on tangible fixed assets	**1,625**	1,593
Exceptional write off on disposal of Toystack fixed assets	**–**	669
(Increase)/decrease in stocks	**(1,133)**	657
(Increase)/decrease in debtors	**(473)**	445
Increase in creditors	**1,836**	242
Decrease in provisions for liabilities and charges	**–**	(250)
Net cash inflow from operating activities	**7,970**	7,884

NOTES TO THE FINANCIAL STATEMENTS continued

25. Reconciliation to net debt
The Group

Net debt comprises:	**2003 (£'000)**	2002 (£'000)
Cash at bank and in hand	**836**	1,279
Bank borrowing held within creditors due after more than one year	**(8,919)**	–
Bank borrowings held within creditors due within one year	**–**	(11,648)
	(8,083)	(10,369)

26. Contingencies
The Group

	2003 (£'000)	2002 (£'000)
Guarantee in favour of HM Customs & Excise	**200**	200
Documentary credits	**334**	62
	534	262

Guarantees have been given by the company to Hamleys of London Limited and The Bear Factory Limited in respect of the bank facilities. The potential exposure is £6,632,000 (2002: £8,458,000).

Hamleys Financial Services Limited, a subsidiary of Hamleys plc, operates a scheme which manages the card handling services for the trading group companies. Similar schemes are in operation by other major retailers, some of which are currently being challenged by the Inland Revenue. In line with other retailers, no profit has been recognised from this scheme. The group currently holds an un-recognised contingent asset of £44,065 (2002: £nil) dependent on the successful defence of this scheme

27. Capital commitments
The Group had capital commitment of £4,206,000 at 29 March 2003 in relation to the building of a new warehouse. The Company had no capital commitments at 29 March 2003.

The Group and Company had no capital commitments at 30 March 2002.

28. Operating lease commitments
At 29 March 2003 the Group was committed to making the following annual payments in respect of operating leases.

	Land and buildings 2003 (£'000)	Land and buildings 2002 (£'000)	**Other 2003 (£'000)**	Other 2002 (£'000)
Leases which expire:				
Within one year	**–**	–	**21**	28
Within two to five years	**559**	191	**16**	14
After five years	**6,416**	5,562	**–**	–
	6,975	5,753	**37**	42

The Company had no operating lease commitments at 29 March 2003 or 30 March 2002.

29. Pension Scheme
There is no Group or Company pension scheme; however, the Company does contribute to individual employee pension plans under a Group administered personal pension scheme. Total Group contributions in the year amounted to £160,000 (2002: £159,000) being between either 5% or 8.75% (2002: 5% or 8.75%) of pensionable salaries. There were no contributions payable at the year end.

30. Employee share trust
In 1989 the Company established an employee share trust for the purpose of holding shares in the Company for the benefit of employees of the Group. In 1992 the employee share trust purchased shares in the Company using funds borrowed from the Company. The shares are held at cost of £23,000 (2002: £23,000) in other debtors. Hamleys Trustees Limited, a wholly owned subsidiary of the Company, is the current trustee of the employee share trust. The trustee is obliged, under the terms of the trust deed, to transfer shares in the Company, or grant options to acquire such shares, upon such terms and conditions as the Company may from time to time direct. At 29 March 2003 the trust held 66,870 ordinary shares in the Company (2002: 66,870 ordinary shares). The market value of these shares at 29 March 2003 was £94,621 (2002: £97,965).

No shares held by the trust are currently under option to employees or have been conditionally gifted to them. Hamleys Trustees Limited waive their right to any dividend.

As part of the takeover of the Group by Soldier Limited, Hamleys Trustees Limited accepted the offer and received £169,850.

31. Related party transactions
The Company and Group has taken advantage of the exemption in FRS8 "Related party transactions" in relation to transactions with entities that are part of the Group.

32. Post balance sheet events
On 17 June 2003 the Company announced that it had agreed a cash offer for the business at 205p per share. Through June and July the Management Team, backed by Baugur Group hf through it's Soldier bid vehicle and Children's Stores Holding Limited engaged in a bidding process to acquire Hamleys plc. On 17 July 2003 Children's Stores Holding announced that it had withdrawn from the process and the Independent Board of Directors announced that they were recommending the offer by Soldier Limited at 254p per share.

On 4 August 2003 the Board of Soldier limited announced that their offer for Hamleys plc was unconditional in all respects and on 1 October 2003, following the expiration of the s429 notice period Soldier acquired the remaining share capital of Hamleys plc. On 3 October 2003 the shares of Hamleys plc were removed from the official list of the London Stock Exchange.

On 15 August 2003 the existing banking facilities were repaid in full. New bank financing has been arranged by Soldier Limited as part of the acquisition of Hamleys plc. New Equity finance has been invested in Corporal Limited, the holding company of Soldier Limited. A total of £44,270,000 of new bank finance has been arranged and £33,530,000 of new equity finance arranged.

INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF HAMLEYS PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report.

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 29 March 2003 and the profit and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
22 October 2003

PricewaterhouseCoopers LLP

FIVE YEAR FINANCIAL RECORD

	1999 12 months (£'000)	2000 14 months (£'000)	2001 12 months (£'000)	2002 12 months (£'000)	**2003 12 months (£'000)**
Group turnover	47,862	51,788	45,705	45,918	**51,782**
Group operating profit before exceptional items	6,564	3,234	4,766	4,912	**6,262**
Exceptional items	140	(1,285)	(146)	(414)	**(200)**
Group operating profit	6,704	1,949	4,620	4,498	**6,062**
Exceptional loss on termination of operations.	–	(1,034)	–	–	**–**
Share of operating profit/(loss) of joint venture	(139)	(165)	–	–	**–**
Profit on sale of fixed asset	178	–	–	–	**–**
Net interest (payable)/receivable	(334)	(723)	(753)	(785)	**(690)**
Profit on ordinary activities before taxation	6,409	27	3,867	3,713	**5,372**
Taxation on profit on ordinary activities	(2,041)	(280)	(1,011)	(1,196)	**(1,678)**
Profit on ordinary activities after taxation	4,368	(253)	2,856	2,517	**3,694**
Dividends	(2,313)	(1,538)	(1,533)	(1,533)	**(508)**
Retained profit/(loss) for the period	2,055	(1,791)	1,323	984	**3,186**
Gross margin %	49.7%	46.2%	48.6%	56.1%	**59.4%**
Operating margin % before exceptional items	13.7%	6.2%	10.4%	10.7%	**12.1%**
Earnings per share					
– Basic (p)	20.2	(1.2)	13.6	12.0	**16.8**
Net cash inflow from operating activities (£'000)	8,056	953	5,000	7,884	**8,100**
Net assets/(liabilities) (£'000)	1,308	(750)	573	1,557	**8,050**