

Touche
Ross



Company Registration No. 2352435

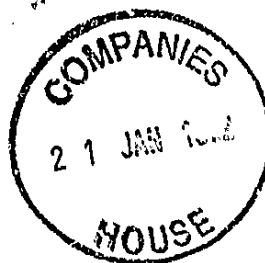
HAMLEYS OF LONDON LIMITED

REPORT AND FINANCIAL STATEMENTS

31 January 1991

2352435

Touche Ross & Co.
Hill House
1 Little New Street
London
EC4A 3TR





REPORT AND FINANCIAL STATEMENTS 1991

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2-4
Auditors' report	5
Consolidated profit and loss account	6
Consolidated balance sheet	7
Balance sheet	8
Consolidated statement of source and application of funds	9
Notes to the accounts	10-23



OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R.N. Hambro (Chairman)
H.P. Dyer
S.J. Woodbridge
A.M. Riddy
A.D. Mackenzie
K.A. Marks

ALTERNATE DIRECTOR

R. Mackie

SECRETARY

A.M. Riddy

REGISTERED OFFICE

188-196 Regent Street
London W1R 6BT

AUDITORS

Touche Ross & Co.
Chartered Accountants

BANKERS

National Westminster Bank PLC

SOLICITORS

Clifford Chance
Macfarlanes
Park Nelson



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 January 1991.

1. ACTIVITIES AND REVIEW OF DEVELOPMENTS

1990 was a difficult trading year due to the poor retailing climate resulting from the worsening recession. Sales performance in the second half of the year was also materially affected by the crisis in the Gulf with a severe drop in the level of foreign tourism, traditionally an important source of revenue to Hamleys.

Since the year end the company has undertaken a refinancing exercise to ensure the continuing financial security of the group. This has involved raising £3,000,000 from existing shareholders which has been used to reduce the level of bank borrowings. Full details of the refinancing are given in note 25 to the accounts.

The opportunity has been taken at the time of the refinancing to re-examine the book value of assets held by the group. A provision of £650,000 against slow moving and obsolete stock has been set off against the profit for the year; in addition, goodwill has been adjusted by £617,000 following a reappraisal of the fair value of fixed assets and the adequacy of provisions at the date of the acquisition of Hamleys Limited (see note 2 to the accounts).

The terms of the refinancing are such that the directors believe the group is soundly based to take advantage of the upturn in consumer spending once the national economic situation starts to improve.

2. DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (1990 - £392,000) and the retained loss for the year of £399,000 has been charged to reserves.

3. FUTURE PROSPECTS

It is the intention of the directors to continue the development of Hamleys Limited as a major retailer of toys, gifts and sports goods. This will involve increased emphasis on maintaining the unique environment in the Regent Street store and the development of a premium product range.

Since the year end a satellite operation has opened and is trading successfully at Heathrow Terminal 4. The directors intend to continue to develop the business beyond the Regent Street store in other UK airport terminals.

4. FIXED ASSETS

Details of fixed assets are given in note 10.



DIRECTORS' REPORT

5. DIRECTORS

The present membership of the board is set out on page 1. The following changes took place during the period 1 February 1990 to date:

D.W.R. Harland	appointed 27 November 1990, resigned 10 January 1992
R.C.N. Morley	resigned 1 March 1991
A.M. Riddy	appointed 21 March 1991
N.L. Bailey	resigned 10 January 1992
D.H.M. Chadwick	resigned 10 January 1992
T.J.M. Chadwick	resigned 10 January 1992
G.B. Davison	resigned 10 January 1992
M.D.C. Smith	resigned 10 January 1992
H.P. Dyer	appointed 10 January 1992
A.D. Mackenzie	appointed 10 January 1992
S.J. Woodbridge	appointed 10 January 1992
K.A. Marks	appointed 13 January 1992

The directors' interests as defined by the Companies Act 1985, in the shares of the company at 31 January 1991 and 1 February 1990 or subsequent date of appointment were as follows:

		£1 shares					
		'A' Ordinary		Ordinary		Preferred ordinary	
		£1	£1	£1	£1	£1	£1
		31 January 1991	1 February 1990	31 January 1991	1 February 1990	31 January 1991	1 February 1990
D.H.M. Chadwick	-	-	-	11,000	11,000	83,507	83,507
N.L. Bailey	-	-	-	5,500	5,500	52,193	52,193
T.J.M. Chadwick	-	-	-	1,100	1,100	23,900	23,900
R.N. Hambro	-	-	-	1,100	1,100	23,900	23,900
M.D.C. Smith	295	295	-	-	-	-	-
G.B. Davison	59	59	-	-	-	-	-
A.D. Mackenzie	295	295	-	-	-	-	-
D.W.R. Harland	-	-	-	-	-	-	-
R.C.N. Morley	-	-	-	-	-	-	-

6. DONATIONS

During the year the group made donations totalling £8,000 to various charities mainly associated with children.

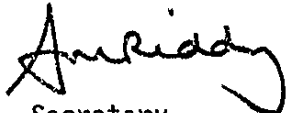


DIRECTORS' REPORT

7. AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors; a resolution to reappoint them will be proposed at the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


Secretary

13 January 1992

**Touche
Ross**



Chartered Accountants

Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR

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HAMLEYS OF LONDON LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 23 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 January 1991 and of the loss and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co

Chartered Accountants and
Registered Auditor
London

13 January 1992

Member
DAI International

Aberdeen, Belfast, Birmingham, Bolton, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Coleraine, Crawley, Darford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Newport, Nottingham, Southampton and Swansea

Principal place of business at which a list of partners' names is available
Fleet Street Court, 133 Fleet Street, London EC4A 3TR

Authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 January 1991**

		Year ended 31 January 1991 £'000	Period 24 February 1989 to 31 January 1990 £'000
	Note		
Turnover	3	17,279	14,217
Cost of sales		<u>(9,794)</u>	<u>(7,981)</u>
Gross profit		<u>7,485</u>	<u>6,236</u>
Distribution costs		5,002	3,342
Administrative expenses		1,354	647
Other operating income		<u>(299)</u>	<u>(302)</u>
		<u>6,057</u>	<u>3,687</u>
Operating profit		1,428	2,549
Other interest receivable and similar income		-	91
Interest payable and similar charges	5	<u>(1,823)</u>	<u>(1,385)</u>
(Loss)/profit on ordinary activities before taxation	3,6	(395)	1,255
Tax on (loss)/profit on ordinary activities	7	<u>4</u>	<u>367</u>
(Loss)/profit on ordinary activities after taxation for the year		(399)	888
Dividends paid and proposed	9	<u>-</u>	<u>(392)</u>
(Loss)/profit for the year	19	<u>(399)</u> =====	<u>496</u> =====



CONSOLIDATED BALANCE SHEET 31 January 1991

	Note	31 January 1991	31 January 1990
		£'000	£'000
FIXED ASSETS			
Tangible assets	10	1,908	2,119
CURRENT ASSETS			
Stocks	12	3,686	2,824
Debtors	13	539	468
Cash at bank and in hand		<u>136</u>	<u>910</u>
		<u>4,361</u>	<u>4,202</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		1,802	800
Obligations under finance leases and hire purchase contracts		66	36
Trade creditors		1,880	1,111
Other creditors including taxation and social security	14	1,309	1,410
Proposed dividend		<u>-</u>	<u>6</u>
		<u>5,057</u>	<u>3,363</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(696)</u>	<u>839</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,212	2,958
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15,25	12,420	13,400
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>750</u>	<u>500</u>
		<u>(11,958)</u>	<u>(10,942)</u>
CAPITAL AND RESERVES			
Called up share capital	18,25	394	394
Share premium account	19	6,608	6,608
Profit and loss account	19	<u>97</u>	<u>496</u>
		7,099	7,498
Goodwill reserve	2	<u>(19,057)</u>	<u>(18,440)</u>
		<u>(11,958)</u>	<u>(10,942)</u>

These financial statements were approved by the Board of Directors on
13 January 1992.

Signed on behalf of the Board of Directors

Am Riddy

Director



BALANCE SHEET 31 January 1991

	Note	31 January 1991	31 January 1990
		£'000	£'000
FIXED ASSETS			
Investments	11	18,699	21,548
CURRENT ASSETS			
Debtors	13	2,902	778
Cash at bank and in hand		<u>115</u>	<u>-</u>
		<u>3,017</u>	<u>778</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		1,000	1,183
Other creditors including taxation and social security	14	262	423
Proposed dividend		<u>-</u>	<u>6</u>
		<u>1,262</u>	<u>1,612</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,755</u>	<u>(834)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,454	20,714
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15,25	12,200	13,200
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>750</u>	<u>500</u>
		<u>7,504</u>	<u>7,014</u>
CAPITAL AND RESERVES			
Called up share capital	18,25	394	394
Share premium account	19	6,608	6,608
Profit and loss account	19	<u>502</u>	<u>12</u>
		<u>7,504</u>	<u>7,014</u>

These financial statements were approved by the Board of Directors on 13 January 1992.

Signed on behalf of the Board of Directors

Director



CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the year ended 31 January 1991

	Year ended 31 January 1991 £'000	Period 24 February 1989 to 31 January 1990 £'000
APPLICATION OF FUNDS		
Loss/(profit) on ordinary activities before taxation	395	(1,255)
Adjustments for items not involving the movement of funds:		
Depreciation and other amounts written off fixed assets	(156)	(163)
Profit on sale of fixed assets	<u>-</u>	<u>3</u>
Total absorbed by/(generated from) operations	239	(1,415)
OTHER APPLICATIONS		
Purchase of goodwill on acquisition of subsidiary	-	18,440
Purchases of tangible fixed assets	312	2,293
Tax paid	374	-
Dividends paid	6	386
Increase in stocks	862	2,824
Increase in debtors	<u>71</u>	<u>466</u>
	<u>1,864</u>	<u>22,994</u>
SOURCE OF FUNDS		
Shares issued	-	7,002
Increase in creditors	38	2,152
Increase in borrowings under lease obligations and hire purchase contracts	50	236
Proceeds of sale of fixed assets	-	14
Provision acquired	-	500
Loan notes 1999	-	2,000
Bank loan	<u>-</u>	<u>11,200</u>
	<u>88</u>	<u>23,104</u>
(DECREASE)/INCREASE IN NET LIQUID FUNDS	(1,776)	110
	=====	=====

(Net liquid funds comprise bank balances less bank loans and overdrafts).



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with statements of standard accounting practice issued by UK accountancy bodies. The particular accounting policies adopted are described below.

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary for the year ended 31 January 1991. Comparative figures are for the period from incorporation on 24 February 1989 to 31 January 1990, the trading company being acquired on 10 May 1989.

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries and related companies is transferred to reserves in the year of acquisition.

(d) Tangible fixed assets

Depreciation is provided on cost 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
Fixtures and fittings	15% per annum
Computer equipment	20% per annum

(e) Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

(f) Stocks

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

(g) Deferred taxation

Deferred taxation is provided at the anticipated tax 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 financial statements to the extent that it is provable that a liability or asset will crystallise in the future.

NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

1. ACCOUNTING POLICIES (continued)

(h) Foreign exchange

Assets and liabilities stated in foreign currencies are translated into sterling at the rates ruling at the year end. Foreign exchange profits and losses realised on trading transactions are included in the trading results.

(i) Pension costs

Retirement benefits to employees are provided by defined benefit schemes which are funded by contributions from the company and employees. Payments are made to insurance companies. These payments, which are made in accordance with periodic calculations by professionally qualified actuaries are charged against the profits of the year in which they become payable.

(j) 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 profit and loss account in equal annual amounts over the periods of the leases.

2. ACQUISITION

The whole of the issued share capital of Hamleys Limited was acquired on 10 May 1989 for a consideration of £20,000,000. The acquisition was accounted for by the acquisition method of accounting. A provision of £500,000 was reserved to cover dilapidations of the long leasehold property and other potential liabilities existing at the date of acquisition. The amount of goodwill arising as a result of the acquisition was disclosed in last year's accounts as £18,440,000. However, it is now felt that:

- (i) the book value of fixed assets acquired exceeded their fair value by £367,000, and
- (ii) following a systems review by external consultants, a provision of £250,000 is required to meet the cost of improving the computer systems in accordance with the directors' plans at the date of acquisition.

Accordingly an adjustment of £617,000 has been made to the goodwill figure which is now disclosed as £19,057,000.



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

3. TURNOVER AND (LOSS)/PROFIT

The turnover and (loss)/profit before taxation is attributable to the principal activities of the group. The group has no significant sales or operating activities outside the United Kingdom.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 January 1991 £'000	Period 24 February 1989 to 31 January 1990 £'000
Directors' emoluments:		
Other emoluments	224	167
Ex-gratia payment to former director	<u>31</u>	<u>46</u>
	255	213
	===	===
Remuneration of the Chairman	10	4
	===	===
Remuneration of the highest paid director	55	36
	===	===
	No.	No.
Scale of other directors' remuneration:		
£ 0 - £ 5,000	-	2
£ 5,001 - £10,000	3	3
£10,001 - £15,000	1	-
£20,001 - £25,000	-	1
£25,001 - £30,000	-	1
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£55,001 - £60,000	1	-
	===	===
	£'000	£'000
Employee costs during the period:		
Wages and salaries	2,450	1,595
Social security costs	202	129
Other pension costs	<u>68</u>	<u>22</u>
	2,720	1,746
	=====	=====
	No.	No.
Average number of persons employed:		
Sales and distribution	160	193
Administration	<u>36</u>	<u>39</u>
	196	232
	===	===



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 January 1991 £'000	Period 24 February 1989 to 31 January 1990 £'000
Bank loans repayable after more than five years	1,791	1,379
Finance charges - finance leases and hire purchase obligations	<u>32</u>	<u>6</u>
	<u>1,823</u> =====	<u>1,385</u> =====

6. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 January 1991 £'000	Period 24 February 1989 to 31 January 1990 £'000
(Loss)/profit on ordinary activities before taxation is after charging:	650	-
Provision against stocks		
Rentals under operating leases:		
Hire of plant and machinery	24	18
Other operating leases	1,161	793
Depreciation:		
Own assets	107	152
Assets held under finance leases and hire purchase contracts	49	11
Auditors' remuneration	<u>32</u>	<u>17</u>
	<u>=====</u>	<u>===</u>

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 January 1991 £'000	Period 24 February 1989 to 31 January 1990 £'000
United Kingdom corporation tax at 35% (1990 - 35%) based on the (loss)/profit for the year	-	367
Adjustment in respect of prior period	<u>4</u>	<u>-</u>
	<u>4</u> ===	<u>367</u> ===

The disproportionate tax charge for the year is largely due to the fact that there has been an increase in an unrecorded deferred tax asset during the year.



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss of the parent company is not presented as part of these accounts. The parent company's profit for the year to 31 January 1991 amounted to £490,000 (1990 - £404,000).

9. DIVIDENDS

	Year ended 31 January 1991		Period 24 February 1989 to 31 January 1990	
	Per share	£'000	Per share	£'000
Redeemable preference	-	-	900p	386
Preferred ordinary - proposed	-	-	5p	6
		-		392
		===		===

10. TANGIBLE FIXED ASSETS

The Group	Total £'000	Long leasehold property £'000	Fixtures and fittings £'000	Computer equipment £'000
Cost:				
At 1 February 1990	2,282	1,190	800	292
Additions	312	-	178	134
Write off (note 2)	(448)	-	(448)	-
At 31 January 1991	<u>2,146</u>	<u>1,190</u>	<u>530</u>	<u>426</u>
Accumulated depreciation:				
At 1 February 1990	163	22	130	11
Provisions	156	26	65	65
Write off (note 2)	(81)	-	(81)	-
At 31 January 1991	<u>238</u>	<u>48</u>	<u>114</u>	<u>76</u>
Net book value				
At 31 January 1991	<u>1,908</u>	<u>1,142</u>	<u>416</u>	<u>350</u>
	=====	=====	===	===
Net book value				
At 31 January 1990	<u>2,119</u>	<u>1,168</u>	<u>670</u>	<u>281</u>
	=====	=====	===	===

The net book value of the group's fixed assets includes £258,000 (1990 - £235,000) in respect of assets held under finance leases and hire purchase contracts.

The company had no tangible fixed assets during the year.

NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

11. INVESTMENTS HELD AS FIXED ASSETS

	1991 £'000
The Company	
At 31 January 1990:	
Shares in group company	18,449
Loan to group company	<u>3,099</u>
	21,548
Further cost of acquisition (note 2)	250
Redesignation of loan as current	<u>(3,099)</u>
At 31 January 1991	18,699 =====

12. STOCKS

	The Group		The Company	
	1991 £'000	1990 £'000	1991 £'000	1990 £'000
Finished goods and goods for resale	3,686 =====	2,824 =====	- ===	- ==

The replacement cost of stocks at 31 January 1991 and 31 January 1990 was not significantly different from the amount at which they are stated in the financial statements.

13. DEBTORS

	The Group		The Company	
	1991 £'000	1990 £'000	1991 £'000	1990 £'000
Trade debtors	155	98	-	-
Amounts owed by subsidiary	-	-	2,902	728
Other debtors	-	52	-	50
Prepayments and accrued income	<u>384</u>	<u>318</u>	<u>-</u>	<u>-</u>
	539 ===	468 ===	2,902 =====	778 ===



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

14. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	The Group		The Company	
	1991	1990	1991	1990
	£'000	£'000	£'000	£'000
This heading includes:				
Taxation and social security	577	505	-	131
	===	===	===	===

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The refinancing of the company has resulted in certain amendments to the level and terms of the bank loan and unsecured loan notes, as explained in note 25. Details of the bank loan and unsecured loan notes as at the balance sheet date were as follows:

	The Group		The Company	
	1991	1990	1991	1990
	£'000	£'000	£'000	£'000
Unsecured loan notes 1999	2,000	2,000	2,000	2,000
Secured bank loan	10,200	11,200	10,200	11,200
Obligations under finance leases and hire purchase contracts	220	200	-	-
	12,420	13,400	12,200	13,200
	=====	=====	=====	=====

Analysis of loans payable partly or wholly after five years:

Bank loan				
Within one year	1,000	800	1,000	800
Between one and two years	1,500	1,000	1,500	1,000
Between two to five years	7,800	6,300	7,800	6,300
After five years	900	3,900	900	3,900
Other loans				
After five years	2,000	2,000	2,000	2,000
	13,200	14,000	13,200	14,000
	=====	=====	=====	=====

NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

	The Group		The Company	
	1991 £'000	1990 £'000	1991 £'000	1990 £'000
Amounts wholly repayable after five years:				
Unsecured loan notes 1999	2,000	2,000	2,000	2,000
Amounts repayable by instalments some of which fall due after five years:				
Bank loan				
Total amount	11,200	12,000	11,200	12,000
Instalments due after five years	900	3,900	900	3,900
	=====	=====	=====	=====

The bank loan is secured by a legal mortgage over the long leasehold property of Hamleys Limited and a mortgage debenture over all the assets of that company and bears interest at 2% above the bank's base rate, subject to a maximum rate of 13% and a minimum rate of 10.9% per annum until May 1991.

The unsecured loan notes 1999 are interest free until 10 May 1991 and thereafter bear interest at 5% per annum. Repayment prior to 10 May 1996 is at par plus accrued interest. Repayment in the year to 9 May 1997 or the two years to 9 May 1999 is at 150% and 200% of par respectively, plus accrued interest.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Balance at 1 February 1990	500
Charged to goodwill (note 2)	<u>250</u>
Balance at 31 January 1991	<u>750</u>
	===

The provision of £500,000 was set up to cover dilapidations of the long leasehold property and other potential liabilities existing at the date Hamleys Limited was acquired by the company. Following a systems review by external consultants, a further £250,000 has been reserved to meet the cost of improving the computer systems of Hamleys Limited in accordance with the directors' plans at the date of acquisition.

NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

17. DEFERRED TAXATION

The amounts of deferred taxation provided in the financial statements are:

	1991 £'000	1990 £'000
The group		
Capital allowances in excess of depreciation	(3)	(4)
Other timing differences	<u>3</u>	<u>4</u>
	-	-
	===	===

The group had no unprovided deferred tax liability at either of the above dates.

The company had no deferred tax, provided or unprovided, at 31 January 1991 or 31 January 1990.

18. CALLED UP SHARE CAPITAL

The refinancing of the company has resulted in certain amendments to the level and terms of share capital as explained in note 25. Details of share capital as at 31 January 1991 and 31 January 1990 were as follows:

	Authorised		Allotted and fully paid	
	At 31 January 1991 and 31 January 1990		At 31 January 1991 and 31 January 1990	
	No.	£'000	No.	£'000
£1 ordinary shares	22,000	22	20,900	21
£1 preferred ordinary shares	255,200	255	231,300	231
£1 'A' ordinary shares	73,350	73	73,350	73
£1 'B' ordinary shares	1,650	2	1,650	2
1p redeemable preference shares	6,675,000	67	6,675,000	67
1p 'C' ordinary shares	3,000	-	1	-
		419		394
		===		===

A cumulative dividend of 900% per annum is payable to the holders of 1p redeemable preference shares until 31 January 1994. Thereafter the dividend increases by 75% per annum subject to a maximum of 1,250%. Interest accrues on any unpaid preference share dividends at 3% above the bank's base rate, subject to a minimum rate of 13% per annum.



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

18. CALLED UP SHARE CAPITAL (continued)

The preference dividend of £601,000 due in respect of the year ended 31 January 1991 has been waived by the shareholders.

The 1p preference shares are redeemable at par plus a premium of 99p on the following dates, unless the preference shareholders give notice to delay redemption until subsequent redemption dates:

No.	Redemption date
2,225,000	31 January 1997
3,337,500	31 January 1998
1,112,500	31 January 1999

A majority of preference shareholders can elect for early redemption of all preference shares if the dividend due is not paid on the due date or if the redemptions due on the above dates are not completed without their consent for delay.

The company has the option to redeem the 1p preference shares at any date.

The 'A' ordinary shares are redeemable prior to 31 January 1994 in the event of a listing, significant share or asset sale or if certain minimum profitability levels are not attained.

The holders of the unsecured loan notes 1999 have an option to subscribe at any time for 'C' ordinary shares representing 3% of the value of the equity share capital of the company, at a premium of 99p per share.

19. RESERVES

	Share premium account £'000	Profit and loss account £'000
The Group		
Balance at 1 February 1990	6,608	496
Loss for the year	-	(399)
Balance at 31 January 1991	6,608 =====	97 ===
The Company		
Balance at 1 February 1990	6,608	12
Profit retained for the year	-	490
Balance at 31 January 1991	6,608 =====	502 ===



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

20. CAPITAL COMMITMENTS

	The Group		The Company	
	1991 £'000	1990 £'000	1991 £'000	1990 £'000
Contracted for but not provided in the financial statements	- ===	14 ===	- ===	- ===
Authorised but not yet contracted for	- ===	- ===	- ===	- ===

21. FINANCE LEASE COMMITMENTS

	1991 £'000	1990 £'000
The Group		
Minimum lease payments payable:		
Within one year	92	67
Within two to five years	<u>253</u>	<u>250</u>
	345	317
Finance charges allocated to future periods	<u>(59)</u>	<u>(81)</u>
	<u>286</u> ===	<u>236</u> ===

The company had no finance lease commitments at 31 January 1991 or 31 January 1990.

22. OPERATING LEASE COMMITMENTS

At 31 January 1991 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £'000	Other £'000
Leases which expire:		
Within one year	-	-
Within two to five years	106	37
After five years	<u>950</u>	<u>-</u>
	<u>1,056</u> =====	<u>37</u> ===

The company had no operating lease commitments at 31 January 1991.



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

23. PENSION SCHEME

The group operates pension schemes of the defined benefit type. The total pension cost for the period was £68,000 (1990 - £22,000). The pension cost relating to the scheme is assessed in accordance with the advice of a qualified actuary using the projected benefits method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 8% per annum and that present and future pensions would increase at the rate of 5% per annum. The first actuarial valuations of the schemes are due to be performed in January 1992.

24. ADDITIONAL INFORMATION ON SUBSIDIARY

The company owns the entire share capital of Hamleys Limited, a company registered in England and Wales and which trades as a toy retailer.

25. POST BALANCE SHEET EVENT

Since the year end the company has undertaken a refinancing exercise to ensure the continuing financial security of the group.

The major components of the refinancing are as follows:

- (i) £3,050,000 has been raised from existing shareholders comprising new ordinary 1p shares of £33,000 and a shareholders' loan of £3,017,000; this has been applied to reduce the secured bank loan;
- (ii) the new Ordinary 1p shares have diluted existing Ordinary shareholders by 97%. The existing Preference shares have had their capital and income rights cancelled;
- (iii) the shareholders' loan bears 6% interest rolled up for six years. Redemption in six years will be at the subscribed amount plus the rolled up interest. The loan will be subordinated to all other creditors of the company including trade creditors;
- (iv) the remaining secured bank loan of £8,150,000 has been restructured into a superior secured loan of £4,700,000 and an inferior secured loan of £3,450,000. The superior loan bears interest at 2% above the bank's base rate. The inferior loan bears 6% interest rolled up until 31 January 1996; on this date the loan plus the accrued interest is converted to a superior secured loan;



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

25. POST BALANCE SHEET EVENT (continued)

- (v) the unsecured loan notes 1999 have been purchased by existing shareholders and will be held to redemption and redeemed at par (£2,000,000). The option to subscribe for 'C' Ordinary shares has been replaced with an option to subscribe for 2999 new Ordinary shares which has already been exercised.

A pro forma consolidated balance sheet post-refinancing as at 31 January 1991 is set out below. No account has been taken of any trading in the period since the balance sheet date.

	Pre refinancing £'000	Refinancing £'000	Post refinancing £'000
FIXED ASSETS			
Tangible assets	1,908		1,908
CURRENT ASSETS			
Stocks	3,686	-	3,686
Debtors	539	-	539
Cash at bank and in hand	136	-	136
	<u>4,361</u>	<u>-</u>	<u>4,361</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdraft	1,802	(1,000)	802
Obligations under finance leases and hire purchase contracts	66	-	66
Trade creditors	1,880	-	1,880
Other creditors including taxation and social security	1,309	-	1,309
	<u>5,057</u>	<u>(1,000)</u>	<u>4,057</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(696)</u>	<u>1,000</u>	<u>304</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,212	1,000	2,212
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Superior bank loan	10,200	(5,500)	4,700
Inferior bank loan	-	3,450	3,450
Unsecured loan notes 1999	2,000	-	2,000
Shareholders' loans	-	3,017	3,017
Other	220	-	220
	<u>12,420</u>	<u>967</u>	<u>13,387</u>
PROVISIONS FOR LIABILITIES AND CHARGES	<u>750</u>	<u>-</u>	<u>750</u>
	<u>(11,958)</u>	<u>33</u>	<u>(11,925)</u>
	=====	=====	=====



NOTES TO THE ACCOUNTS
For the year ended 31 January 1991

25. POST BALANCE SHEET EVENT (continued)

	Pre refinancing £'000	Refinancing £'000	Post refinancing £'000
CAPITAL AND RESERVES			
Called up share capital			
Old ordinary equity	394	-	394
New ordinary equity	<u>-</u>	<u>33</u>	<u>33</u>
	394	33	427
Share premium account	6,608	-	6,608
Profit and loss account	<u>97</u>	<u>-</u>	<u>97</u>
	7,099	33	7,132
Goodwill reserve	(19,057)	-	(19,057)
	<u>(11,958)</u>	<u>33</u>	<u>(11,925)</u>
	=====	=====	=====