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HASBRO INC
Form 11-K
June 27, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(MARK ONE)

\X\ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001.

OR

\ \ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

COMMISSION FILE NUMBER 1-66852

A. FULL TITLE OF THE PLAN AND ADDRESS OF THE PLAN, IF DIFFERENT
FROM THAT OF ISSUER NAMED BELOW:

HASBRO, INC. RETIREMENT SAVINGS PLAN

B. NAME OF ISSUER OF THE SECURITIES HELD PURSUANT TO THE PLAN AND
THE ADDRESS OF ITS PRINCIPAL EXECUTIVE OFFICE:

HASBRO, INC.
1027 NEWPORT AVENUE
PAWTUCKET, RI 02862-1059

REQUIRED INFORMATION

I. FINANCIAL STATEMENTS

The following Plan financial statements and schedule prepared in accordance
with the financial reporting requirements of the Employee Retirement Income
Security Act of 1974 are filed herewith, as permitted by Item 4 of Form 11-K:

Independent Auditors' Report
Statement of Net Assets Available for Plan Benefits as of
December 31, 2001 and 2000.
Statement of Changes in Net Assets Available for Plan Benefits for
each of the years in the two-year period ended December 31, 2001.
Notes to Financial Statements

Supplemental Schedule:
Schedule H, Line 4i - Schedule of Assets Held for
Investment Purposes at End of Year

Other schedules are omitted as the required information is not applicable.

II. EXHIBITS

23 Consent of Independent Auditors

SIGNATURE

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Committee appointed by the Board of Directors of Hasbro, Inc. to administer the Plan has duly caused this Annual Report on Form 11-K to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 26, 2002

/s/ DAVID D. R. HARGREAVES

David D. R. Hargreaves
Senior Vice President and
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Plan Trustees
Hasbro, Inc. Retirement Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Hasbro, Inc. Retirement Savings Plan (the "Plan") as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the years ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with accounting principles generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for the years ended December 31, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes at end of year is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/S/ KPMG LLP

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Providence, Rhode Island
June 7, 2002

HASBRO, INC. RETIREMENT SAVINGS PLAN

Statements of Net Assets Available for Plan Benefits

December 31, 2001 and 2000

	2001 -----	2000 -----
Assets:		
Cash	\$ 24,908	5,547
Investments	223,240,406	274,436,298
	-----	-----
Total investments and cash (note 3)	223,265,314	274,441,845
	-----	-----
Receivables:		
Employer contribution	-	109
Loans to participants	3,917,205	4,607,496
Investment income	58	4,010
	-----	-----
Total receivables	3,917,263	4,611,615
	-----	-----
Total assets	227,182,577	279,053,460
	-----	-----
Liabilities:		
Accounts payable	-	4,580
	-----	-----
Total liabilities	-	4,580
	-----	-----
Net assets available for plan benefits	\$ 227,182,577	279,048,880
	=====	=====

See accompanying notes to financial statements.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Statements of Changes in Net Assets Available for Plan Benefits

Years ended December 31, 2001 and 2000

	2001 -----	2000 -----
Additions to net assets attributed to:		
Investment (loss) income:		
Net depreciation in fair value of investments	\$ (33,385,005)	(28,130,525)
Dividends and interest	6,669,908	18,463,614
	-----	-----

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Total investment loss (note 3)	(26,715,097)	(9,666,911)
	-----	-----
Contributions:		
Rollovers	997,033	1,567,853
Employee contributions	11,635,107	12,725,417
Employer matching contributions	7,792,965	8,800,361
	-----	-----
Total contributions	20,425,105	23,093,631
	-----	-----
Transfer from Wizards of the Coast 401(k) Profit Sharing Plan and Trust (note 1)	-	16,078,101
	-----	-----
Total additions	(6,289,992)	29,504,821
	-----	-----
Termination, withdrawal and retirement payments directly to participants	45,439,299	35,165,096
Administrative expenses	137,012	231,254
	-----	-----
Net decrease	(51,866,303)	(5,891,529)
	-----	-----
Net assets available for plan benefits:		
Beginning of year	279,048,880	284,940,409
	-----	-----
End of year	\$ 227,182,577	279,048,880
	=====	=====

See accompanying notes to financial statements.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

(1) Description of Plan

The following brief description of the Hasbro, Inc. Retirement Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

(a) General

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The 401(k) feature is available to substantially all domestic employees of Hasbro, Inc. (the Company). Participation in the Plan is voluntary and eligibility provisions apply.

Effective August 16, 2000, the Wizards of the Coast 401(k) Profit Sharing Plan and Trust (WOTC Plan) was merged into the Plan. On July 1, 2000, participants of the WOTC Plan were eligible to make contributions to the Plan.

(b) Contributions

Eligible employees may contribute up to 18% of their gross pay, limited to an annual maximum of \$10,500 in 2001 and 2000. Contributions may be limited to less than 18% to enable the Company to meet IRS discrimination regulations. The Company makes a matching contribution, except for Milton Bradley union employees, of 200% of the first 2% of participants' contributions, plus a 50% match of the next 4% of participants' contributions up to 6% of their gross pay.

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Effective January 31, 2000 for Milton Bradley union employees the Company makes a 25% matching contribution of the participants' contributions up to 6% of their gross pay. During January 2000 for Milton Bradley union employees the Company made a matching contribution of 15% of participants' contributions up to 6% of their gross pay.

(c) Benefits

All participants currently employed by the Company own, or are vested in, 100% of the total value of their plan account, including the Company's 401(k) matching contribution to the Plan except for Milton Bradley union employees who become 100% vested in Company contributions on January 1 following one year of service. For those participants who retired or left the Company prior to January 1, 2000 (July 1, 2000 for Wizards of the Coast), vesting is determined by the Plan document in effect at that time. A participant's entire vested account will be paid upon retirement, disability, or termination of employment. The account balance will be paid to a beneficiary upon death of the participant.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

Participants of the Plan have the option of receiving their account either in a lump sum or in periodic installments. Participants, except for terminated participants, may also make in-service withdrawals from their Pre-Tax Savings Contribution Account in the event of a demonstrated severe financial hardship as defined by the IRS Safe Harbor rules. Participants who have reached age 59 1/2 may make in-service withdrawals from their vested accounts in the Plan for any reason.

(d) Participant Loans

The maximum loan available to each participant is the lesser of (1) \$50,000 reduced by the highest outstanding loan balance due from the participant during the preceding twelve months, or (2) 50% of the participant's vested account balance, reduced by the current outstanding loan balance due from the participant. The minimum loan amount available to participants is \$500. Each loan shall bear a fixed interest rate based on the prime rate published in the Wall Street Journal. Repayment of the loan must be made over a period not to exceed five years, unless it is for the purchase of a primary residence then the loan period cannot exceed ten years.

(2) Summary of Accounting Policies

(a) Basis of Accounting

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

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The accompanying financial statements are presented on the accrual basis of accounting. Benefits payable at year end are not accrued for as they are considered to be a component of the net assets available for plan benefits.

(b) Investments

Investments are stated at fair value. Company stock held in the Hasbro Stock Fund is valued at the composite closing price of the New York Stock Exchange. The fair value for all other investments is determined daily by the trustee on a per share basis using security prices quoted on national exchanges, and amortized cost in the case of any short-term and money market securities held. Participant notes receivable are valued at cost, which approximates fair value.

Security transactions received prior to 4:00 pm Eastern time by Fidelity are recognized on that business day. Transactions received after 4:00 pm Eastern time are valued as of the next business day. Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses.

(c) Contributions

Contributions from employees are accounted for when such contributions are deducted from wages. The Company's matching contributions are accrued at the time the employee's contributions are deducted.

(d) Payments of Benefits

Benefits are recorded when paid.

(e) Administrative Expenses

The Plan bears all costs and general expenses incurred with regard to legal and communication fees, independent fund managers and the purchase and sale of investments. The Company bears the administrative expenses, principally payroll costs of Plan administration.

(3) Investment Information

Participants may elect to have their accounts invested in one or more of the investment funds offered by the Plan. Investment funds offered by the Plan include the following nationally traded mutual funds: the Fidelity Magellan Fund, Fidelity Freedom Income Fund, the Fidelity Equity Income Fund, the Fidelity Growth Company Fund, the Fidelity Freedom 2000, the Fidelity Freedom 2010, the Fidelity Freedom 2020, the Fidelity Freedom 2030, the Fidelity Freedom 2040, the Dreyfus Emerging Leaders Fund, the PIMCO Total Return Fund, the Spartan US Equity Index Fund, and the Fidelity Diversified International Fund.

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Participants can elect to invest in the Hasbro Stock Fund which is a unitized company stock fund that invests in the stock of Hasbro, Inc. and other short term investments designed to allow participants to buy and sell without the usual trade settlement period for individual stock transactions. Ownership is measured in units of the fund instead of shares of stock.

Participants may also elect to invest their funds in the Fleet Stable Asset Fund. This fund is managed by Fleet Investment Advisors, Inc. and invests in fixed income contracts. This fund yielded approximately 6.34% and 6.5% for 2001 and 2000, respectively.

The following table represents the fair values of investments which are 5 percent or more of the Plan's net assets as of December 31, 2001.

Fidelity Magellan Fund	\$ 64,550,097
Fidelity Equity Income Fund	34,559,375
Fidelity Growth Company Fund	42,206,912
Fidelity Stable Asset Fund	49,653,167

	\$190,969,551
	=====

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2001 and 2000

During 2001 and 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$(33,385,005) and \$(28,130,525), respectively as follows:

	Year Ended December 31,	
	2001	2000
	-----	-----
Shares in Registered Investment Companies	\$ (33,620,275)	(28,132,624)
Hasbro, Inc. Common Stock Fund	235,270	2,099
	-----	-----
	\$ (33,385,005)	(28,132,624)
	=====	=====

(4) Related Party Transactions

Certain Plan investments are shares of mutual funds managed by Fidelity Management and Research Company. Fidelity Management Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest.

(5) Plan Termination

Upon termination of the Plan and Trust, each Participant shall be entitled to receive the vested amount standing to the credit of their account as of the final valuation date. The Trustee shall make payments of such amounts as directed by the Plan Administrator.

Although the Company has not expressed any intent to do so, it reserves the right to terminate the Plan at any time subject to ERISA provisions.

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(6) Federal Income Taxes

The Internal Revenue Service issued a determination letter on August 17, 1995, which stated that the Plan and its underlying trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC), and therefore, are exempt from federal income taxes. The Plan has been amended since receiving the determination letter. However, the Plan Administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Schedule H, Line 4i - Statements of Assets Held for Investment Purposes at End of Year

Year ended December 31, 2001

Issuer	Investment Description	Current Value
Fidelity Magellan Fund	Shares in registered investment company	\$ 64,550,097 **
Fidelity Equity Income Fund	Shares in registered investment company	34,559,375 **
Fidelity Growth Company Fund	Shares in registered investment company	42,206,912 **
Fleet Stable Asset Fund	Common/collective trusts	49,653,167 **
Fidelity Freedom Income Fund	Shares in registered investment company	708,901
Fidelity Freedom 2000	Shares in registered investment company	189,457
Fidelity Freedom 2010	Shares in registered investment company	10,068,071
Fidelity Freedom 2020	Shares in registered investment company	1,774,343
Fidelity Freedom 2030	Shares in registered investment company	1,691,724
Fidelity Freedom 2040	Shares in registered investment company	84,281
Dreyfus Emerging Leaders Fund	Shares in registered investment company	4,409,257
PIMCO Total Return Fund	Shares in registered investment company	3,515,956
Spartan US Equity Index Fund	Shares in registered investment company	4,243,265
Fidelity Diversified	Shares in registered	4,466,655

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International Fund	investment company	
Hasbro Stock Fund	Common Stock of Hasbro, Inc. and other short-term investments	1,118,945
Investments		----- \$223,240,406 =====
Loans to Participants	Interest rate 8.5% to 9.5%	\$ 3,917,205 *

*Party-in-interest

**Represents greater than 5% of Plan assets at December 31, 2001.

See accompanying independent auditors' report.