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HASBRO INC
Form 11-K
June 23, 2006

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, 2005.

OR

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

COMMISSION FILE NUMBER 1-6682

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:

Report of Independent Registered Public Accounting Firm
Statement of Net Assets Available for Plan Benefits as of
December 31, 2005 and 2004
Statements of Changes in Net Assets Available for Plan Benefits for
the years ended December 31, 2005 and 2004
Notes to Financial Statements

Supplemental Schedule:

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

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

II. EXHIBITS

23 Consent of Independent Registered Public Accounting Firm

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SIGNATURE

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 23, 2006

/s/ David D.R. Hargreaves

David D. R. Hargreaves
Senior Vice President and
Chief Financial Officer of
Hasbro, Inc.

Report of Independent Registered Public Accounting Firm

The Plan Trustees

Hasbro, Inc. Retirement Savings Plan:

We have audited the accompanying statements of net assets available for plan benefits of the Hasbro, Inc. Retirement Savings Plan (the Plan) as of December 31, 2005 and 2004, and the related statements of changes in net assets available for plan 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 the standards of the Public Company Accounting Oversight Board (United States). 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 plan benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for plan benefits for the years ended December 31, 2005 and 2004, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2005 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

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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

Providence, Rhode Island
June 16, 2006

HASBRO, INC. RETIREMENT SAVINGS PLAN

Statements of Net Assets Available for Plan Benefits

December 31, 2005 and 2004

	2005	2004
	----	----
Assets:		
Cash	\$ 112,433	82,192
Investments	270,369,601	257,689,845
	-----	-----
Total investments and cash (note 3)	270,482,034	257,772,037
	-----	-----
Receivables:		
Loans to participants	4,732,045	4,177,734
Investment income	352	102
	-----	-----
Total receivables	4,732,397	4,177,836
	-----	-----
Net assets available for plan benefits	\$275,214,431	261,949,873
	=====	=====

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, 2005 and 2004

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	2005	2004
	-----	-----
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 11,581,666	14,854,182
Dividends and interest	7,071,726	5,903,489
	-----	-----
Total investment income (note 3)	18,653,392	20,757,671
	-----	-----
Contributions:		
Rollovers	736,349	620,704
Employee contributions	12,458,209	13,042,853
Employer matching contributions	7,806,244	8,056,359
	-----	-----
Total contributions	21,000,802	21,719,916
	-----	-----
Total additions	39,654,194	42,477,587
Deductions from net assets attributed to:		
Termination, withdrawal and retirement payments directly to participants	26,279,705	18,693,132
Administrative expenses	109,931	100,774
	-----	-----
Total deductions	26,389,636	18,793,906
Net increase	13,264,558	23,683,681
Net assets available for plan benefits:		
Beginning of year	261,949,873	238,266,192
	-----	-----
End of year	\$ 275,214,431	261,949,873
	=====	=====

See accompanying notes to financial statements.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2005 and 2004

(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) and is available to substantially all domestic employees of Hasbro, Inc. and certain subsidiaries (collectively the Company or Plan Administrator).

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Participation in the Plan is voluntary and eligibility provisions apply.

(b) Contributions

Eligible employees could contribute up to 50% of their eligible pay, limited to an annual maximum of \$14,000 and \$13,000, respectively, in 2005 and 2004. Contributions may be limited to less than the maximum percentage of eligible pay 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 the participants' eligible pay that they contribute per pay period, plus a 50% match of the next 4% of participants' eligible pay period that they contribute per pay period up to a maximum matching contribution of 6% of a participant's eligible pay per pay period. For Milton Bradley union employees, for 2004 and up to February 6, 2005, the Company made a 25% matching contribution of the participants' contributions up to a maximum matching of 6% of a participant's eligible pay per pay period. Effective February 7, 2005, this matching contribution is 30%.

All eligible employees at least age 50 by the end of the calendar year are permitted to make additional pre-tax deferrals over and above the otherwise applicable limits. These additional deferrals are called "catch-up contributions." The Company does not make a matching contribution. Catch-up contributions may be made up to an additional \$4,000 for 2005, and \$3,000 for 2004.

(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 the completion of one year of service.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2005 and 2004

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.

Participants in 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

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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 on the 1st day of the month (for each month) at prime as published in the Wall Street Journal on the prior day. 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 the Plan Administrator to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

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.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2005 and 2004

(b) Investments

Investments are stated at fair value. Company stock held in the Hasbro Stock Fund is valued at the composite closing price on the New York Stock Exchange. The fair value for all other investments is determined daily by Fidelity Management Trust Company (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 the Trustee 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.

Net appreciation 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.

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(d) Payments of Benefits

Benefits are recorded when paid.

(e) Administrative Expenses

The Plan bears all costs and general expenses incurred with regard to investment consulting, audit, legal and communication fees, other professional fees, independent fund managers and the purchase and sale of investments. Other costs of administration are paid for by the Plan Administrator.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2005 and 2004

(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 Equity Income Fund, the Fidelity Growth Company Fund, the Fidelity Freedom 2000 Fund, Fidelity Freedom 2010 Fund, the Fidelity Freedom 2020 Fund, the Fidelity Freedom 2030 Fund, the Fidelity Freedom 2040 Fund, the Fidelity Freedom Income Fund, the PIMCO Total Return Fund, the Spartan US Equity Index Fund, the Fidelity Diversified International Fund. As of July 1, 2005 the Plan added the Vanguard Small-Cap Index Fund, Vanguard Mid-Cap Index Fund, and Standish Mellon High Yield Bond Fund as investment options, which replaced the Fidelity Magellan Fund and Dreyfus Emerging Leaders Fund, which were eliminated effective October 31, 2005.

Participants can elect to invest up to 25% of their contributions in the Hasbro Stock Fund which is a unitized 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. In addition, participants cannot elect to reallocate their investment funds that would result in 25% or more of their account invested in the Hasbro Stock Fund. The fair value of the Hasbro Stock Fund was \$1,995,338 as of December 31, 2005 and \$1,645,267 as of December 31, 2004.

Participants may also elect to invest their funds in the Fleet Stable Asset Fund. This fund is managed by Columbia Management Advisors, Inc. and invests in fixed income contracts. This fund yielded approximately 4.20% and 3.95% for 2005 and 2004, respectively.

The following table represents the fair values of investments, which were 5 percent or more of the Plan's net assets as of December 31, 2005:

Fidelity Diversified International Fund	\$ 23,410,157
Fidelity Equity Income Fund	38,014,056
Fidelity Growth Company Fund	44,857,667
Fleet Stable Asset Fund	51,296,359
Spartan US Equity Index Fund	47,063,227

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During 2005 and 2004, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$11,581,666 and \$14,854,182, respectively, as follows:

HASBRO, INC. RETIREMENT SAVINGS PLAN

Notes to Financial Statements

December 31, 2005 and 2004

	Year Ended December 31, 2005	2004
	-----	-----
Shares in Registered Investment Companies	\$ 11,473,994	15,013,530
Hasbro, Inc. Common Stock Fund	107,672	(159,348)
	-----	-----
	\$ 11,581,666	14,854,182
	=====	=====

(4) Related Party Transactions

Certain Plan investments are shares of mutual funds managed by Fidelity Management and Research Company, an affiliate of the Trustee. Additionally, the Plan holds investments in shares of Hasbro, Inc. common stock. The Plan had 93,308 and 80,654 shares of common stock valued at \$1,882,955 and \$1,563,075, respectively, as of December 31, 2005 and 2004. These transactions qualify as exempt party-in-interest transactions.

(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.

(6) Federal Income Taxes

The Internal Revenue Service issued a determination letter on January 21, 2003, 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.

HASBRO, INC. RETIREMENT SAVINGS PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

Year ended December 31, 2005

Issuer	Investment Description	Current Value
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Fleet Stable Asset Fund	Common/collective trusts	\$ 51,296,359 **
Spartan US Equity Index Fund	Shares in registered investment company	47,063,227 **
Fidelity Growth Company Fund*	Shares in registered investment company	44,857,667 **
Fidelity Equity Income Fund*	Shares in registered investment company	38,014,056 **
Fidelity Diversified International Fund*	Shares in registered investment company	23,410,157 **
Fidelity Freedom 2010 Fund*	Shares in registered investment company	12,372,704
PIMCO Total Return Fund	Shares in registered investment company	11,490,631
Vanguard Small-Cap Index Fund	Shares in registered investment company	10,531,640
Vanguard Mid-Cap Index Fund	Shares in registered investment company	9,087,939
Fidelity Freedom 2020 Fund*	Shares in registered investment company	8,439,402
Fidelity Freedom 2030 Fund*	Shares in registered investment company	5,776,759
Hasbro Stock Fund*	Common Stock of Hasbro, Inc. and cash	1,995,388
Fidelity Freedom 2040 Fund*	Shares in registered investment company	1,949,833
Standish Mellon High Yield Bond	Shares in registered investment company	1,847,122
Fidelity Freedom 2000 Fund*	Shares in registered investment company	1,443,742
Fidelity Freedom Income Fund*	Shares in registered investment company	905,408

Investments and Cash		\$270,482,034 =====
Loans to Participants*	Interest rate 4.0% to 9.5%	\$ 4,732,045

*Party-in-interest

**Represents greater than 5% of Plan assets at December 31, 2005.

See accompanying report of independent registered public accounting firm.