HTI Toys UK Limited

Strategic report, Directors' report and financial statements

Registered number 514002

31 December 2016

Contents

Strategic report

The directors present their Strategic Report, Directors' Report and the audited financial statements for the 9 month period ended 31 December 2016. The comparative period is the year ended 31 March 2016.

Principal activities

The principal activity of HTI Toys UK Limited and its subsidiary, HTI Toys HK Limited, continued to be the supply of toys and related products.

The results of the group are consolidated into the accounts of the holding company, JR Hutt Holdings Limited, and reported on in the Strategic Report for that company.

Business review

During the 9-month period ended 31 December 2016 the Company's new management team continued to make progress against its medium term strategic plan, changing the strategic direction of the business and transitioning it to being a product orientated business, focussed on providing a world-class customer experience.

Financial results

Company turnover for the 9 month period to 31 December 2016 was £9,157,000 *(year ended 31 March 2016: £15,435,000)* with gross profit of £2,492,000 *(year ended 31 March 2016: £4,247,000).*

Operating loss was £879,000 *(year ended 31 March 2016: £1,580,000 loss).*

The directors are pleased with the results and are confident that the strategic transition remains on track and that this will result in revenue and profitability growth in the next and subsequent financial years.

Principal risks and uncertainties

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, liquidity risk, interest rate risk, foreign exchange risk and credit risk.

The Company has in place a risk management programme that seeks to limit the adverse effect on the financial performance of the Company by monitoring levels of debt finance and the related finance costs. Financial performance is monitored by the board on a weekly and monthly basis.

The Company operates in a global marketplace and services customers in over 60 countries across the world. Our diverse and widespread customer base enables us to manage our risk to territory specific economic and political instabilities and uncertainties.

Most of the Company's purchases are made in US Dollars and most sales are made in sterling. The Company is therefore exposed to movements in the USD/GBP exchange rates but this exposure is managed at a Group level where such exposure is materially reduced.

The Company has over 400 active customers, many of whom are provided with credit terms. Operationally, we are focussed on managing debtor days and strictly monitoring credit limits to reduce our overall exposure to bad and doubtful debts. These actions, together with our credit insurance, mitigate our credit risk.

Financial key performance indicators

	Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Turnover	**9,157**	15,435
Gross profit margin	**27.2%**	27.5%
Operating (loss)	**(879)**	(1,580)
Loss for the financial year	**(826)**	(1,487)

Strategic report *(continued)*

Future developments

The board is pleased with the progress made against our strategic medium term plan and the Group continues to improve turnover and profitability via the provision of exceptional products at the right price points, alongside exceptional customer experience, service and delivery.

On behalf of the board, I would like to thank all our employees for their endeavours over the last 9 months of trading.

By order of the board

AmWilliams

AM Williams
Director

Eastham House
Copse Road
Fleetwood
Lancashire
FY7 7NY

2017

Directors' report

Proposed dividend

The directors do not recommend the payment of a dividend *(year ended 31 March 2016: £nil).*

Directors

The directors who held office during the period were as follows:

DJ Lord
CA Houlihan
AM Williams

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the period.

Going concern

The Company's banking facilities are due to be repaid on 24 August 2017 and the Company is in negotiations with its lender with a view to extending these facilities for a further two years. The directors are confident the facilities will be renewed on a materially similar basis to those in place at the balance sheet date and such facilities would provide the Company with sufficient liquidity and working capital to ensure the Company remains as a going concern.

The directors, having considered the current trading prospects, identifiable risks, working capital requirements and the availability of finance, are of the opinion that the Company is a going concern. The accounts have been prepared on this basis.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

AM Williams
Director

Eastham House
Copse Road
Fleetwood
Lancashire
FY7 7NY

30 MARCH 2017

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditor's report to the members of HTI Toys UK Limited

We have audited the financial statements of HTI Toys UK Limited for the 9 month period ended 31 December 2016 set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of HTI Toys UK Limited *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Roger Nixon

Roger Nixon (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
Edward VII Quay
Navigation Way
Preston
PR2 2YF

30/03/ 2017

Profit and Loss Account and Other Comprehensive Income
for the 9 month period ended 31 December 2016

	Note	**9 month Period ended 31 December 2016 £000**	Year ended 31 March 2016 £000
Turnover	*2*	**9,157**	15,435
Cost of sales		**(6,665)**	(11,188)
Gross profit		**2,492**	4,247
Distribution costs		**(1,200)**	(1,639)
Administrative expenses		**(3,221)**	(5,528)
		(1,929)	(2,920)
Other operating income	3	**1,050**	1,340
Operating (loss)		**(879)**	(1,580)
Interest receivable and similar-income	*7*	**-**	-
Interest payable and similar charges	*8*	**(115)**	(158)
(Loss) on ordinary activities before taxation		**(994)**	(1,738)
Taxation on (loss) on ordinary activities	*9*	**168**	251
(Loss) for the financial year		**(826)**	(1,487)
Other comprehensive Income			
Revaluation of tangible fixed assets		-	572
Income tax on other comprehensive income		-	(88)
Other comprehensive income for the year, net of income tax		-	484
Total comprehensive income for the year		**(826)**	(1,003)

All amounts relate to continuing activities.

The notes on pages 10 to 23 form part of these financial statements.

Balance Sheet
at 31 December 2016

	Note	31 December 2016 £000	31 March 2016 £000
Fixed assets			
Tangible assets	*10*	**3,339**	3,396
Investments	*11*	**8**	8
		3,347	3,404
Current assets			
Stocks	*12*	**1,612**	1,939
Debtors	*13*	**21,263**	22,698
Cash at bank and in hand		**372**	1
		23,247	24,638
Creditors: amounts falling due within one year	*14*	**(11,475)**	(12,097)
Net current assets		**11,772**	12,541
Total assets less current liabilities		**15,119**	15,945
Net assets		**15,119**	15,945
Capital and reserves			
Called up share capital	*17*	**97**	97
Share premium	*17*	**429**	429
Revaluation reserve	*17*	**1,499**	1,519
Capital redemption reserve		**4,755**	4,755
Profit and loss account	*17*	**8,339**	9,145
Shareholders' funds	*17*	**15,119**	15,945

The notes on pages 10 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 30 MARCH 2017 and were signed on its behalf by:

AM Williams
Director

Company registered number: 514002

Statement of Changes in Equity

	Called up Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Revaluation reserve £000	Total equity £000
Balance at 1 April 2015	97	429	4,755	10,612	1,055	16,948
Total comprehensive income for the period						
Profit or loss	-	-	-	(1,487)	-	(1,487)
Other comprehensive income (see note 17)	-	-	-	20	464	484
Total comprehensive income for the period	-	-	-	(1,467)	464	(1,003)
Balance at 31 March 2016	**97**	**429**	**4,755**	**9,145**	**1,519**	**15,945**

	Called up Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Revaluation reserve £000	Total equity £000
Balance at 1 April 2016	97	429	4,755	9,145	1,519	15,945
Total comprehensive income for the period						
Profit or loss	-	-	-	(826)	-	(826)
Other comprehensive income (see note 17)	-	-	-	20	(20)	-
Total comprehensive income for the period	-	-	-	(806)	(20)	(826)
Balance at 31 December 2016	**97**	**429**	**4,755**	**8,339**	**1,499**	**15,119**

Notes
(forming part of the financial statements)

1 Accounting policies

HTI Toys UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, JR Hutt Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of JR Hutt Holdings Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: tangible fixed assets (land and buildings) measured in accordance with the revaluation model.

Going concern

The Company's banking facilities are due to be repaid on 24 August 2017 and the Company is in negotiations with its lender with a view to extending these facilities for a further two years. The directors are confident the facilities will be renewed on a materially similar basis to those in place at the balance sheet date and such facilities would provide the Company with sufficient liquidity and working capital to ensure the Company remains as a going concern.

The directors, having considered the current trading prospects, identifiable risks, working capital requirements and the availability of finance, are of the opinion that the Company is a going concern. The accounts have been prepared on this basis.

Turnover

Turnover comprises revenue recognised by the Company in respect of goods supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover is recognised when the significant risks and benefits of ownership of the goods have transferred to the customer.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

Basic financial instruments *(continued)*

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition, a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.19 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- plant and equipment 2 - 5 years
- fixtures and fittings 2 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Revaluation

Land and buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in equity/revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out/weighted average principle.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the company's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

	9 month Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Sale of goods	**9,157**	15,435

By geographical market

	9 month Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
UK	**8,710**	13,862
Europe	**369**	1,441
Rest of World	**78**	132
	9,157	15,435

3 Other Operating Income

	9 month Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Rental Income	**1,053**	1,353
Other	**(3)**	(13)
	1,050	1,340

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	9 month Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Exceptional Costs		
Restructuring	**-**	873
Licensing	**-**	384

Restructuring costs are one-off costs incurred during the year associated with the changes in senior management team and strategic direction of the business. Such costs include the aborted establishment of a second UK based office, redundancy payments made to certain directors and employees, exceptional stock losses realised on the clearance of an over-stocked position and aborted sales and marketing activities.

Licensing costs are non-recurring licensing fees paid to one of the Company's licensors relating to a number of historical and existing license contracts.

Notes *(continued)*

4 Expenses and auditor's remuneration *(continued)*

Auditor's remuneration

	9 month Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Audit of these financial statements	**32**	27
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**6**	9
Other tax advisory services	**20**	44

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	9 month Period ended 31 December 2016 Number	Year ended 31 March 2016 Number
Production	**6**	6
Distribution	**20**	19
Sales	**18**	20
Administration	**48**	43
	92	88
	£000	£000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**2,425**	3,719
Social security costs	**295**	510
Other pension costs	**12**	20
	2,732	4,249

6 Directors' remuneration

	9 month Period ended 31 December 2016	Year ended 31 March 2016
Directors' remuneration:	**£000**	£000
Emoluments	**453**	753
Company contributions to money purchase pension plans	**2**	5
	455	758

The aggregate of remuneration of the highest paid director was £236,000 *(2016: £314,000),* and company pension contributions of £200 *(2016: £300)* were made to a money purchase scheme on his behalf.

Notes *(continued)*

6 Directors' remuneration *(continued)*

	Number of directors December 2016	March 2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**3**	3

7 Other interest receivable and similar income

	9 month Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Interest receivable on financial assets at amortised cost	-	-

8 Interest payable and similar charges

	9 month Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Interest payable on financial liabilities at amortised cost	**115**	158

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £100,000 *(31 March 2016: £138,000)* and on all other loans of £15,000 *(31 March 2016: £20,000).*

9 Taxation

	9 month Period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Current tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	(5)
Total current tax	-	(5)
Deferred tax		
Origination and reversal of timing differences	**(168)**	(241)
Adjustments in respect of prior periods	-	2
Change in tax rate	-	(7)
Total deferred tax	**(168)**	(246)
Total tax	**(168)**	(251)

Notes *(continued)*

9 Taxation *(continued)*

	Period ended 31 December 2016			Year ended 31 March 2016		
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
	£000	**£000**	**£000**	£'000	£000	£000
Recognised in Profit and loss account	-	**(168)**	**(168)**	(5)	(246)	(251)
Recognised in other comprehensive income	-	-	-	-	88	88
Recognised directly in equity	-	-	-	-	-	-
Total tax	-	**(168)**	**(168)**	(5)	(158)	(163)

Analysis of current tax recognised in profit and loss

	9 month Period ended 31 December 2016	Year ended 31 March 2016
	£000	£000
UK Corporation tax	-	(5)
Total current tax recognised in profit and loss	-	(5)

Reconciliation of effective tax rate

	9 month Period ended 31 December 2016	Year ended 31 March 2016
	£000	£000
(Loss) for the year	**(826)**	(1,487)
Total tax expense	**(168)**	(251)
(Loss) excluding taxation	**(994)**	(1,738)
Tax using the UK corporation tax rate of 20% *(2016: 20%)*	**(199)**	(348)
Fixed asset timing differences	**8**	62
Reduction in tax rate on deferred tax balances	**25**	10
Non-deductible expenses	**3**	2
Deferred tax (charged) directly to equity	-	(88)
Revaluation of investment property through equity	-	114
(Over) provided in prior years	**(5)**	(3)
Total tax (credit) included in profit and loss	**(168)**	(251)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £000	Plant and Equipment £000	Total £000
Cost			
At 1 April 2016	3,000	4,339	7,339
Additions	-	135	135
Balance At 31 December 2016	**3,000**	**4,474**	**7,474**
Depreciation and impairment			
At 1 April 2016	-	3,943	3,943
Provided for in the period	19	173	192
Balance At 31 December 2016	**19**	**4,116**	**4,135**
Net book value			
At 31 March 2016	3,000	396	3,396
At 31 December 2016	**2,981**	**358**	**3,339**

The freehold land and buildings were professionally revalued by Bentley Higgs, a firm of chartered surveyors, on the basis of their existing use value as at 7 July 2016. These valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance Notes. The directors are not aware of anything which may have occurred since the balance sheet date and subsequent valuation date which has materially affected the valuation of the Group's freehold land and buildings.

Freehold land amounting to £1,750,000 (*31 March 2016: £1,750,000)* has not been depreciated.

The historical cost of freehold land and buildings is:

	31 December 2016 £000	31 March 2016 £000
Cost	**1,698**	1,698
Accumulated depreciation based on historical cost	**(679)**	(653)
Historical cost net book value	**1,019**	1,045

Land and Buildings

The net book value of land and buildings comprises:

	31 December 2016 £000	31 March 2016 £000
Freehold	**2,981**	3,000
Long leasehold	**-**	-
Short leasehold	**-**	-
Net book value	**2,981**	3,000

Notes *(continued)*

11 Fixed asset investments

	31 December 2016 £000	31 March 2016 £000
Cost of investments	**8**	8

The Company owns debentures issued by a quoted company with a cost of £8,000 (*31 March 2016: £8,000*). The directors do not consider the fair value of these instruments to be materially different to their carrying value.

Subsidiary undertakings comprise:

	31 December 2016 £000	31 March 2016 £000
Cost of investments	**390**	390
Amounts owed to subsidiary undertakings	**(390)**	(390)
	-	-

All subsidiary undertakings, with the exception of HTI Toys Hong Kong Ltd, are dormant. The principal activity of HTI Toys Hong Kong Ltd relates to the distribution of toys and other similar products.

At the year end the net assets of HTI Toys Hong Kong Limited were £4,763,000 (*31 March 2016: £2,638,000*) and profit after tax, before distributions for the year was £1,511,000 (*31 March 2016: £52,000 loss*).

The principal subsidiary undertakings are as follows:

Subsidiary of undertakings	Country of incorporation	Proportion of ordinary share capital held by the Company
D Stansfield Limited	Great Britain	100%
HTI Toys Hong Kong Limited	Hong Kong	100%
Clifton Constructions (Blackpool) Limited	Great Britain	100%*
Time 4 Toys Limited	Great Britain	100%
David Halsall Trustee Limited	Great Britain	100%
Halsall Worldwide Limited	Hong Kong	100%**

*Shares held indirectly via shareholding in D Stansfield Limited
**Shares held indirectly via shareholding in HTI Toys Hong Kong

12 Stocks

	31 December 2016 £000	31 March 2016 £000
Finished goods	**1,612**	1,939

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £6,138,000 (*31 March 2016: £10,999,000*). The write-down of stocks to net realisable value amounted to £283,000 (*31 March 2016: £372,000*).

Notes *(continued)*

13 Debtors

	31 December 2016 £000	31 March 2016 £000
Trade debtors	**2,958**	2,699
Amounts owed by other Group companies	**17,326**	19,382
Prepayments and accrued income	**486**	513
Deferred tax asset (see note 15)	**256**	88
Other debtors	**237**	16
	21,263	22,698

All amounts shown under debtors fall due for payment within one year.

14 Creditors: amounts falling due within one year

	31 December 2016 £000	31 March 2016 £000
Bank loans and overdrafts	**5,980**	4,771
Bank treasury loans	**-**	3,000
Trade creditors	**3,002**	1,870
Other taxation and social security	**215**	171
Accruals and deferred income	**2,278**	2,186
Corporation tax payable	**-**	99
Directors loan account (note 19)	**-**	-
	11,475	12,097

The bank loans and asset financing facility are due to be repaid on 24 August 2017. The Company is in negotiation with its secured lender with a view to extending its banking facilities for a further 2 years.

All bank loans and financing facility are secured by a fixed and floating charge over the assets of the Company. The bank treasury loan bears interest at LIBOR+1.5% per annum. The bank loans bear interest at base rate +1.95% and the overdraft bears interest at LIBOR+1.25%.

Notes *(continued)*

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2016 £'000	31 March 2016 £'000	**31 December 2016 £000**	31 March 2016 £'000	**31 December 2016 £'000**	31 March 2016 £000
Accelerated capital allowances	**(18)**	(37)	-	-	**(18)**	(37)
Arising on business combinations	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Unused tax losses	**(473)**	(285)	-	-	**(473)**	(285)
Other	-	-	**235**	234	**235**	234
Tax (assets) / liabilities	**(491)**	(322)	**235**	234	**(256)**	(88)
Net of tax liabilities/(assets)	-	-	-	-	-	-
Net tax (assets) / liabilities	**(491)**	(322)	**235**	234	**(256)**	(88)

In addition to the deferred tax asset above, the Company has additional unrecognised gross tax losses of £2,630,000 (*31 March 2016: £1,582,000*).

16 Employee benefits

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £12,000 (*31 March 2016: £20,000*).

17 Capital and reserves

	31 December 2016 Number	31 March 2016 Number	**31 December 2016 £000**	31 March 2016 £000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**97,200**	97,200	**97**	97
Shares classified as liabilities			**-**	-
Shares classified in shareholders' funds			**97**	97
			97	97

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Revaluation reserve

Where tangible fixed assets are revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

Dividends

After the balance sheet date total dividends of £nil equivalent to 0p per qualifying ordinary share (*31 March 2016: £nil; £0p*) were proposed by the directors.

Notes *(continued)*

17 Capital and reserves *(continued)*

Other comprehensive income

Year ended 31 March 2016

	Profit and loss £000	Revaluation reserve £000	Total other comprehensive income £000
Other comprehensive income			
Depreciation transfer on revalued assets	20	(20)	-
Dividends on shares classified in shareholders' funds	-	572	572
Income tax on other operating income	-	(88)	(88)
Total other comprehensive income	**20**	**464**	**484**

9 month period ended 31 December 2016

	Profit and loss £000	Revaluation reserve £000	Total other comprehensive income £000
Other comprehensive income			
Depreciation transfer on revalued assets	20	(20)	-
Total other comprehensive income	**20**	**(20)**	**-**

18 Commitments under operating lease

Non-cancellable operating lease rentals are payable as follows:

	31 December 2016		31 March 2016	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Less than one year	**134**	**105**	108	103
Between one and five years	**197**	**58**	277	103
More than five years	**-**	**-**	-	-
	331	**163**	385	206

During the year £212,000 was recognised as an expense in the profit and loss account in respect of operating leases (*31 March 2016: £303,000*).

Notes *(continued)*

19 Related parties

The Company has loans due to the majority shareholder of the ultimate parent company, included in creditors (note 14). The details of these loans are as follows:

	31 December 2016 £000	31 March 2016 £000
Mr JR Hutt	-	-
	-	-

All loans are unsecured and interest free.

The maximum amounts outstanding at any point during the period were as follows:

	31 December 2016 £000	31 March 2016 £000
Mr JR Hutt	-	213

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Hutt Investments Limited. The ultimate controlling party is JR Hutt, sole shareholder of Hutt Investments Limited.

The largest group in which the results of the Company are consolidated is that headed by Hutt Investments Limited, incorporated in the United Kingdom. The smallest group in which they are consolidated is that headed by JR Hutt Holdings Limited, incorporated in the United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from Companies House.