



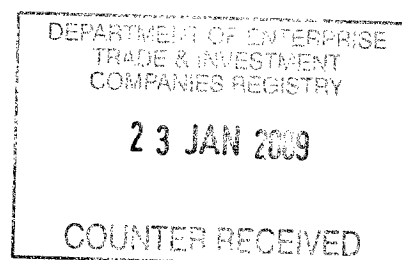
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Smyths Toys NI Limited

**Directors' Report and Financial Statements
Period Ended 23 March 2008**



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DIRECTORS AND OTHER INFORMATION

Directors

Anthony Smyth
Liam Smyth
Patrick Smyth
Thomas Smyth

Solicitors

Tughans Solicitors
Marlborough House
30 Victoria Street
Belfast BT1 3GS

Secretary and Registered Office

Anthony Smyth
c/o Johnston Kennedy DFK
10 Pilots View
Belfast BT3 9IE
Co Antrim

Bankers

First Trust
Meadowbank
Derry

Registered number: NI 060832

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Harr-Mack House
IDA Small Business Centre
Tuam Road
Galway

DIRECTORS' REPORT

The directors present their report, together with the audited financial statements of the company, for the 12 month period ended 23 March 2008.

Principal activity

The principal activity of the company is the sale of toys and associated products from its retail stores.

Results and dividends

The profit and loss account for the year is set out on page 7. The profit for the financial year was £529,634 (2007: £13,988). There were no dividends proposed or paid for the year

Business review

The company commenced trading on 8 January 2007. The company now has six stores in operation in Northern Ireland. The directors are satisfied with the performance for the year. As detailed in note 2, the directors are satisfied that the company is a going concern on the basis of the continuing financial support of its parent, Smyths Toys.

Financial risk management

The company's operations expose it to a variety of financial risks including price risk, foreign exchange risk, credit risk, liquidity risk and interest rate risk. The company has in place a programme to manage the financial exposures of the company.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies are set by the board of directors and are implemented by the company's finance department. The department has policies that sets out specific guidelines to manage interest rate risk, credit risk and foreign exchange risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk

The company is exposed to price risk on products in which it trades. However, this risk is limited for Smyths Toys NI Limited due to the structure under which it operates with its parent company. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Foreign exchange risk

The parent group is exposed to foreign exchange risks in the normal course of business, principally on purchases in Sterling and US dollars. The group's policy on mitigating the effect of this currency exposure is to purchase Sterling and Dollars when the price is strong. The group does not use any derivative instruments. Under the company's trading structure with its parent, foreign exchange risk is borne by the parent company.

Credit risk

The company has limited credit risk as the majority of sales are retail. The company has implemented policies that require appropriate credit checks on potential customers before any credit sales are made.

Liquidity risk

Liquidity risk is managed at group level.

Interest rate and cash flow risk

The company does not have any interest bearing assets or liabilities.

Future developments

The company intends to further strengthen its presence in Northern Ireland through the expansion of the number of stores it operates.

Directors

The directors of the company are listed on page 2 and served as directors for the entire period.

DIRECTORS' REPORT - continued

Political and charitable donations

The company made charitable donations amounting to £600 during the year. No donations for political purposes were made during the year.

Post balance sheet events

There have been no significant events affecting the company's business since the year end

Research and development

The company did not engage in any research and development activities during the year.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in United Kingdom and comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements are aware:

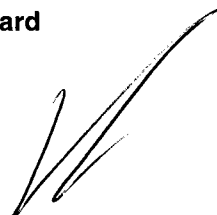
- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers were appointed auditors during the year. They have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

Secretary



PricewaterhouseCoopers
Harr-Mack House
IDA Small Business Centre
Tuam Road
Galway
Ireland
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Independent auditors' report to the members of Smyths Toys NI Limited

We have audited the financial statements of Smyths Toys NI Limited for the year ended 23 March 2008, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for preparation of the financial statements in accordance with applicable Northern Ireland law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 243 of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report to the members of Smyths Toys NI Limited - continued

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 23 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986; and
- the information given in the directors' report is consistent with the financial statements.



Chartered Accountants and Registered Auditors
Galway

29 September 2008

PROFIT AND LOSS ACCOUNT
Year Ended 23 March 2008

	Notes	23 March 2008 £	25 March 2007 £
Turnover	3	35,294,770	2,537,469
Cost of sales		<u>(28,064,024)</u>	<u>(1,274,756)</u>
Gross profit		7,230,746	1,262,713
Administrative expenses		<u>(6,348,377)</u>	<u>(1,199,276)</u>
Operating profit and profit on ordinary activities before taxation	4	882,369	63,437
Tax on profit on ordinary activities	7	<u>(352,735)</u>	<u>(49,449)</u>
Profit for the financial year		<u>529,634</u>	<u>13,988</u>

All amounts above relate to continuing operations of the company.

The company had no recognised gains and losses other than those reflected in the profit and loss account above and, therefore, no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
23 March 2008

	Notes	23 March 2008 £	25 March 2007 £
Fixed assets			
Intangible assets	8	4,463,269	4,698,178
Tangible assets	9	<u>3,908,482</u>	<u>1,892,372</u>
		8,371,751	6,590,550
Current assets			
Debtors	10	75,053	726,975
Cash at bank and in hand		<u>780,481</u>	<u>1,165,135</u>
		855,534	1,892,110
Creditors - amounts falling due within one year	11	<u>(1,941,794)</u>	<u>(1,778,564)</u>
Net current (liabilities)/assets		<u>(1,086,260)</u>	<u>113,546</u>
Total assets less current liabilities		7,285,491	6,704,096
Creditors – amount falling due after one year	11	(6,679,185)	(6,679,185)
Provisions for liabilities and charges	12	<u>(62,584)</u>	<u>(10,823)</u>
Net assets		<u>543,722</u>	<u>14,088</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	<u>543,622</u>	<u>13,988</u>
Equity shareholders' funds	15	<u>543,722</u>	<u>14,088</u>

The financial statements on pages 7 to 16 were approved by the board of directors on 8 Sept 08 and were signed on its behalf by:

Director



CASH FLOW STATEMENT
Year Ended 23 March 2008

	Note	2008 £	2007 £
Net cash inflow from operating activities	18(a)	2,294,014	1,165,035
Taxation paid		(175,609)	-
Capital expenditure and financial investment	18(b)	<u>(2,503,059)</u>	<u>-</u>
Net cash (outflow)/inflow before financing		(384,654)	1,165,035
Financing	18(c)	<u>-</u>	<u>100</u>
(Decrease)/increase in cash		<u>(384,654)</u>	<u>1,165,135</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

		2008 £	2007 £
(Decrease)/increase in cash		(384,654)	1,165,135
Opening net cash		<u>1,165,135</u>	<u>-</u>
Closing net cash	19	<u>780,481</u>	<u>1,165,135</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom and comply with Northern Ireland statute comprising the Companies (Northern Ireland) Order, 1986. Accounting standards generally accepted in The United Kingdom in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in England and Wales and issued by the Accounting Standards Board.

Historical cost convention

The financial statements are prepared under the historical cost convention.

Turnover and revenue recognition

Turnover represents the total value, excluding value added tax, of sales made during the year through the company's retail stores. Revenue is recorded net of returns and relevant vouchers/offers, when the significant risks and rewards of ownership have transferred to the buyer. Relevant vouchers/offers include money-off coupons and offers such as "buy one get one free".

Goodwill

Purchased goodwill is amortised through the profit and loss account over its expected useful economic life of 20 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes all expenditure that is directly attributable to the acquisition of the assets.

Depreciation is provided at rates calculated to write off the cost, less residual value, of each asset over its expected useful life, as follows:

Leasehold property	- 10% Straight Line
Equipment	- 20% Straight Line
Fixtures & fittings	- 15% Straight Line

Foreign currency

The financial statements are presented in Sterling ("£").

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated to Sterling at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are recharged to Smyths Toys under the transfer pricing structure with that company.

Taxation

Corporation tax is provided on taxable profits at current rates.

Deferred taxation is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for taxation purposes and profits recognised in the financial statements which arise because certain gains and losses in the financial statements are dealt with in different periods for taxation purposes.

Deferred tax is measured at the tax rates expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is not discounted.

Operating leases

Operating lease rentals are charged to the profit and loss account in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Basis of preparation - going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. The company reported operating profit in the period but has net current liabilities. The validity of the company continuing as a going concern is dependent on continuing financial support from its parent company, Smyths Toys, which is forthcoming.

The directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. On this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis as, with the continued financial support of Smyths Toys, it is expected that adequate cash flow will be available to meet the company's commitments as they fall due.

3 Turnover

The total turnover of the company for the year has been derived from its principal activity, which is wholly undertaken in Northern Ireland.

4 Operating profit

2008

2007

£

£

This is stated after charging the following:

Staff costs (note 5)	2,556,581	429,664
Goodwill amortisation (note 8)	234,909	-
Depreciation of fixed assets (note 9)	486,949	88,950
Operating lease rentals - premises	1,436,750	1,156,290
Auditors' remuneration		
- audit services	7,000	6,000
	<u>2,556,581</u>	<u>429,664</u>

5 Employee information

2008

2007

£

£

Staff costs

Wages and salaries	2,399,027	363,309
Social Security	157,554	66,355
	<u>2,556,581</u>	<u>429,664</u>

The average monthly number of persons employed by the company (including the executive directors) during the period was 161 and is analysed as follows:

	2008 Number	2007 Number
Selling and distribution	<u>161</u>	<u>134</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Directors' emoluments	2008 £	2007 £
Aggregate emoluments	<u>-</u>	<u>-</u>
Highest paid director		
Aggregate emoluments	<u>-</u>	<u>-</u>

7 Taxation	2008 £	2007 £
Current tax		
UK corporation tax at 30%	<u>300,974</u>	<u>38,626</u>
Total current tax	<u>300,974</u>	<u>38,626</u>
Deferred tax		
Charge for year	<u>51,761</u>	<u>10,823</u>
Total deferred tax	<u>51,761</u>	<u>10,823</u>
Total tax on profit on ordinary activities	<u>352,735</u>	<u>49,449</u>

The current tax charge for the year differs from that which would result from applying the standard rate of corporation tax in the UK (30%) to the profit for the year. The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	<u>882,369</u>	<u>63,437</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)	264,711	19,031
Effects of:		
Expenses not deductible for tax purposes	91,721	7,999
Capital allowances in excess of depreciation	<u>(55,458)</u>	<u>11,596</u>
Current tax charge for year	<u>300,974</u>	<u>38,626</u>

Factors that may affect future tax charges:

The standard rate of Corporation Tax in the UK changed to 28% with effect from 1 April 2008.

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Deferred tax liabilities have not been discounted.

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Intangible fixed assets	Goodwill	Total
	£	£
Cost		
At 25 March 2007 and 23 March 2008	<u>4,698,178</u>	<u>4,698,178</u>
Amortisation		
At 25 March 2007	-	-
Charge for the period	<u>234,909</u>	<u>234,909</u>
At 23 March 2008	<u>234,909</u>	<u>234,909</u>
Net book value		
At 23 March 2008	<u>4,463,269</u>	<u>4,463,269</u>
At 25 March 2007	<u>4,698,178</u>	<u>4,698,178</u>

The goodwill arose on the transfer in the prior year of the trade and net assets of the Northern Ireland Branch of Smyths Toys to Smyths Toys NI Limited. The useful economic life of this goodwill is estimated to be 20 years.

9 Tangible fixed assets	Leasehold property improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 25 March 2007	1,512,409	468,913	1,981,322
Additions	<u>2,230,622</u>	<u>272,437</u>	<u>2,503,059</u>
At 23 March 2008	<u>3,743,031</u>	<u>741,350</u>	<u>4,484,381</u>
Depreciation			
At 25 March 2007	48,173	40,777	88,950
Charge for the period	<u>374,303</u>	<u>112,646</u>	<u>486,949</u>
At 23 March 2008	<u>422,476</u>	<u>153,423</u>	<u>575,899</u>
Net book value			
At 23 March 2008	<u>3,320,555</u>	<u>587,927</u>	<u>3,908,482</u>
At 25 March 2007	<u>1,464,236</u>	<u>428,136</u>	<u>1,892,372</u>

10 Debtors	2008	2007
	£	£
VAT	-	586,530
Prepayments and accrued income	<u>75,053</u>	<u>140,445</u>
	<u>75,053</u>	<u>726,975</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

11 (a) Creditors- amounts falling due within one year	2008 £	2007 £
Amounts owed to parent undertaking	1,250,046	1,516,837
VAT	349,828	-
Corporation tax	163,991	38,626
Other creditors	57,155	41,745
Accruals and deferred income	59,285	181,356
Other taxes and social security	61,489	-
	<u>1,941,794</u>	<u>1,778,564</u>

Amounts owed to parent undertaking are unsecured, interest free and are repayable on demand.

(b) Creditors- amounts falling due after more than one year	2008 £	2007 £
Amounts due to parent undertaking	<u>6,679,185</u>	<u>6,679,185</u>
	<u>6,679,185</u>	<u>6,679,185</u>

Amounts due to parent undertaking are unsecured, interest free and fall due after more than one year.

12 Provisions for liabilities and charges	Deferred taxation £	Total £
At 25 March 2007	10,823	10,823
Charge to profit and loss account	<u>51,761</u>	<u>51,761</u>
At 23 March 2008	<u>62,584</u>	<u>62,584</u>

Deferred taxation arises entirely due to timing differences on fixed assets.

13 Share capital	2008 £	2007 £
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14 Reserves	Profit and loss account £	Total £
Profit for the financial year	529,634	568,361
At 25 March 2007	<u>13,988</u>	<u>13,988</u>
At 23 March 2008	<u>543,622</u>	<u>582,349</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Reconciliation of movements in equity shareholders' funds	2008	2007
	£	£
Profit for the financial year	529,634	13,988
Share capital issued	-	100
Net addition to equity shareholders' funds	529,634	14,088
Opening equity shareholders' funds	14,088	-
Closing equity shareholders' funds	543,722	14,088
16 Capital commitments	2008	2007
	£	£
Contracted for but not provided in the financial statements	-	-
17 Financial commitments		
Operating leases		
At 23 March the company had annual commitments under non-cancellable operating leases on property expiring as follows:		
	2008	2007
	£	£
Within one year	-	-
In more than one year, but not more than five years	-	-
After five years	1,436,750	1,156,250
18 a) Reconciliation of operating profit to net cashflow from operating activities	2008	2007
	£	£
Operating profit	882,369	63,437
Depreciation charge	486,949	88,950
Amortisation charge	234,909	-
Decrease/(increase) in debtors	651,922	(726,975)
Increase in creditors	37,865	1,739,623
	2,294,014	1,165,035
b) Capital expenditure and financial investment	2008	2007
	£	£
Payments to acquire tangible fixed assets	(2,503,059)	-
c) Financing	2008	2007
	£	£
Issue of ordinary share capital	-	100

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Analysis of net cash

	At 26 March 2007 £	Cash flow £	At 23 March 2008 £
Cash and bank balances	<u>1,165,135</u>	<u>(384,654)</u>	<u>780,481</u>

20 Related party transactions

A summary of the transactions and balances with related parties is set out below:

	2007 €	2006 €
Purchases		
Smyths Toys	28,064,024	1,274,756
Creditors less than one year		
Smyths Toys	1,250,046	1,516,837
Creditors greater than one year		
Smyths Toys	6,679,185	6,679,185

Smyths Toys is the immediate parent company of Smyths Toys NI Limited.

21 Parent undertaking

The immediate parent undertaking of Smyths Toys NI Limited is Smyths Toys, a company incorporated in the Republic of Ireland. The ultimate parent undertaking and controlling party is Smyths Toys Holdings, a company incorporated in the Republic of Ireland. The parent companies of the smallest and largest groups of undertakings, of which the company is a member and in whose consolidated financial statements it is included, are Smyths Toys and Smyths Toys Holdings respectively.

22 Comparatives

Certain comparatives have been restated on a basis content with the current year presentation.

23 Approval of financial statements

The directors approved the financial statements on

8 Sept 08.