Smyths Toys NI Limited

Directors' Report and Financial Statements
Year Ended 31 March 2011

Registered number: NI060832

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors

Anthony Smyth
Liam Smyth
Patrick Smyth
Thomas Smyth

Solicitors

Tughans Solicitors
Marlborough House
30 Victoria Street
Belfast BT1 3GS
Co Antrim

Secretary and Registered Office

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

Registered number: NI 060832

Bankers

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London E14 5HP
England

Statutory auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Harris House
IDA Small Business Centre
Tuam Road
Galway
Ireland

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 March 2011.

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

Business review
The company has six stores in operation in Northern Ireland. Turnover has decreased by £4.5m year on year, due primarily to a reduction in cross-border shopping. The company's headcount and cost base have remained stable year on year. The principal risks and uncertainties facing the company include competitive pressures and the current general economic climate.

Future developments
The directors do not plan to make any changes to the activities of the company.

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. Under the company's transfer pricing structure with its parent, the majority of these risks are limited for Smyths Toys NI Limited.

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 transfer pricing 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 US dollars. The group's policy on mitigating the effect of this currency exposure is to purchase Dollars when the price is strong. Under the company's trading structure with its parent the majority of 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.

Results and dividends
The profit and loss account for the year is set out on page 7. The profit before tax for the financial year was £827,346 (2010: £940,615). There were no dividends proposed or paid during the year.

Directors
The directors of the company are set out below and, unless otherwise indicated, served as directors for the entire year.

Anthony Smyth
Liam Smyth
Patrick Smyth
Thomas Smyth

DIRECTORS' REPORT - continued

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
The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting 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 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 is 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
The auditors, PricewaterhouseCoopers, 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

Anthony Smyth

Patrick Smyth

30 September 2011

pwc

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 31 March 2011, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities 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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 March 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

PricewaterhouseCoopers, Harris House, IDA Small Business Centre, Tuam Road, Galway, Ireland
T: +353 (0)91 764620 F: +353 (0)91 764621, www.pwc.com/ie

Chartered Accountants

pwc

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

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.

Ann Lavin **(Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Galway, Ireland

6 October 2011

PROFIT AND LOSS ACCOUNT
Year Ended 31 March 2011

	Notes	2011 £	2010 £
Turnover	2	33,093,857	37,624,557
Cost of sales		(26,466,897)	(30,371,223)
Gross profit		6,626,960	7,253,334
Administrative expenses		(5,799,614)	(6,312,719)
Operating profit and profit on ordinary activities before taxation	3	827,346	940,615
Tax on profit on ordinary activities	6	(343,765)	(332,026)
Profit for the year		483,581	608,589

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
31 March 2011

	Notes	2011 £	2010 £
Fixed assets			
Intangible assets	7	3,758,542	3,993,451
Tangible assets	8	2,717,331	3,025,236
		6,475,873	7,018,687
Current assets			
Debtors	9	2,430,670	1,290,598
Cash at bank and in hand		408,126	384,192
		2,838,796	1,674,790
Creditors - amounts falling due within one year	10	(469,605)	(329,930)
Net current assets		2,369,191	1,344,860
Total assets less current liabilities		8,845,064	8,363,547
Creditors – amount falling due after more than one year	11	(6,679,185)	(6,679,185)
Provisions for liabilities and charges	12	(111,523)	(113,587)
Net assets		2,054,356	1,570,775
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	2,054,256	1,570,675
Equity shareholders' funds	15	2,054,356	1,570,775

The financial statements on pages 7 to 16 were approved by the board of directors on 30 September 2011 and were signed on its behalf by:

Anthony Smyth

Patrick Smyth

Smyths Toys NI Limited
Registered number: NI060832

CASH FLOW STATEMENT
Year Ended 31 March 2011

	Note	2011 £	2010 £
Net cash inflow from operating activities	18(a)	256,889	604,183
Taxation paid		(229,543)	(551,971)
Capital expenditure and financial investment	18(b)	(3,412)	(5,543)
Increase in cash for the year		23,934	46,669

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH		2011 £	2010 £
Increase in cash for the year		23,934	46,669
Opening net cash		384,192	337,523
Closing net cash	19	408,126	384,192

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

These financial statements have been prepared on the going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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". Revenues in respect of gift vouchers are deferred and recognised in the profit and loss account when the vouchers are utilised by the customer.

Goodwill
Purchased goodwill is amortised through the profit and loss account over its estimated 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 on a straight line basis over its expected useful life, as follows:

Leasehold property improvements	- 6.67%
Equipment	- 20%
Fixtures & fittings	- 10%

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 the 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 gains or losses are reflected in the profit and loss account.

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. Operating lease incentives are recognised in the profit and loss account on a straight line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Turnover

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

3 Operating profit

	2011 £	2010 £
Operating profit is stated after charging the following:		
Staff costs (note 4)	2,012,074	2,203,835
Goodwill amortisation (note 7)	234,909	234,909
Depreciation of tangible fixed assets (note 8)	311,317	310,976
Operating lease rentals - premises	1,470,611	1,516,751
Services provided by the company's auditor:		
Fees payable for the audit	7,500	7,500
Fees payable for other services - taxation	5,750	3,425

4 Employee information

	2011 £	2010 £
Staff costs		
Wages and salaries	1,897,571	2,064,910
Social security costs	129,086	138,925
	2,026,657	2,203,835

The average monthly number of persons (full time equivalents) employed by the company (including executive directors) during the period was 103 (2010: 113) and is analysed as follows:

	2011 Number	2010 Number
Selling and distribution	103	113

5 Directors' emoluments

	2011 £	2010 £
Aggregate emoluments	-	-
Highest paid director		
Total emoluments	-	-

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Taxation on profit for the year

	2011 £	2010 £
Current tax		
UK corporation tax on profit for year	334,674	353,041
Adjustment in respect of prior years	11,155	(62,654)
Current tax charge for the year	345,829	290,387
Deferred tax		
Charge for year (note 12)	6,050	17,375
Adjustment in respect of prior years	-	24,264
Effect of decrease in tax rate on opening deferred tax liability	(8,114)	-
Deferred tax (credit)/charge for the year	(2,064)	41,639
Total tax on profit on ordinary activities	343,765	332,026

The current tax charge for the year differs from that which would result from applying the standard rate of corporation tax in NI (28%) to the profit for the year. The differences are explained below:

	2011 £	2010 £
Profit on ordinary activities before tax	827,346	940,615
Profit on ordinary activities multiplied by standard rate of corporation tax in NI of 28% (2010: 28%)	231,657	263,372
Effects of:		
Expenses not deductible for tax purposes	107,043	107,044
Capital allowances in excess of depreciation	(4,026)	(17,375)
Adjustments in respect of prior years	11,155	(62,654)
Current tax charge for year	345,829	290,387

Factors affecting current and future tax charges:
The standard rate of corporation tax changed from 28% to 26% with effect from 1 April 2011. At this time there are no other factors indentified which might impact current or future tax charges other than budgetary changes.

Deferred tax liabilities have not been discounted.

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1 April 2010 and 31 March 2011	4,698,178	4,698,178
Amortisation		
At 1 April 2010	704,727	704,727
Charge for the year	234,909	234,909
At 31 March 2011	939,636	939,636
Net book value		
At 31 March 2011	3,758,542	3,758,542
At 31 March 2010	3,993,451	3,993,451

The goodwill arose on the transfer in 2007 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.

8 Tangible fixed assets

	Leasehold property improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2010	3,620,132	753,950	4,374,082
Additions		3,412	3,412
At 31 March 2011	3,620,132	757,362	4,377,494
Depreciation			
At 1 April 2010	1,005,896	342,950	1,348,846
Charge for the year	233,681	77,636	311,317
At 31 March 2011	1,239,577	420,586	1,660,163
Net book value			
At 31 March 2011	2,380,555	336,776	2,717,331
At 31 March 2010	2,614,236	411,000	3,025,236

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Debtors

	2011 £	2010 £
Amounts due from parent undertaking	2,153,421	648,556
Value added tax recoverable	146,131	407,365
Prepayments and accrued income	131,118	234,677
	2,430,670	1,290,598

Amounts due from parent undertaking are unsecured, interest free and are repayable on demand.

10 Creditors - amounts falling due within one year

	2011 £	2010 £
Corporation tax	191,263	74,977
Accruals and deferred income	180,528	235,728
Other taxes and social security	40,269	19,225
Amounts owed to fellow subsidiaries	57,545	-
	469,605	329,930

Amounts owed to fellow subsidiaries are unsecured, interest free and repayable on demand.

11 Creditors - amounts falling due after more than one year

	2011 £	2010 £
Amounts due to parent undertaking	6,679,185	6,679,185
	6,679,185	6,679,185

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 £
At 1 April 2010	113,587
Charge for the year	6,050
Effect of decrease in tax rate on opening deferred tax liability	(8,114)
At 31 March 2011	111,523

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

13 Share capital

	2011 £	2010 £
Authorised		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Reserves

	Profit and loss account £	Total £
Profit for the year	483,581	483,581
At 1 April 2010	1,570,675	1,570,675
At 31 March 2011	2,054,256	2,054,256

15 Reconciliation of movements in equity shareholders' funds

	2011 £	2010 £
Profit for the year	483,581	608,589
Net addition to equity shareholders' funds	483,581	608,589
Equity shareholders' funds at 1 April	1,570,775	962,186
Equity shareholders' funds at 31 March	2,054,356	1,570,775

16 Capital commitments

	2011 £	2010 £
Contracted for but not provided in the financial statements	-	-

17 Financial commitments

Operating leases

At 31 March 2011 the company had annual commitments under non-cancellable operating leases on property expiring as follows:

	2011 £	2010 £
Within one year	-	-
In more than one year, but not more than five years	-	-
After five years	1,471,279	1,516,591

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Notes to cash flow statement

a) Reconciliation of operating profit to net cashflow from operating activities

	2011 £	2010 £
Operating profit	827,346	940,615
Depreciation of tangible fixed assets	311,317	310,976
Amortisation of goodwill	234,909	234,909
(Increase) in debtors	(1,140,072)	(616,389)
Increase/(decrease) in creditors	23,389	(265,928)
Net cash inflow from operating activities	256,889	604,183

b) Capital expenditure and financial investment

	2011 £	2010 £
Payments to acquire tangible fixed assets	(3,412)	(5,543)

19 Analysis of net cash

	At 31 March 2010 £	Cash flow £	At 31 March 2011 £
Cash at bank and in hand	384,192	23,934	408,126

20 Related party transactions

The company has availed of the exemption contained in FRS8 "Related Party Disclosures", in respect of subsidiary undertakings, all of whose voting rights are controlled within the Group. Consequently, the financial statements do not contain disclosures of transactions with entities in the Smyths Toys Group.

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.