

Smyths Toys NI Limited

**Annual Report
Financial year ended 30 December 2016**

Registered number: NI060832

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DIRECTORS AND OTHER INFORMATION

Directors

Anthony Smyth
Liam Smyth
Patrick Smyth
Thomas Smyth

Solicitors

Royds Solicitors
65 Carter Lane
London EC4V 5HF
England

Secretary and Registered Office

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

Registered number: NI060832

Bankers

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

Barclays Bank plc
Two Park Place
Hatch Street
Dublin 2
Ireland

Auditors

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

STRATEGIC REPORT

Strategic report for the year ended 30 December 2016

The directors present their strategic report for the year ended 30 December 2016.

Review of the business

The principal activity of the company is the sale of toys and associated products from retail outlets in Northern Ireland. Turnover has increased by £6m to £39.7m for the year ended 30 December 2016. The company's profit before tax for the year increased to £1m from £0.6m in the prior year. The directors are very pleased with this result particularly given the current economic climate and increased competition in the market place.

The company has seven stores in operation in Northern Ireland and there was one new store opened during the year. The average staff numbers increased from 157 in 2015 to 184 in 2016.

The company's balance sheet reflects net current liabilities of £2.6m. This is driven entirely by the balance of £6.8m payable to the company's holding company. This balance has no fixed repayment terms and is repayable on demand. The company's holding company has provided the company with confirmation that it does not intend to seek repayment of this balance in the foreseeable future or in circumstances which would impact on the ability of the company to meet its other obligations as and when they fall due.

General

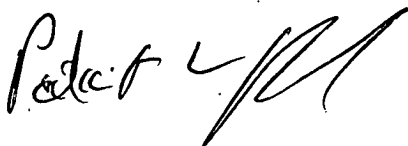
As outlined in the directors' report, the directors do not plan to make any changes to the activities of the company.

By order of the Board



ANTHONY SMYTH

Director



PATRICK SMYTH

DIRECTORS' REPORT

Directors' report for the year ended 30 December 2016

The directors present their report and the audited financial statements of the company for the financial year ended 30 December 2016. The comparative period is the financial year ended 30 December 2015.

Future developments

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

Financial risk management

The company has in place a programme to manage the financial risk exposures of the company. Under the company's trading structure with its holding company, Smyths Toys HQ Unlimited Company, 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 set 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 limited price risk due to the trading structure under which it operates with Smyths Toys HQ Unlimited Company. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Foreign exchange risk

The company bears minimal foreign exchange risk as its activities are primarily denominated in Sterling.

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. The group maintains an appropriate level of available finance to ensure the company has sufficient available funds for operations and planned expansions.

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 8. The company's profit for the year was £0.8m (2015: £0.4m). No dividends were paid during the year or the prior year.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

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 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, the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

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 United Kingdom Accounting Standards, including FRS 102 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.

Political donations

The company did not make any political donations in either year.

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 statutory 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 statutory auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

Director

ANTHONY SMYTH

PATRICK SMYTH



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

Report on the financial statements

Our opinion

In our opinion, Smyths Toys NI Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 December 2016 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the balance sheet as at 30 December 2016;
- the profit and loss account for the year then ended;
- the cashflow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.



Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

2 June 2017

PROFIT AND LOSS ACCOUNT

For the financial year ended 30 December 2016

	Notes	30 December 2016 £'000	30 December 2015 £'000
Turnover	5	39,668	33,632
Cost of sales		<u>(31,770)</u>	<u>(27,205)</u>
Gross profit		7,898	6,427
Selling and distribution expenses		<u>(6,906)</u>	<u>(5,827)</u>
Operating profit and profit on ordinary activities before taxation	6	992	600
Tax on profit on ordinary activities	8	<u>(234)</u>	<u>(217)</u>
Profit for the financial year		<u>758</u>	<u>383</u>

Turnover and operating profit arose solely from continuing operations.


The company had no other comprehensive income in either year and, therefore, no separate statement of comprehensive income has been presented.

BALANCE SHEET
As at 30 December 2016

	Notes	30 December 2016 £'000	30 December 2015 £'000
Fixed assets			
Intangible assets	9	2,437	2,682
Tangible assets	10	2,592	1,448
		<u>5,029</u>	<u>4,130</u>
Current assets			
Debtors	11	5,185	4,782
Cash at bank and in hand		473	356
		<u>5,658</u>	<u>5,138</u>
Creditors - amounts falling due within one year	12	<u>(8,223)</u>	<u>(7,634)</u>
Net current liabilities		<u>(2,565)</u>	<u>(2,496)</u>
Total assets less current liabilities		2,464	1,634
Provisions for liabilities	13	<u>(111)</u>	<u>(39)</u>
Net assets		<u>2,353</u>	<u>1,595</u>
Capital and reserves			
Called up share capital	14	-	-
Retained earnings		2,353	1,595
Total equity		<u>2,353</u>	<u>1,595</u>

The notes on pages 12 to 23 are an integral part of these financial statements.

The financial statements on pages 8 to 23 were approved by the board of directors on _____ and were signed on its behalf.



Director

ANTHONY SMYTH



PATRICK SMYTH

Smyths Toys NI Limited
Registered number: NI060832

STATEMENT OF CHANGES IN EQUITY
Financial year ended 30 December 2016

	Called up Share capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2015	-	1,212	1,212
Profit for the financial year	-	383	383
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	383	383
Balance as at 30 December 2015	-	1,595	1,595
Balance as at 31 December 2015	-	1,595	1,595
Profit for the financial year	-	758	758
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	758	758
Balance as at 30 December 2016	-	2,353	2,353

CASH FLOW STATEMENT**Financial year ended 30 December 2016**

	Notes	30 December 2016 £'000	30 December 2015 £'000
Net cash from operating activities	15	1,792	309
Income taxes paid		(176)	(206)
Net cash generated from operating activities		<u>1,616</u>	<u>103</u>
Cash flows from investing activities			
Purchases of intangible fixed assets	9	-	(12)
Purchases of tangible fixed assets	10	(1,499)	(48)
Net cash used in investing activities		<u>(1,499)</u>	<u>(60)</u>
Net increase in cash and cash equivalents		117	43
Cash and cash equivalents at the beginning of the year		<u>356</u>	<u>313</u>
Cash and cash equivalents at the end of the year		<u>473</u>	<u>356</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		<u>473</u>	<u>356</u>
Cash and cash equivalents		<u>473</u>	<u>356</u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Smyths Toys NI Limited ("the company") operates retail stores in Northern Ireland through which it sells toys and associated products.

The company is a private company limited by shares and is incorporated and domiciled in Northern Ireland. The address of the registered office is 10 Pilots View, Heron Road, Belfast BT3 9LE, Co Antrim.

2 Statement of compliance

The individual financial statements of Smyths Toys NI Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102")" and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

(b) Going concern

The company meets its day-to-day working capital requirements through its bank facilities and cash generated from operations. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will generate sufficient cash flows from its operations. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company's balance sheet reflects net current liabilities of £2.6m. This is driven entirely by the balance of £6.8m payable to the company's holding company. This balance has no fixed repayment terms and is repayable on demand. The company's holding company has provided the company with confirmation that it does not intend to seek repayment of this balance in the foreseeable future or in circumstances which would impact on the ability of the company to meet its other obligations as and when they fall due. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Foreign currency translation

(i) Functional and presentation currency

The company's functional and presentation currency is Sterling, denominated by the symbol "£".

Unless otherwise stated, the financial statements have been presented in thousands ('000).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(c) Foreign currency translation - continued

(ii) *Transactions and balances - continued*

At the end of each financial year foreign currency monetary items are translated to Sterling using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

All foreign exchange gains and losses are presented in the profit and loss account within selling and distribution expenses.

(d) Revenue recognition

(i) **Turnover**

Turnover is the amount of revenue derived from the provision of goods and services falling within the company's ordinary activities after deduction of trade discounts and value-added tax. For Smyths Toys NI Limited turnover comprises of revenue arising from the retail sale of goods.

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts, offers and rebates allowed by the company and value added taxes. Offers include money-off coupons and offers such as "buy one get one free".

The company recognises turnover when (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the company retains no continuing managerial involvement or effective control over the goods; (c) the amount of turnover and costs can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

Sale of goods – retail

The company operates retail shops for the sale of toys and certain related products. Sales of goods are recognised on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or debit card.

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

Sales are made to retail customers with a right to return for exchange/refund within 28 days, subject to certain conditions.

(e) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) *Short term employee benefits*

Short term employee benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(e) Employee benefits - continued

(ii) *Defined contribution pension plan*

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

(f) Taxation

Taxation expense for the financial year comprises current and deferred tax recognised in the financial year. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or prior financial years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

(g) Intangible assets

(i) *Software*

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of five years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

(ii) *Goodwill*

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

Intangible assets are reviewed for impairment if factors and circumstances indicate that the carrying amount may be impaired.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(h) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

(i) *Leasehold property improvements*

Leasehold property improvements are carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Fixtures, fittings and equipment*

Fixtures, fittings and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Depreciation and residual values*

Depreciation on assets is calculated, using the straight-line method over their estimated useful lives at the following annual rates:

Leasehold property improvements	6.67%
Equipment	20%
Fixtures & Fittings	10%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change is accounted for prospectively.

(v) *Subsequent additions and major components*

Subsequent costs, including major inspections, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives

Repairs, maintenance and minor inspection costs are expensed as incurred.

(vi) *Derecognition*

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(i) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) *Operating leases*

Leases that do not transfer all the risks and rewards of ownership to the lessee are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(ii) *Lease incentives*

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

(k) Impairment of non-financial assets

At the end of each financial year non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash-generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated.

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal. In measuring value in use pre-tax cash flows are discounted using a pre-tax discount rate that represents the current risk-free market rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the asset has been revalued. If the asset has been revalued the impairment loss is recognised in other comprehensive income to the extent of the revaluation gains accumulated in equity in respect of that asset. Thereafter any excess is recognised in profit or loss.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years. A reversal of an impairment loss is recognised in the profit and loss account, unless the asset is carried at a revalued amount.

(l) Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for its financial instruments.

(i) Financial assets

Basic financial assets, including cash and bank balances, amounts owed by group undertakings and trade or other receivables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(l) Financial instruments - continued

(ii) *Financial liabilities*

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Trade and other creditors and amounts due to group undertakings are subsequently carried at amortised cost, using the effective interest method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) *Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

(n) Distributions to equity shareholders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the financial year in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the entity's accounting policies

The company has not used any critical judgement, apart from those involving estimates, in applying the entity's accounting policies.

(b) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting judgements and estimation uncertainty - continued

(i) *Useful economic lives of tangible fixed assets*

The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the tangible fixed assets, and note 3(h(iii)) for the useful economic lives for each class of tangible fixed assets.

5 Turnover

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

6 Operating profit

	30 December 2016 £'000	30 December 2015 £'000
Operating profit is stated after charging:		
Staff costs:		
Wages and salaries	2,346	1,875
Social security costs	134	107
Other pension costs	15	13
	<u>2,495</u>	<u>1,995</u>
Amortisation of intangible assets (note 9)	245	243
Depreciation of tangible assets (note 10)	355	296
Operating lease charges	1,725	1,518
Services provided by the company's auditors		
Fees payable for the audit	9	9
Fees payable for other services - taxation	-	3
	<u>-</u>	<u>3</u>

7 Employees and directors

Employees

The average number of persons (including executive directors) employed by the company during the year, by activity was:

	30 December 2016 Number	30 December 2015 Number
Selling and distribution	<u>184</u>	<u>157</u>

Directors

The directors' emoluments were as follows:

	30 December 2016 £'000	30 December 2015 £'000
Aggregate emoluments	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Employees and directors - continued

	30 December 2016 £'000	30 December 2015 £'000
Highest paid director		
The highest paid directors' emoluments were as follows		
Total amount of emoluments	-	-

The emoluments of the directors for 2015 and 2016 were paid by the company's holding company, Smyths Toys HQ Unlimited Company, which makes no recharge to Smyths Toys NI Limited.

Key management compensation

The key management of the company are the directors and, as outlined above, the emoluments for the directors for 2015 and 2016 were paid by Smyths Toys HQ Unlimited Company.

8 Income tax

	30 December 2016 £'000	30 December 2015 £'000
(a) Tax expense included in profit or loss		
Current tax		
UK corporation tax on profits for the year	181	211
Adjustment in respect of prior year	(19)	-
Total current tax	162	211
Deferred tax		
Origination and reversal of timing differences	74	11
Impact of change in tax rate	(2)	(5)
Total deferred tax charge for the year (note 13)	72	6
Tax on profit on ordinary activities	234	217

(b) Reconciliation of tax charge

Tax assessed for the period is higher (2015: higher) than the standard rate of corporation tax in the UK for the year ended 30 December 2016 of 20% (2015: 20.25%). The differences are explained below:

	30 December 2016 £'000	30 December 2015 £'000
Profit on ordinary activities before tax	992	600
Profit multiplied by the standard rate of tax in NI of 20% (2015: 20.25%)	198	122
Effects of:		
Expenses not deductible for tax purposes	57	100
Re-measurement of deferred tax - change in the UK tax rate	(2)	(5)
Adjustment in respect of prior year	(19)	-
Tax charge for the year	234	217

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Intangible assets	Software £'000	Goodwill £'000	Total £'000
At 30 December 2015			
Cost	50	4,698	4,748
Accumulated amortisation and impairment	(11)	(2,055)	(2,066)
Net book amount	39	2,643	2,682
At 30 December 2016			
Cost	50	4,698	4,748
Accumulated amortisation and impairment	(21)	(2,290)	(2,311)
Net book amount	29	2,408	2,437
Year ended 30 December 2016			
Opening net book amount	39	2,643	2,682
Amortisation	(10)	(235)	(245)
Closing net book amount	29	2,408	2,437

The goodwill arose on the transfer in 2007 of the trade and net assets of the Northern Ireland Branch of Smyths Toys Unlimited Company (formerly Smyths Toys) to Smyths Toys NI Limited. The useful economic life of this goodwill is estimated to be 20 years.

The software intangible assets include the company's till operating system, stock management, click and collect system and systems which are used in the retail stores

10 Tangible assets	Leasehold property improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
At 30 December 2015			
Cost	3,623	1,005	4,628
Accumulated depreciation and impairment	(2,373)	(807)	(3,180)
Net book amount	1,250	198	1,448
At 30 December 2016			
Cost	4,711	1,416	6,127
Accumulated depreciation and impairment	(2,650)	(885)	(3,535)
Net book amount	2,061	531	2,592
Year ended 30 December 2016			
Opening net book amount	1,250	198	1,448
Additions	1,088	411	1,499
Depreciation	(277)	(78)	(355)
Closing net book amount	2,061	531	2,592

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors	30 December 2016 £'000	30 December 2015 £'000
Amounts owed by group undertakings	4,745	4,364
Prepayments and accrued income	440	418
	<u>5,185</u>	<u>4,782</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Creditors - amounts falling due within one year	30 December 2016 £'000	30 December 2015 £'000
Corporation tax	89	103
Accruals and deferred income	1,081	597
Value added tax	177	73
Other taxes and social security	60	45
Amounts owed to group undertakings	6,816	6,816
	<u>8,223</u>	<u>7,634</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13 Provisions for liabilities	2016 £'000	2015 £'000
Deferred tax		
At 1 January	39	33
Increase dealt with in profit or loss	72	6
At 30 December	<u>111</u>	<u>39</u>
The provision for deferred tax consists of the following deferred tax liabilities:	30 December 2016 £'000	30 December 2015 £'000
Other timing differences	-	-
Accelerated capital allowances	111	39
	<u>111</u>	<u>39</u>

The deferred tax liability expected to reverse in 2017 is £60,000.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Share capital and reserves

	30 December 2016 £	30 December 2015 £
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>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and repayment of capital.

A description of each reserve within equity is outlined below:

Retained earnings

Retained earnings represents accumulated comprehensive income for the year and prior periods less dividends paid.

15 Notes to the cash flow statement

	30 December 2016 £'000	30 December 2015 £'000
Profit for the financial year	758	383
Tax on profit on ordinary activities	<u>234</u>	<u>217</u>
Operating profit	992	600
Amortisation of intangible assets	245	243
Depreciation of tangible assets	355	296
Working capital movements:		
- (increase) in debtors	(403)	(874)
- increase in creditors	<u>603</u>	<u>44</u>
Cash flow from operating activities	<u>1,792</u>	<u>309</u>

16 Capital and other commitments

The company had no capital commitments at either balance sheet date.

Operating leases

At 30 December 2016 the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	30 December 2016 £'000	30 December 2015 £'000
Payments due:		
Not later than one year	1,688	1,578
Later than one year and not later than five years	5,786	3,643
Later than five years	<u>6,464</u>	<u>1,878</u>
	<u>13,938</u>	<u>7,099</u>

The company had no other off balance sheet arrangements.

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Guarantees

The company is a participant in group banking facilities under which it has given a cross guarantee and indemnity in respect of all sums owing to the bank by its holding company and the other group guarantors under the facilities. The group banking facilities are also secured by a charge over the assets of Smyths Toys NI Limited. In addition the shares in Smyths Toys NI Limited have been charged in favour of the bank.

18 Pension costs

The company operates a defined contribution pension scheme for employees. The charge for the year was £15k (2015: £13k) none of which was outstanding at the balance sheet date.

19 Related party transactions

The company has availed of the exemption from the disclosure of transactions with other companies that are wholly owned within the Smyths Toys Holding Unlimited Company group.

20 Controlling parties

The immediate holding company of Smyths Toys NI Limited is Smyths Toys HQ Unlimited Company, a company incorporated in the Republic of Ireland. The ultimate holding company and controlling party is Smyths Toys Holding Unlimited Company, a company incorporated in the Republic of Ireland. The holding 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 HQ Unlimited Company and Smyths Toys Holding Unlimited Company respectively.

21 Events after the end of the reporting period

There have been no significant events affecting the company since the year end.