

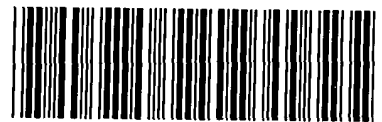
**SIGNED  
COPY**

**Smyths Toys NI Limited**

**Annual Report  
Financial year ended 30 December 2017**

**Registered number: NI060832**

MONDAY



\*J7E7IM97\*

JNI

10/09/2018

#78

COMPANIES HOUSE

**CONTENTS**

	<b>Pages</b>
DIRECTORS AND OTHER INFORMATION	2
STRATEGIC REPORT	3
DIRECTORS' REPORT	4 - 5
INDEPENDENT AUDITORS' REPORT	6 - 8
PROFIT AND LOSS ACCOUNT	9
BALANCE SHEET	10
STATEMENT OF CHANGES IN EQUITY	11
CASH FLOW STATEMENT	12
NOTES TO THE FINANCIAL STATEMENTS	13 - 24

**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

**Independent 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 2017

The directors present their strategic report for the year ended 30 December 2017.

#### 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 £2.2m to £41.8m for the year ended 30 December 2017. The company's profit before tax for the year increased to £1.05m from £0.99m 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. There were no new stores opened during the year. The average staff numbers decreased from 184 in 2016 to 179 in 2017.

The company's balance sheet reflects net current liabilities of £1.2m. 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.

#### Principal risks and uncertainties

The principal risks and uncertainties facing the group, of which the company is a member, are competitive price pressures and foreign currency fluctuations.

#### General

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

On behalf of the Board

Director  
ANTHONY SMYTH

21 June 2018

## DIRECTORS' REPORT

### **Directors' report for the year ended 30 December 2017**

The directors present their report and the audited financial statements of the company for the financial year ended 30 December 2017. The comparative period is the financial year ended 30 December 2016.

### **Future developments**

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

### **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 9. The company's profit for the year was £0.8m (2016: £0.8m). No dividends were proposed or 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

Since the year end the Smyths Toys group has announced the acquisition of some of the European operations of Toys 'R' Us. There have been no other 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 Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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

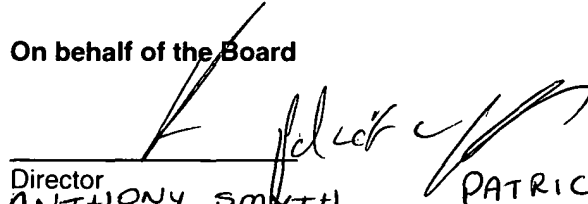
So far as each of the directors in office at the date of approval of these financial statements is aware:

- 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.

On behalf of the Board

  
Director  
ANTHONY SMYTH  
21 June 2018

PATRICK SMYTH



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

### **Report on the audit of the financial statements**

---

#### **Opinion**

In our opinion, Smyths Toys NI Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2017 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise:

- the balance sheet as at 30 December 2017;
- the profit and loss account for the year then ended,
- the cash flow 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 description of the significant accounting policies.

---

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



---

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.





#### *Use of this report*

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.

---

## **Other required reporting**

---

### **Companies Act 2006 exception reporting**

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in cursive script, appearing to read 'Ann Lavin'.

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

25 June 2018

**PROFIT AND LOSS ACCOUNT**  
**For the financial year ended 30 December 2017**

	Notes	30 December 2017 £'000	30 December 2016 £'000
<b>Turnover</b>	5	41,831	39,668
Cost of sales		<u>(33,386)</u>	<u>(31,770)</u>
<b>Gross profit</b>		8,445	7,898
Distribution costs		<u>(7,399)</u>	<u>(6,906)</u>
<b>Operating profit and profit before taxation</b>	6	1,046	992
Tax on profit	8	<u>(285)</u>	<u>(234)</u>
<b>Profit for the financial year</b>		<u>761</u>	<u>758</u>

All amounts arose 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 2017

	Notes	30 December 2017 £'000	30 December 2016 £'000
<b>Fixed assets</b>			
Intangible assets	9	2,192	2,437
Tangible assets	10	2,278	2,592
		<u>4,470</u>	<u>5,029</u>
<b>Current assets</b>			
Debtors	11	6,530	5,185
Cash at bank and in hand		703	473
		<u>7,233</u>	<u>5,658</u>
<b>Creditors - amounts falling due within one year</b>	12	<u>(8,443)</u>	<u>(8,223)</u>
<b>Net current liabilities</b>		<u>(1,210)</u>	<u>(2,565)</u>
<b>Total assets less current liabilities</b>		3,260	2,464
<b>Provisions for liabilities</b>	13	<u>(146)</u>	<u>(111)</u>
<b>Net assets</b>		<u>3,114</u>	<u>2,353</u>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Retained earnings		3,114	2,353
<b>Total equity</b>		<u>3,114</u>	<u>2,353</u>

The notes on pages 13 to 24 are an integral part of these financial statements.

The financial statements on pages 9 to 24 were approved by the board of directors on 21/6/18 and were signed on its behalf.

Director

Smyths Toys NI Limited  
Registered number: NI060832

ANTHONY SMYTH

PATRICK SMYTH

**STATEMENT OF CHANGES IN EQUITY**  
**For the financial year ended 30 December 2017**

	Called up Share capital £'000	Retained Earnings £'000	Total £'000
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
<b>Balance as at 30 December 2016</b>	<b>-</b>	<b>2,353</b>	<b>2,353</b>
Balance as at 31 December 2016	-	2,353	2,353
Profit for the financial year	-	761	761
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	761	761
<b>Balance as at 30 December 2017</b>	<b>-</b>	<b>3,114</b>	<b>3,114</b>

**CASH FLOW STATEMENT**

For the financial year ended 30 December 2017

	Notes	30 December 2017 £'000	30 December 2016 £'000
<b>Net cash from operating activities</b>	15	536	1,792
Income taxes paid		(199)	(176)
<b>Net cash generated from operating activities</b>		<u>337</u>	<u>1,616</u>
<b>Cash flows from investing activities</b>			
Purchases of tangible fixed assets	10	(107)	(1,499)
<b>Net cash used in investing activities</b>		<u>(107)</u>	<u>(1,499)</u>
<b>Net increase in cash and cash equivalents</b>		230	117
<b>Cash and cash equivalents at the beginning of the year</b>		<u>473</u>	<u>356</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>703</u>	<u>473</u>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		703	473
<b>Cash and cash equivalents</b>		<u>703</u>	<u>473</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 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. The company's balance sheet reflects net current liabilities of £1.2m. 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. 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 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 distribution costs.

#### (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 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. The company uses past returns experience to assess the need to provide for returns at the time of sale.

#### (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 liability 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 judgements in applying the entity's accounting policies

The company has not used any critical judgements, 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 year has been derived from its principal activity, which is wholly undertaken in Northern Ireland.

## 6 Operating profit

	30 December 2017 £'000	30 December 2016 £'000
The following operating expenses have been charged:		
<b>Staff costs:</b>		
Wages and salaries	2,488	2,346
Social security costs	148	134
Other pension costs (note 19)	17	15
	<u>2,653</u>	<u>2,495</u>
Amortisation of intangible assets (note 9)	245	245
Depreciation of tangible assets (note 10)	421	355
Operating lease charges	1,461	1,725
<b>Services provided by the company's auditors</b>		
Fees payable for the audit	9	9
Fees payable for other services - taxation	<u>-</u>	<u>-</u>

## 7 Employees and directors

**Employees**

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

	30 December 2017 Number	30 December 2016 Number
Selling and distribution	<u>179</u>	<u>184</u>

**Directors**

The directors' emoluments were as follows:

	30 December 2017 £'000	30 December 2016 £'000
Aggregate emoluments	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 7 Employees and directors - continued

	30 December 2017 £'000	30 December 2016 £'000
<b>Highest paid director</b>		
The highest paid directors' emoluments were as follows:		

Total amount of emoluments	-	-
----------------------------	---	---

The emoluments of the directors for 2016 and 2017 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 2016 and 2017 were paid by Smyths Toys HQ Unlimited Company.

## 8 Tax on profit

	30 December 2017 £'000	30 December 2016 £'000
<b>(a) Tax expense included in profit or loss</b>		
<b>Current tax</b>		
UK corporation tax on profit for the year	250	181
Adjustment in respect of prior year	-	(19)
Total current tax	250	162
<b>Deferred tax</b>		
Origination and reversal of timing differences	35	74
Impact of change in tax rate	-	(2)
Total deferred tax charge for the year (note 13)	35	72
<b>Tax on profit</b>	285	234

**(b) Reconciliation of tax charge**

Tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK for the year ended 30 December 2017 of 19.25% (2016: 20%). The differences are explained below:

	30 December 2017 £'000	30 December 2016 £'000
Profit on ordinary activities before tax	1,046	992
Profit multiplied by the standard rate of tax in NI of 19.25% (2016: 20%)	201	198
Effects of:		
Expenses not deductible for tax purposes	84	57
Re-measurement of deferred tax - change in the UK tax rate	-	(2)
Adjustment in respect of prior year	-	(19)
Tax charge for the year	285	234

**(c) Tax rate changes**

The UK tax rate decreased from 20% to 19% from 1 April 2017. Further changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate 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

<b>9 Intangible assets</b>	<b>Software £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>At 31 December 2016</b>			
Cost	50	4,698	4,748
Accumulated amortisation and impairment	(21)	(2,290)	(2,311)
<b>Net book amount</b>	<b>29</b>	<b>2,408</b>	<b>2,437</b>
<b>At 30 December 2017</b>			
Cost	50	4,698	4,748
Accumulated amortisation and impairment	(31)	(2,525)	(2,556)
<b>Net book amount</b>	<b>19</b>	<b>2,173</b>	<b>2,192</b>
<b>Year ended 30 December 2017</b>			
Opening net book amount	29	2,408	2,437
Amortisation	(10)	(235)	(245)
<b>Closing net book amount</b>	<b>19</b>	<b>2,173</b>	<b>2,192</b>

The goodwill arose on the transfer in 2007 of the trade and net assets of the Northern Ireland Branch of Smyths Toys Unlimited Company 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

<b>10 Tangible assets</b>	<b>Leasehold property improvements £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>At 31 December 2016</b>			
Cost	4,711	1,416	6,127
Accumulated depreciation and impairment	(2,650)	(885)	(3,535)
<b>Net book amount</b>	<b>2,061</b>	<b>531</b>	<b>2,592</b>
<b>At 30 December 2017</b>			
Cost	4,773	1,461	6,234
Accumulated depreciation and impairment	(2,967)	(989)	(3,956)
<b>Net book amount</b>	<b>1,806</b>	<b>472</b>	<b>2,278</b>
<b>Year ended 30 December 2017</b>			
Opening net book amount	2,061	531	2,592
Additions	62	45	107
Depreciation	(317)	(104)	(421)
<b>Closing net book amount</b>	<b>1,806</b>	<b>472</b>	<b>2,278</b>

## NOTES TO THE FINANCIAL STATEMENTS - continued

<b>11 Debtors</b>	30 December 2017 £'000	30 December 2016 £'000
Amounts owed by group undertakings	6,106	4,745
Prepayments and accrued income	424	440
	<u>6,530</u>	<u>5,185</u>

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

<b>12 Creditors - amounts falling due within one year</b>	30 December 2017 £'000	30 December 2016 £'000
Corporation tax	140	89
Value added tax	233	177
Other taxes and social security	60	60
Amounts owed to group undertakings	6,816	6,816
Accruals and deferred income	1,194	1,081
	<u>8,443</u>	<u>8,223</u>

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

<b>13 Provisions for liabilities</b>	2017 £'000	2016 £'000
<b>Deferred tax</b>		
At 31 December 2016/2015	111	39
Increase dealt with in profit or loss	35	72
At 30 December	<u>146</u>	<u>111</u>

The provision for deferred tax consists of the following deferred tax liabilities:	30 December 2017 £'000	30 December 2016 £'000
Other timing differences	-	-
Accelerated capital allowances	146	111
	<u>146</u>	<u>111</u>

The expected deferred tax movement in 2018 is £35,000.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 14 Called up share capital and reserves

	30 December 2017 £	30 December 2016 £
<b>Authorised</b>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
	£	£
<b>Allotted, called up and fully paid</b>		
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 2017 £'000	30 December 2016 £'000
<b>Profit for the financial year</b>	761	758
Tax on profit on ordinary activities	<u>285</u>	<u>234</u>
<b>Operating profit</b>	1,046	992
Amortisation of intangible assets	245	245
Depreciation of tangible assets	421	355
Working capital movements:		
- (increase) in debtors	(1,345)	(403)
- increase in creditors	<u>169</u>	<u>603</u>
<b>Cash flow from operating activities</b>	<u>536</u>	<u>1,792</u>

## 16 Financial instruments

	30 December 2017 £'000	30 December 2016 £'000
The company has the following financial instruments:		
Financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>
Financial assets that are debt instruments measured at amortised cost:		
- amounts owed by group undertakings (note 11)	<u>6,106</u>	<u>4,745</u>
Cash at bank and in hand	<u>703</u>	<u>473</u>
Financial liabilities measured at fair value through profit or loss	<u>-</u>	<u>-</u>
Financial liabilities that are debt instruments measured at amortised cost:		
- amounts owed to group undertakings (note 12)	<u>6,816</u>	<u>6,816</u>



**NOTES TO THE FINANCIAL STATEMENTS - continued****17 Capital and other commitments**

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

**Operating leases**

At 30 December 2017 the company had the following future minimum lease payments under non-cancellable operating leases:

	30 December 2017 £'000	30 December 2016 £'000
Payments due:		
Not later than one year	1,597	1,688
Later than one year and not later than five years	4,784	5,786
Later than five years	2,678	6,464
	<u>9,059</u>	<u>13,938</u>

The company had no other off balance sheet arrangements.

**18 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.

**19 Pension costs**

The company operates a defined contribution pension scheme for employees. The charge for the year was £17k (2016: £15k) of which £2k (2016: £2k) was outstanding at the balance sheet date.

**20 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.

**21 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.

**22 Events after the end of the reporting period**

Since the year end the Smyths Toys group has announced the acquisition of some of the European operations of Toys 'R' Us. There have been no other significant events affecting the company's business since the year end.