Smyths Toys NI Limited

Annual Report
Financial year ended 30 December 2022

Registered number: NI060832

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DIRECTORS AND OTHER INFORMATION

Directors

Anthony Smyth
Patrick Smyth

Solicitors

Royds Solicitors
69 Carter Lane
London EC4V 5EQ
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
One Molesworth Street
Dublin
DO2 RF29
Ireland

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin
Ireland

STRATEGIC REPORT

Strategic report for the year ended 30 December 2022
The directors present their strategic report for the year ended 30 December 2022.

Review of the business
The principal activity of the company is the sale of toys and associated products from retail outlets in Northern Ireland.

The Directors consider the key financial performance indicators are those that communicate the financial performance and position of the company as a whole, these being turnover, gross margin and operating profit for the financial year.

The company's turnover has increased by £5.4m (11%) to £56.2m for the year ended 30 December 2022. This increase is primarily driven by an increase in footfall to stores as customers returned to stores post Covid restrictions. The company's gross profit for the year increased by £2m from £6.7m in 2021 to £8.7m in 2022. The company's profit before tax for the year was £1.1m, an increase of 11%. Based on these figures, and compared to pre Covid profit before tax of £0.9m in 2019, the directors are pleased with this result particularly given the current economic climate and the competitive market place.

A dividend of £2m was declared and settled through intercompany during the year.

The company had net assets of £2.2m at the end of the year compared to £3.3m in 2021. This decrease was mainly due to the decrease in the intercompany balance due from a group company.

The company has seven stores in operation in Northern Ireland. There were no new stores opened during the year. The average staff numbers increased from 197 in 2021 to 209 in 2022.

Principal risks and uncertainties
Management and the Board regularly review risks facing the Company. The directors consider that the following are the principal risk factors that could materially and adversely affect the Company's future operating profits or financial position:

- Competitive price pressures in the market, particularly from on-line retailers;
- The Company continues to monitor and respond appropriately to ongoing risks surrounding Covid-19 which may adversely affect the financial and/or operational results of the Company;
- Failure to renew and replace existing contracts when they expire.
- The potential impact of inflation, interest rates, and poor performance in the economies in which it operates
- The threat of cybercrime and its potential disruption to the Company's IT systems and its business activities.

Through the continuous monitoring of the market, management of relationships with suppliers and the cost base and investment in the business the directors consider the impact of this risks to be limited.

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

Anthony Smyth
Director

DIRECTORS' REPORT

Directors' report for the year ended 30 December 2022
The directors present their report and the audited financial statements of the company for the financial year ended 30 December 2022. The comparative period is the financial year ended 30 December 2021.

Principal activities
As detailed in the Strategic Report, the company is engaged in the sale of toys and associated products from retail outlets in the Northern Ireland. Under the company's trading structure, a group company (Smyths Toys HQ Unlimited Company), undertakes key functions and their associated risks on behalf of the company and the group. This group company holds all inventory until sales have concluded in the retail stores. The company operates as an undisclosed agent in all its dealings with customers through the Northern Ireland stores and maintains primary responsibility for providing goods to the customer and has exposure to the risks and rewards associated with the sale of goods. The company is the primary point of contact for all retail sales through the Northern Ireland stores.

The company's financial statements reflect the underlying economic and proportionate impact of this arrangement.

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 a group company (Smyths Toys HQ Unlimited Company) the majority of these risks are limited for Smyths Toys NI Limited.

Given the arrangements with group and 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.

The company does not use any derivative financial instruments.

Results and dividends
The profit and loss account for the year is set out on page 10. The company's profit for the year was £0.85m (2021: £0.7m). Dividends of £2m were paid in 2022 (2021: nil). The balance was settled through the intercompany account.

DIRECTORS' REPORT - continued

Directors
The directors who held office during the year and up to the date of signing the financial statements are given below. Unless indicated otherwise, the directors all served for the entire financial year.
Anthony Smyth
Liam Smyth (deceased 23 July 2023)
Patrick Smyth

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 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.

Section172(1) Statement
Due to the size of the company, it is exempt from the disclosure requirements under Section 172(1) of the Companies Act 2006.

Streamlined Energy and Carbon Reporting
Due to the size of the company, it is exempt from the disclosure requirements under Section 172(1) of the Companies Act 2006.

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.

DIRECTORS' REPORT - continued

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

Anthony Smyth
Director
28 SEPTEMBER 2023

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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 2022 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 2022;
- 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;
- 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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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 andDirectors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to [Describe the principal risks of non-compliance with laws and regulations related to the financial statements], and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- discussions with the management, in respect of risk of fraud and any known or suspected instances of non-compliance with laws and regulation and fraud and reviewing Board Minutes;
- confirmation with those charged with governance in respect of risk of fraud and any known or suspected instances of non-compliance with laws and regulations;
- consideration of the overall control environment and the processes and controls in place in the company, including procedures to achieve compliance with relevant laws and regulations; and
- testing of journal entries posted throughout the period and at period end.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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 obtained 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.

John Dillon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
28 September 2023

PROFIT AND LOSS ACCOUNT
For the financial year ended 30 December 2022

	Notes	30 December 2022 £'000	30 December 2021 £'000
Turnover	5	56,191	50,757
Cost of sales		(47,496)	(44,059)
Gross profit		8,695	6,698
Distribution costs		(7,571)	(5,690)
Operating profit and profit before taxation	6	1,124	1,008
Tax on profit	8	(270)	(313)
Profit for the financial year		854	695

The notes on pages 14 to 26 form part of these financial statements.

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 2022

	Notes	30 December 2022 £'000	30 December 2021 £'000
Fixed assets			
Intangible assets	9	998	1,233
Tangible assets	10	1,913	1,840
		2,911	3,073
Current assets			
Debtors	11	7,388	8,923
Cash at bank and in hand		1,583	808
		8,971	9,731
Creditors - amounts falling due within one year	12	(8,876)	(8,667)
Net current assets/(liabilities)		95	1,064
Total assets less current liabilities		3,006	4,137
Provisions for liabilities	13	(824)	(809)
Net assets		2,182	3,328
Capital and reserves			
Called up share capital	14	-	-
Retained earnings		2,182	3,328
Total equity		2,182	3,328

The notes on pages 14 to 26 form part of these financial statements.

The financial statements on pages 10 to 26 were authorised for issue by the board of directors on 28 September 2023 and were signed on its behalf.

Director
Anthony Smyth
Smyths Toys NI Limited
Registered number: NI060832

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 30 December 2022

	Called up Share capital £'000	Retained Earnings £'000	Total Equity £'000
Balance as at 31 December 2020	-	2,633	2,633
Profit for the financial year	-	695	695
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	695	695
Balance as at 30 December 2021	-	3,328	3,328
Balance as at 31 December 2021	-	3,328	3,328
Profit for the financial year	-	854	854
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	854	854
Dividends paid	-	(2,000)	(2,000)
Total transactions recognised directly in equity	-	(2,000)	(2,000)
Balance as at 30 December 2022	-	2,182	2,182

The notes on pages 14 to 26 form part of these financial statements.

CASH FLOW STATEMENT
For the financial year ended 30 December 2022

	Notes	30 December 2022 £'000	30 December 2021 £'000
Net cash from operating activities	15	1,375	1,372
Income taxes paid		(290)	(185)
Net cash generated from/(used) in operating activities		1,085	1,187
Cash flows from investing activities			
Purchases of tangible assets	10	(310)	(525)
Net cash used in investing activities		(310)	(525)
Net increase/(decrease) in cash and cash equivalents		775	662
Cash and cash equivalents at the beginning of the year		808	146
Cash and cash equivalents at the end of the year		1,583	808
Cash and cash equivalents consists of:			
Cash at bank and in hand		1,583	808
Cash and cash equivalents		1,583	808

The notes on pages 14 to 26 form part of these financial statements.

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 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 cash generated from operations, its bank facilities and group facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the company should be able to operate within the level of its facilities. 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

(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 and the provision of web fulfilment services for a group company.

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 card 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.

Web fulfilment services

The company charges its parent company for the provision of web fulfilment services in line with the underlying intercompany agreements. This revenue is reflected in the accounting period to which it relates and in which the services are provided.

Inventory

The company does not recognise inventory on its balance sheet as control of inventory and ownership does not take place until the time of sale to the end customer. Up until this point control of the inventory is held by a group company. See note 4 b(ii) for details of judgments on the recognition of inventory.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - continued

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(h) Tangible fixed assets - continued

(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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(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 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.

(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, amounts due to group undertakings and financial liabilities from arrangements which constitute financing transactions 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(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.

(o) Provisions and contingencies

Provisions are liabilities of uncertain timing or amount.

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that a transfer or economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

In particular:

(i) Provision is not made for future operating costs.

(ii) Provision is made for dilapidations under the company's operating leases. The provision is measured based on the company's best estimate of the amounts expected to be paid based on the terms of the lease and the expected costs to be incurred at the end of the tenancy.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting judgements and estimation uncertainty - continued

b) Critical accounting estimates and assumptions - continued

(ii) Inventory

The directors consider the probability of economic benefits arising from stock in the retail stores of the company is not sufficiently certain to recognise the inventory on the company balance sheet due to the following reasons:

- The control, risks and rewards of the inventory are held by a group company until the point of sale to the end customer by the company.
- These risk and reward indicators include among other matters, right of return and restrictive powers to control the inventory, such that the custody of the inventory is considered to be consignment in nature, until control is passed to the company.

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. The split of turnover is as follows:

	2022 £'000	2021 £'000
Retail sale of goods	56,121	50,661
Services to group companies	70	96
	56,191	50,757

6 Operating profit and profit before taxation

	30 December 2022 £'000	30 December 2021 £'000
The following operating expenses have been charged:		
Amortisation of intangible assets (note 9)	235	235
Depreciation of tangible assets (note 10)	242	315
Staff costs (note 7)	3,860	3,281
Operating lease charges	1,274	1,254
Services provided by the company's auditors		
Fees payable for the audit	11	10
Fees payable for other services	-	-

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 2022 Number	30 December 2021 Number
Selling and distribution	209	197

	30 December 2022 £'000	30 December 2021 £'000
Staff costs:		
Wages and salaries	3,536	2,997
Social security costs	247	216
Other pension costs (note 19)	77	68
	3,860	3,281

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Employees and directors -continued

Directors
The directors' receive no remuneration for their services as Directors to the company. The Directors are paid a salary by a group company. Details of Directors remuneration is included in the relevant disclosures in the financial statements of Smyths Toys HQ Unlimited Company.

Key management compensation
Key management comprises the directors of the company. The directors' receive no remuneration for their services to the company, they are paid through a group company. Details of salaries to key management is included in the disclosures of Smyths Toys HQ Unlimited Company.

8 Tax on profit

(a) Tax expense included in profit or loss

	30 December 2022 £'000	30 December 2021 £'000
Current tax		
UK corporation tax on profit for the year	274	283
Total current tax	274	283
Deferred tax		
Origination and reversal of timing differences	(4)	(23)
Impact of change in tax rate	-	53
Total deferred tax charge for the year (note 13)	(4)	30
Tax on profit	270	313

(b) Reconciliation of tax charge

Tax expense for the year is different than the standard rate of corporation tax in the UK for the year ended 30 December 2022 of 19% (2021: 19%). The differences are explained below:

	30 December 2022 £'000	30 December 2021 £'000
Profit before tax	1,124	1,008
Profit before tax multiplied by the standard rate of tax of 19%	214	192
Effects of:		
Expenses not deductible for tax purposes	45	45
Depreciation in excess of capital allowances	13	28
Effect of changes in tax rates	(2)	-
Other adjustments	-	48
Tax charge for the year	270	313

(c) Tax rate changes
From 1 April 2023, the rate of corporation tax in the UK increased from the rate of 19% to 25%. Deferred taxes at the balance sheet date have been measured at the enacted rate of 25% and reflected in these financial statements

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Intangible assets

	Software £'000	Goodwill £'000	Total £'000
At 30 December 2021			
Cost	50	4,698	4,748
Accumulated amortisation and impairment	(50)	(3,465)	(3,515)
Net book amount	-	1,233	1,233
Year ended 30 December 2022			
Opening net book amount	-	1,233	1,233
Amortisation	-	(235)	(235)
Closing net book amount	-	998	998
At 30 December 2022			
Cost	50	4,698	4,748
Accumulated amortisation and impairment	(50)	(3,700)	(3,750)
Net book amount	-	998	998

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, of which there are 4 years remaining at the balance sheet date.

The software intangible assets include the company's till operating system and other 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 2021			
Cost	5,473	1,914	7,387
Accumulated depreciation and impairment	(4,075)	(1,472)	(5,547)
Net book amount	1,398	442	1,840
Year ended 30 December 2022			
Opening net book amount	1,398	442	1,840
Additions	6	309	315
Depreciation	(114)	(128)	(242)
Closing net book amount	1,290	623	1,913
At 30 December 2022			
Cost	5,479	2,223	7,702
Accumulated depreciation and impairment	(4,189)	(1,600)	(5,789)
Net book amount	1,290	623	1,913

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors

	30 December 2022 £'000	30 December 2021 £'000
Amounts owed by group undertakings	7,091	8,740
Prepayments and accrued income	297	183
	7,388	8,923

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 2022 £'000	30 December 2021 £'000
Corporation tax	116	132
Value added tax	318	170
Other taxes and social security	100	105
Amounts owed to group undertakings	6,816	6,816
Accruals and other creditors	1,526	1,444
	8,876	8,667

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

13 Provisions for liabilities

	Dilapidation £'000	Deferred tax £'000	Total £'000
At 31 December 2021	610	199	809
Additions to assets	-	-	-
Movement dealt with in profit or loss	19	(4)	15
At 30 December 2022	629	195	824

The dilapidation provision represents the estimated cost of returning the company's leasehold properties in a specified condition at the end of the lease term. The provision is measured based on the terms of the individual leases and the company's estimate of the amounts which will be required to be paid at the end of the tenancy. The timing of the outflows will match the ending of the relevant leases which ranges from 1 to 15 years.

The provision for deferred tax consists of the following deferred tax liabilities:	30 December 2022 £'000	30 December 2021 £'000
Accelerated capital allowances	195	199
	195	199

There are no unused tax losses or unused tax credits.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Called up share capital and reserves

	30 December 2022 £	30 December 2021 £
Authorised		
1 (2021: nil) A ordinary shares of £1 each	1	-
1,000,000 (2021: 1,000,000) ordinary shares of £1 each	1,000,000	1,000,000

	£	£
Allotted, called up and fully paid		
1 (2021: nil) A ordinary shares of £1 each	1	-
100 (2021: 100) ordinary shares of £1 each	100	100

During the year, the company updated its Constitution to authorise a new share class, A ordinary shares of £1.

There are no restrictions on the distribution of dividends and the repayment of capital. The A ordinary share carry no voting rights

A description of each reserve within equity is outlined below:

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

15 Notes to the cash flow statement

	30 December 2022 £'000	30 December 2021 £'000
Profit for the financial year	854	695
Tax on profit	270	313
Operating profit	1,124	1,008
Amortisation of intangible assets	235	235
Depreciation of tangible assets	242	315
Dividend	(2,000)	-
Working capital movements:		
- Increase in debtors	1,535	(961)
- Increase in creditors	239	775
Cash flow from operating activities	1,375	1,372

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial instruments

The company has the following financial instruments:	30 December 2022 £'000	30 December 2021 £'000
Financial assets at fair value through profit or loss	-	-
Financial assets that are debt instruments measured at amortised cost:		
- amounts owed by group undertakings (note 11)	7,091	8,740
Cash at bank and in hand	1,583	808
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities that are debt instruments measured at amortised cost:		
- amounts owed to group undertakings (note 12)	6,816	6,816

17 Capital and other commitments

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

Operating leases

At 30 December 2022 the company had the following future minimum lease payments under non-cancellable operating leases:

	30 December 2022 £'000	30 December 2021 £'000
Payments due:		
Not later than one year	1,160	1,000
Later than one year and not later than five years	3,873	2,728
Later than five years	3,294	2,838
	8,327	6,566

The company had no other off balance sheet arrangements.

18 Guarantees

The company is a participant in group banking facilities under which the company's banking facilities are secured by a fixed charge over the shares of a group company as well as an all assets mortgage debenture.

19 Pension costs

The company operates a defined contribution pension scheme for employees. The charge for the year was £77k (2021: £68k) of which £9k (2021: £4k) 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 Pinaster Unlimited group.

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Controlling parties

The immediate holding company of Smyths Toys NI Limited is Smyths HQ IOM. The ultimate holding company and controlling party is Pinaster Unlimited. 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 HQ IOM and Pinaster Unlimited respectively.

22 Events since the end of the financial year

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