**Smyths Toys UK Limited**

**Annual Report**
**Year ended 30 December 2021**

**Registered number: 06051517**

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## DIRECTORS AND OTHER INFORMATION

**Board of Directors**

Anthony Smyth
Liam Smyth
Patrick Smyth
Thomas Smyth (resigned 1 Nov 2021)

**Solicitors**

Royds Solicitors
69 Carter Lane
London EC4V 5EQ
England

**Secretary and Registered Office**

Anthony Smyth
69 Carter Lane
London EC4V 5EQ
England

**Registered number:** 06051517

**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

## STRATEGIC REPORT

**Strategic report for the year ended 30 December 2021**
The directors present their strategic report for the year ended 30 December 2021.

**Review of the business**
The principal activity of the company is the sale of toys and associated products from retail outlets in the United Kingdom. The company's profit before tax for the year was £18.1m. The directors are pleased with this result particularly given the current economic climate, the competitive market place and the outbreak of Covid-19.

The average staff numbers increased from 2,901 in 2020 to 2,979 in 2021.

The company's balance sheet reflects net assets of £33.4m. This is driven partly by the balance of £25.2m payable to the company's holding company. This balance includes cash pooling arrangements 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, in circumstances which would impact on the ability of the company to meet its other obligations as and when they fall due.

Information on employee matters is included in the Directors' Report.

**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, together with Brexit and the Covid-19 pandemic.

**General**
As outlined in the directors' report, it is envisaged that further expansion will occur in the UK market in the coming years through the opening of new stores.

**Section 172 (1) statement**
From the perspective of the board, the directors are satisfied that the matters which it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent. These include addressing:

- the issues, factors and stakeholders, the directors consider relevant in complying with section 172 (1) (a) to (f) and how they have formed that opinion;
- the main methods the directors have used to engage with stakeholders and understand the issues to which they must have regard; and
- information on the effect of that regard on the Company's decisions and strategies during the financial year.

The Company is a wholly owned subsidiary of Smyths Toys HQ Unlimited Company whose ultimate parent undertaking is Smyths Toys Holding Unlimited Company, a company registered in the Republic of Ireland. The Company seeks to maintain a reputation for high standards of business conduct with all stakeholders. The board of directors of Smyths Toys UK Limited, together with the board of its parent company, are satisfied they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act, 2006) in the decisions taken during the year ended 30 December 2021.

**On behalf of the Board**

Anthony Smyth
Director

## DIRECTORS' REPORT

**Directors' report for the year ended 30 December 2021**

The directors present their report and the audited financial statements of the company for the financial year ended 30 December 2021. The comparative period is the financial year ended 30 December 2020.

**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 United Kingdom. Under the company's trading structure, its parent company, Smyths Toys HQ UC, undertakes key functions and their associated risks on behalf of the company and the group. The company's financial statements reflect the underlying economic and proportionate impact of this arrangement. The company also performs web-fulfilment activities for its parent company.

**Covid-19 Pandemic**

The Company is exposed to the impact of Covid-19. The implementation of public health measures, including the requirement for social distancing and the temporary closure of all non-essential workplaces, had resulted in store closures from January to April 2021. All stores fully reopened and performed strongly for the remainder of the year. The Company is continuing to actively monitor the situation to take the necessary steps to mitigate the impact of the pandemic on operations.

While the future impact of Covid-19 is uncertain, management are aware that the key risks to the business could be further temporary store closures, reduced staff availability due to sick leave, self-isolation or quarantine situations arising and disruption to supply chains amongst other potential negative impacts to the business. Using currently available information, the company has prepared forecasts under various scenarios in evaluating the cash flow needs for the 12-month period from the approval of these financial statements. Based on these forecasts and a range of different scenarios, the directors are satisfied that with the current level of reserves the company can sustain its operations in the current volatile environment.

**Future developments**

It is envisaged that further expansion will occur in the UK market in the coming years through the opening of new stores.

**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 UK 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.

## DIRECTORS' REPORT - continued

**Financial risk management - continued**
*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.

**Brexit risk**
There remains economic and regulatory uncertainty in the UK following leaving the EU in January 2020 with a transition period which ran until 31 December 2020. The business has continued to monitor and respond to risks and uncertainties relating to the impact on our operations of Brexit.

**Results and dividends**
The profit and loss account is set out on page 12. The company's profit for the year was £13.1m (2020: £7m). In 2021 no dividends (2020: £31m declared 24 February 2020, balance was settled through the intercompany account) were declared.

**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
Patrick Smyth
Thomas Smyth (resigned 1 November 2021)

**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.

**Employee engagement**
The Company uses a variety of methods to enable all its employees to understand the performance of the company and of their own operating sites. Employees are consulted on a wide range of issues affecting their current and future interests and two-way dialogue is encouraged for all colleagues in all parts of the Company. These processes are subject to continual review and improvement.
Our employment policies are regularly reviewed to ensure they are simple, helpful and trusted to enable an honest and transparent employment culture.
A robust induction procedure ensures communication and understanding of policies from day one and regular updates are communicated as required.

**Employees**
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the performance of their business units and of the company as a whole. Communication with all employees continues through the in-house meetings, briefing groups, notice boards and intranet.

**DIRECTORS' REPORT - continued**

**Equal opportunities**
Smyths Toys UK Limited is opposed to all forms of unlawful and unfair discrimination, recognising that the provision of equal opportunities in the workplace is good management practice and good business sense. Equal opportunities means that those who work for us can reach their full potential. The Company is committed to equality of opportunity amongst its employees. Recruitment, pay and conditions, training and career development policies are based solely on ability, without regard to gender, race, age, disablement, marital status or religion.

**Learning and development**
Smyths Toys UK Limited are committed to ensuring that all colleagues are provided with the necessary training to enable them to perform their roles safely, to the highest standards and in accordance with relevant Company policy and procedures. We ensure that appropriate documentation and procedures exist to support a regular review of training needs and delivery of appropriate training and development activities. Succession Planning ensures that colleague performance and potential can be realised through targeted development activity. Mandatory development is planned to ensure compliance with relevant statutory obligations.

**Health and safety**
Smyths Toys UK Limited fully recognises and complies with the duties placed upon it under the Health and Safety at Work Act 1974 and all other relevant legislation to ensure a safe and healthy working environment. It also recognises the duty it has not only to staff, but also to customers, visitors and contractors and to any others who may be affected by its activities. The Company uses risk assessment principles to manage Health and Safety risks.

**Statement of engagement with suppliers, customers and others in a business relationship with Smyths Toys UK Limited**
As a retail business, customers are key to the success of the company and the Smyths Toys Group. The Board's detailed knowledge of the business ensures that customers are the primary consideration in all key decisions.
The Group seeks to balance maintaining strong relationships with our suppliers along with the need to obtain value for money and providing a high level of service to our customers.
The Group works to build constructive working relationships with regulators, tax authorities and other parties which engage with the company.

**Community and environmental responsibility**
The Smyths Toys Group, of which the Company is a member, recognises that its operations have a direct and indirect impact on both the wider environment and the environments in which it operates. The Group is committed to working continuously, in collaboration with its stakeholders and employees, to contribute positively to environmental sustainability. The Group recognises the importance of its environmental responsibility and monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities. The Group's aim is to reduce its impact on the environment as much as we can by recycling and by working with our suppliers to reduce the amount of single use plastic in the packaging of the products we sell.

**Ethical trading**
The Company's Code of Ethics and Business Conduct policy is built on its core values and highlights the principles that guide 'how it does business'. The Company and Groups leadership and management team have an obligation to understand and consider this and ensure they both act in a manner that avoids any improper, illegal or unethical actions and also to champion this behaviour within the teams they manage. The Group's code of practice is not limited to the policies and procedures which the company is committed to delivering, but also to ensuring that when its customers buy its products they are buying goods produced without exploitation and in acceptable working conditions and that the Company conducts its business with integrity and respect. Through these relationships, the Group aims to provide customer confidence in its products, ensuring they are of a consistent high quality and that everyone in the supply chain is treated with honesty, fairness and respect.

## DIRECTORS' REPORT - continued

**Statement of corporate governance arrangements**
In the Smyths Toys UK Limited's trading structure the overall management, including governance lies with the management of the parent company Smyths Toys HQ UC.

Under the Companies (Miscellaneous Reporting) Regulations 2018, the company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") as its framework for disclosure regarding its corporate governance requirements.

*Leadership* - The Board promotes the values and culture of the company at all levels of the business. Policies and protocols are in place to support the execution of these values across the company.

*Board Composition* - The Board considers its current size and composition appropriate for the company. The directors have an appropriate combination of technical, financial and commercial skills and a detailed understanding of the Company's business.

*Directors Responsibilities* - The directors review the financial performance of the company on a regular basis. The financial information and their knowledge of the business supports effective decision making.

*Opportunity and risk* - The Board considers all major opportunities for the company while seeking to limit risk. The key operational risks are outlined in the strategic report.

*Remuneration* - The Board considers the renumeration policy of the company and makes recommendations while considering the overall success of the company.

*Stakeholder Relationships and Engagement* - The Board seeks to build and maintain effective relationships with key stakeholders, including employees, customers, suppliers, and regulators.

**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.

**DIRECTORS' REPORT - continued**

**Streamlined Energy and Carbon Reporting**

We report our carbon emissions resulting from energy use in our building and employees' business travel. We have used the relevant 2021 Emissions Factors released by the Environment Agency to calculate CO2 emissions, based on data collected in both kWh for Electricity & Gas and mileage for vehicles used by the Group to undertake necessary business travel. A third party company assisted in determining the emissions data set out below.

| | 2021 |
|---|---|
| Carbon dioxide emissions in tonnes | 5,987 |
| Carbon dioxide emissions in tonnes per sq ft | 0.002 |

By continually monitoring and managing our energy costs we are managing and reducing our energy usage and thereby our carbon footprint. In addition, there is a focus on energy efficiency and carbon emission reductions through process improvement and staff training and awareness.

**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**

Anthony Smyth
Director

13 May 2022

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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 December 2021 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 2021;
- the Profit and Loss Account for the year then ended;
- the Cash Flows 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.

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 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 2021 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 the operations of Smyths Toys UK Limited 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 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;

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- 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
17 May 2022

## PROFIT AND LOSS ACCOUNT
**For the financial year ended 30 December 2021**

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Turnover** | 5 | 788,005 | 620,088 |
| Cost of sales | | (659,428) | (507,595) |
| **Gross profit** | | 128,577 | 112,493 |
| Distribution costs | | (110,465) | (102,993) |
| **Operating profit and profit before taxation** | 6 | 18,112 | 9,500 |
| Tax on profit | 8 | (4,932) | (2,430) |
| **Profit for the financial year** | | 13,180 | 7,070 |

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 2021**

| | Note | 30 December 2021 £'000 | 30 December 2020 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 9 | 74 | 134 |
| Tangible assets | 10 | 99,126 | 90,299 |
| | | 99,200 | 94,433 |
| **Current assets** | | | |
| Debtors | 11 | 10,320 | 7,438 |
| Cash at bank and in hand | | 9,529 | 4,975 |
| | | 19,849 | 12,413 |
| **Creditors** - amounts falling due within one year | 12 | (70,625) | (78,201) |
| **Net current liabilities** | | (50,776) | (65,788) |
| **Total assets less current liabilities** | | 48,424 | 24,645 |
| **Provisions for liabilities** | 13 | (14,958) | (4,359) |
| **Net assets** | | 33,466 | 20,286 |
| **Capital and reserves** | | | |
| Called up share capital | 14 | 3,000 | 3,000 |
| Retained earnings | | 30,466 | 17,286 |
| **Total equity** | | 33,466 | 20,286 |

The notes on pages 16 to 28 are an integral part of these financial statements.

The financial statements on pages 12 to 28 were authorised for issue by the board of directors on 13 May 2022 and were signed on its behalf.

**Director**
**Anthony Smyth**
**Smyths Toys UK Limited**
**Registered number: 06051517**

## STATEMENT OF CHANGES IN EQUITY
**For the financial year ended 30 December 2021**

| | Called up share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|
| Balance as at 31 December 2019 | 3,000 | 41,216 | 44,216 |
| Profit for the financial year | - | 7,070 | 7,070 |
| Other comprehensive income for the financial year | - | - | - |
| Total comprehensive income for the financial year | - | 7,070 | 7,070 |
| Dividends paid (24 February 2020) | - | (31,000) | (31,000) |
| Total transactions recognised directly in equity | - | (31,000) | (31,000) |
| **Balance as at 30 December 2020** | 3,000 | 17,286 | 20,286 |
| Balance as at 31 December 2020 | 3,000 | 17,286 | 20,286 |
| Profit for the financial year | - | 13,180 | 13,180 |
| Other comprehensive income for the financial year | - | - | - |
| Total comprehensive income for the financial year | - | 13,180 | 13,180 |
| Dividends paid | - | - | - |
| Total transactions recognised directly in equity | - | - | - |
| **Balance as at 30 December 2021** | 3,000 | 33,466 | 33,466 |

**CASH FLOW STATEMENT**
**For the financial year ended 30 December 2021**

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Net cash from operating activities** | 15 | 30,390 | 12,535 |
| *Income taxes paid* | | (3,650) | (4,280) |
| **Net cash generated from operating activities** | | 26,740 | 8,255 |
| **Cash flows from investing activities** | | | |
| Purchases of intangible assets | 9 | - | (6) |
| Purchases of tangible assets | 10 | (22,186) | (8,712) |
| **Net cash used in investing activities** | | (22,186) | (8,718) |
| **Net increase/(decrease) in cash and cash equivalents** | | 4,554 | (463) |
| **Cash and cash equivalents at the beginning of the year** | | 4,975 | 5,438 |
| **Cash and cash equivalents at the end of the year** | | 9,529 | 4,975 |
| **Cash and cash equivalents consists of:** | | | |
| *Cash at bank and in hand* | | 9,529 | 4,975 |
| **Cash and cash equivalents** | | 9,529 | 4,975 |

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Smyths Toys UK Limited ("the company") operates retail stores in the UK through which it sells toys and associated products. It is also engaged in web-fulfilment activities for its parent company.

The company is a private company limited by shares and is incorporated in the UK. The address of the registered office is 69 Carter Lane, London EC4V 5EQ, England.

### 2 Statement of compliance

The financial statements of Smyths Toys UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102"), "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" 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 key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. 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, group 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 assets of £33.4m. This is driven partly by the balance of £25.2m 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, 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).

NOTES TO THE FINANCIAL STATEMENTS

**3 Summary of significant accounting policies - continued**

**(c) Foreign currency translation - continued**

*(ii) Transactions and balances*
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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) Turnover and 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 UK Limited turnover comprises of revenue arising from the retail sale of goods and the provision of web fulfilment services for its parent company.

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

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

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

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

**(e) Employee benefits**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Summary of significant accounting policies - continued**

**(e) Employee benefits - continued**

*(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.

**(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 which 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**

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 the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

*(iv) 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.

*(v) 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

### 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, trade receivables and amounts due from group undertakings, 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

### 3 Summary of significant accounting policies - continued

**(l) Financial instruments - continued**

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

Trade and other creditors, 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.

**(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) Restructuring provisions are recognised when the company has a legal or constructive obligation at the end of the financial year to carry out the restructuring.

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

(iii) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Summary of significant accounting policies - *continued*

**(o) Provisions and contingencies - continued**

Contingent liabilities arising as a result of past events, are not recognised as a liability because it is not probable that the company will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

### 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.

### 5 Turnover

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

### 6 Operating profit and profit before taxation

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| The following operating expenses have been charged: | | |
| **Staff costs:** | | |
| Wages and salaries | 41,013 | 38,636 |
| Social security costs | 3,422 | 3,120 |
| Other pension costs (note 18) | 1,062 | 912 |
| | 45,497 | 42,668 |

*Staff costs are net of payments received through the Coronavirus Job Retention Scheme.*

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Amortisation of intangible assets (note 9) | 60 | 80 |
| Depreciation of tangible fixed assets (note 10) | 13,359 | 12,666 |
| Loss on disposal of tangible fixed assets (note 10) | - | 11 |
| Operating lease charges | 33,219 | 27,969 |
| **Services provided by the company's auditors** | | |
| Fees payable for the audit | 15 | 15 |
| Fees payable for other services - taxation | 7 | 29 |

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Employees and directors

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

| | 2021 Number | 2020 Number |
|---|---|---|
| Selling and distribution | 2,979 | 2,901 |

**Directors**
The directors' emoluments were as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Aggregate emoluments | - | - |

**Highest paid director**
The highest paid director's emoluments were as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Total amount of emoluments | - | - |

The emoluments of the directors for 2020 and 2021 were paid by the company's holding company, Smyths Toys HQ Unlimited Company.

**Key management compensation**
The key management of the company are the directors and, as outlined above, the emoluments of the directors for 2020 and 2021 were paid by Smyths Toys HQ Unlimited Company.

### 8 Tax on profit

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **(a) Tax expense included in profit or loss** | | |
| **Current tax** | | |
| UK corporation tax on profit for the year | 4,404 | 2,266 |
| Adjustments in respect of prior periods | - | - |
| Total current tax | 4,404 | 2,266 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (369) | (151) |
| Impact of change in tax rate | 897 | 315 |
| Total deferred tax (note 13) | 528 | 164 |
| **Tax on profit** | 4,932 | 2,430 |

## NOTES TO THE FINANCIAL STATEMENTS

### 8 Tax on profit - continued

**(b) Reconciliation of tax charge**

Tax expense for the year is higher (2020: higher) than the standard rate of corporation tax in the UK for the year ended 30 December 2021 of 19% (2020: 19%). The differences are explained below:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| *Profit before taxation* | 18,112 | 9,500 |
| Profit before tax multiplied by the standard rate of tax in the UK of 19% (2020: 19%) | 3,441 | 1,805 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 682 | 14 |
| Depreciation in excess of capital allowances | 279 | 611 |
| Effect of change in tax rate | 899 | 315 |
| Other adjustments | (369) | (315) |
| Tax charge for the year | 4,932 | 2,430 |

**(c) Tax rate**

From 1 April 2023, the rate of corporation tax in the UK will increase from the current rate of 19% to 25%. Deferred taxes at the balance sheet date have been measured at the enacted (but not yet in force) rate of 25% and reflected in these financial statements".

### 9 Intangible assets

| | Software £'000 | Total £'000 |
|---|---|---|
| **At 30 December 2020** | | |
| Cost | 963 | 963 |
| Accumulated amortisation and impairment | (829) | (829) |
| **Net book amount** | 134 | 134 |
| **Year ended 30 December 2021** | | |
| Opening net book amount | 134 | 134 |
| Amortisation | (60) | (60) |
| **Closing net book amount** | 74 | 74 |
| **At 30 December 2021** | | |
| Cost | 963 | 963 |
| Accumulated amortisation and impairment | (889) | (889) |
| **Net book amount** | 74 | 74 |

The software intangible assets include the company's till operating system and other systems which are used in the retail stores.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 10 Tangible assets

| | Leasehold property improvements £'000 | Equipment £'000 | Fixtures and Fittings £'000 | Total £'000 |
|---|---|---|---|---|
| **At 30 December 2020** | | | | |
| Cost | 114,963 | 23,655 | 25,485 | 164,103 |
| Accumulated depreciation and impairment | (43,462) | (17,547) | (12,795) | (73,804) |
| **Net book amount** | 71,501 | 6,108 | 12,690 | 90,299 |
| **Year ended 30 December 2021** | | | | |
| Opening net book amount | 71,501 | 6,108 | 12,690 | 90,299 |
| Additions | 15,113 | 5,518 | 1,555 | 22,186 |
| Disposals | - | - | - | - |
| Depreciation | (7,700) | (3,508) | (2,151) | (13,359) |
| **Closing net book amount** | 78,914 | 8,118 | 12,094 | 99,126 |
| **At 30 December 2021** | | | | |
| Cost | 130,076 | 29,173 | 27,040 | 186,289 |
| Accumulated depreciation and impairment | (51,162) | (21,055) | (14,946) | (87,163) |
| **Net book amount** | 78,914 | 8,118 | 12,904 | 99,126 |

During the financial year, tangible fixed assets with a carrying amount of nil (2020: £11k) were written off.

### 11 Debtors

| | 30 December 2021 £'000 | 30 December 2020 £'000 |
|---|---|---|
| Amounts owed by group undertakings | 137 | 167 |
| Prepayments and accrued income | 9,952 | 6,290 |
| Corporation tax receivable | 231 | 981 |
| | 10,320 | 7,438 |

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 2021 £'000 | 30 December 2020 £'000 |
|---|---|---|
| Amounts owed to group undertakings | 25,160 | 38,557 |
| Accruals and deferred income | 41,550 | 36,716 |
| Value added tax | 2,511 | 1,076 |
| Other taxes and social security | 1,404 | 1,852 |
| | 70,625 | 78,201 |

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 13 Provisions for liabilities

| | Dilapidation £'000 | Deferred tax £'000 | Total £'000 |
|---|---|---|---|
| At 31 December 2020 | 1,519 | 2,840 | 4,359 |
| Additions to assets | 9,733 | - | 9,733 |
| Movement dealt with in profit and loss | 338 | 528 | 866 |
| At 30 December 2021 | 11,590 | 3,368 | 14,598 |

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.

| | 30 December 2021 £'000 | 30 December 2020 £'000 |
|---|---|---|
| The provision for deferred tax consists of the following deferred tax liabilities/(assets): | | |
| Accelerated capital allowances | 3,368 | 2,840 |
| Total provision | 3,368 | 2,840 |

There are no unused tax losses or unused tax credits.

### 14 Called up share capital and reserves

| | 30 December 2021 £'000 | 30 December 2020 £'000 |
|---|---|---|
| **Authorised** | | |
| 6,000,000 (2020: 6,000,000) ordinary shares of £1 each | 6,000 | 6,000 |
| **Allotted, called up and fully paid** | | |
| 3,000,100 (2020: 3,000,100) ordinary shares of £1 each | 3,000 | 3,000 |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the 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 years, less dividends paid.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

## 15 Notes to the cash flow statement

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Profit for the financial year** | 13,180 | 7,070 |
| Tax on profit | 4,932 | 2,430 |
| **Operating profit** | 18,112 | 9,500 |
| Amortisation of intangible assets | 60 | 80 |
| Depreciation of tangible assets | 13,359 | 12,666 |
| Loss on disposal of tangible assets | - | 11 |
| Working capital movements: | | |
| - (increase)/decrease in debtors | (3,636) | 114,328 |
| - increase/(decrease) in creditors | 2,495 | (124,050) |
| **Cash flow from operating activities** | 30,390 | 12,535 |

## 16 Financial instruments

| | 30 December 2021 £'000 | 30 December 2020 £'000 |
|---|---|---|
| The company has the following financial instruments: | | |
| *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) | 137 | 167 |
| Cash at bank and in hand | 9,529 | 4,975 |
| 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) | 25,160 | 38,557 |

## 17 Guarantees

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

## 18 Pension costs

The company operates a defined contribution pension scheme for employees. The charge for the year was £1.06m (2020: £0.91m) of which £67k (2020: £58k) was outstanding at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

## 19 Controlling parties

The immediate holding company of Smyths Toys UK 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.

## 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 Capital and other commitments

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

**Operating leases**

At 30 December 2021 the company had the following future minimum lease payments under non-cancellable operating leases:

| | 30 December 2021 £'000 | 30 December 2020 £'000 |
|---|---|---|
| Payments due: | | |
| Not later than one year | 37,672 | 34,989 |
| Later than one year and not later than five years | 109,947 | 114,017 |
| Later than five years | 38,894 | 35,506 |
| | 186,513 | 184,512 |

The company had no other off balance sheet arrangements.

## 22 Events after the end of reporting year

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