

VTech Electronics Europe Plc

Annual report and financial statements

Registered number 2178243

31 March 2015

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Strategic report

Principal activities

The company is principally engaged in the import and distribution of innovative and high quality infant, preschool and above electronic learning products.

Business Review and Future Developments

As noted in last years business review the market for platform products once again proved challenging. In particular the demand for tablet products experienced a decline that was greater than anticipated. This was due to higher than expected channel inventory, intensified competition and the overall contraction of the market. Sales of content downloaded from VTech's app store, Learning Lodge, were affected by the lower sales of children's educational tablets and posted a decline.

We launched the world's first children's smartwatch with a built in camera in June 2014 and this performed well becoming one of the top 10 best selling new toys by retail value in the UK in calendar year 2014. It was also selected as one of the "Top 12 Dream Toys 2014" by the British Toy Retailers Association. The Kidizoom camera continued to perform well and was number two selling item by value in Youth Electronics.

In contrast to children's educational tablets, standalone products recorded growth in sales with the Toot Toot Driver family of infant vehicles and playsets performing particularly well. In a flat infant market VTech strengthened its position as number one infant toy manufacturer in the UK. VTech Baby continued to show growth and remained the number one product in this category. Our First Steps baby walker retained its number one position and two new products, the Baby Learning Activity table and Toot Toot Drivers Parking Tower both entered the top 20 items in infant toys. Product innovation is the key to VTech staying ahead of the competition in fast changing markets. The Group has a strong pipeline of products. In standalone products the success of the Toot Toot Driver family will be expanded through the introduction of different themes, more vehicles and more playsets. VTech will also enter new aisles by launching new categories of products. The launch of Flipsies, a range of transformable dolls and playsets, will enable us to penetrate into the girl aisle. We are also successfully breaking into the dolls aisle with the range of interactive dolls branded Little Love. Kidizoom Action Cam, the latest addition to Vtech's range of cameras for children, was also launched in early 2015. A new generation of the Kidizoom Smartwatch will also be brought to market in 2015. Despite recent challenges we will continue to develop and provide children's tablets which prove to be an even more compelling purchase for both children and parents. New core infant and pre-school products will strengthen our leadership position in these categories.

Principal Risks and Uncertainties

The principal risks and uncertainties that could impact on the Company's future performance are related to the trading environment.

Failure to monitor and respond to consumer trends in the retail environment could impact on sales growth. In 2014 Black Friday and Cyber Monday sales had a significant impact on the retail market moving the peak selling week for Christmas forward. To mitigate this we continue to work with our retail partners to identify the best value opportunities to maximise revenue and profit growth. To ensure our market share position is maintained we continually monitor competitor activity and prices in the market and react in the best long term interest of the business. This may impact on future profitability.



S Mason
Company Secretary

Napier Court
Abingdon Science Park
Abingdon
Oxfordshire
OX14 3YT

Directors' report

Directors

The directors who held office during the year were as follows:

Allan WONG Chi Yun
PANG King Fai
Andy LEUNG Hon Kwong
CHANG Yu Wai
TONG Ka Hung

Dividend

The directors do not recommend the payment of a final dividend for the year (2014: £2m).

Policy and practice on payment of creditors

The company does not follow any code or standard on payment, however it is the company's policy to abide by the terms of payment agreed with its suppliers. At year end there were 16 days (2014: 17 days) purchases in trade creditors.

Political and charitable contributions

The company made no political contributions during the year (2014: nil). No donations were made to UK charities (2014: nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make them aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



S Mason
Company Secretary

Napier Court
Abingdon Science Park
Abingdon
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OX14 3YT

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of VTech Electronics Europe Plc

We have audited the financial statements of VTech Electronics Europe Plc for the year ended 31 March 2015 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

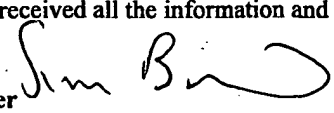
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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


Simon Baxter
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

30 September 2015

Profit and loss account
for the year ended 31 March 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover	2	47,271	50,589
Cost of sales		(33,172)	(37,243)
Gross profit		14,099	13,346
Distribution costs		(11,669)	(11,768)
Administrative expenses		(2,585)	(2,498)
Other operating income		1,579	2,938
Operating profit		1,424	2,018
Interest payable	6	-	(7)
Profit on ordinary activities before taxation	3-5	1,424	2,011
Tax on profit on ordinary activities	7	(297)	(472)
Profit for the financial year		1,127	1,539

The results shown above all relate to continuing activities.

The company has no recognised gains and losses in either year other than the profit shown above and therefore no separate statement of total recognised gains and losses has been included.

The notes on pages 9 to 14 form part of these financial statements.

Registered number: 2178243

Balance sheet
at 31 March 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	8	23	11
Current assets			
Stocks	9	5,055	4,328
Debtors	10	6,203	6,173
Cash at bank and in hand		1,121	2,500
		<u>12,379</u>	<u>13,001</u>
Creditors: amounts falling due within one year	11	<u>(2,716)</u>	<u>(4,453)</u>
Net current assets		<u>9,663</u>	<u>8,548</u>
Net assets		<u>9,686</u>	<u>8,559</u>
Capital and reserves			
Called up share capital	12	500	500
Profit and loss account	13	9,186	8,059
Shareholder's funds		<u>9,686</u>	<u>8,559</u>

These financial statements were approved by the board of directors on 14 September 2015 and were signed on its behalf by:



TONG Ka Hung
Director

Registered number: 2178243

The notes on pages 8 to 14 form part of these financial statements.

Reconciliation of movements in shareholder's funds
for the year ended 31 March 2015

	2015 £000	2014 £000
Profit for the financial year	1,127	1,539
Dividends on shares classified in shareholder funds	<u>-</u>	<u>(2,000)</u>
Net addition to (reduction in) shareholder's funds	1,127	(461)
Opening shareholder's funds	8,559	9,020
Closing shareholder's funds	<u>9,686</u>	<u>8,559</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of VTech Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group. The consolidated financial statements of VTech Holdings Limited, within which this company is included, can be obtained from the address given in note 16.

The company made a profit during the year and has net assets at the year end. The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings - three to five years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied, after rebates and customer discounts. Turnover is recognised at the time that the risk and title pass to the customer.

2 Analysis of turnover

	2015 £000	2014 £000
<i>By activity</i>		
Import and distribution of electronic learning products	47,271	50,589
<i>By geographical market</i>		
United Kingdom	40,441	43,288
Ireland	6,830	7,301
	<u>47,271</u>	<u>50,589</u>

All turnover originates in the United Kingdom. All net assets are held for the import and distribution of electronic learning products.

3 Notes to the profit and loss account

	2015 £000	2014 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation and other amounts written off tangible fixed assets	12	10
Hire of plant and machinery - rentals payable under operating leases	71	69
Hire of other assets – rentals payable under operating leases	917	914
Net exchange (gains)/ losses	(60)	(9)
	<u> </u>	<u> </u>

Auditor's remuneration:

	2015 £000	2014 £000
Audit of these financial statements	25	25
Amounts receivable by the auditor and their associates in respect of:		
Other services relating to taxation and customs duty classification	82	17
	<u> </u>	<u> </u>

Notes (continued)

4 Remuneration of directors

The directors are also directors of other companies within the VTech group of companies. These directors' services to the company do not occupy a significant amount of their time and as such the directors do not consider that they have received any remuneration for their incidental services to the company during the year ended 31 March 2015 (2014: nil).

5 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Office and management	8	8
Selling and distribution	23	21
	<u>31</u>	<u>29</u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	1,235	1,252
Social security costs	138	138
Other pension costs	55	47
	<u>1,428</u>	<u>1,437</u>

6 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable relates to settlement of prior year tax liabilities	-	7

Notes (continued)

7 Taxation

Analysis of charge in period

	2015 £000	£000	2014 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	294		462	
Adjustments in respect of prior periods	(2)		5	
	<hr/>		<hr/>	
Total current tax		292		467
<i>Deferred tax (see note 10)</i>				
Origination/reversal of timing differences	5		5	
	<hr/>		<hr/>	
Total deferred tax		5		5
		<hr/>		<hr/>
Tax on profit on ordinary activities		297		472
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2014: higher) than the standard rate of corporation tax in the UK (21%, 2014: 23%). The differences are explained below.

	2015 £000	2014 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,424	2,011
	<hr/>	<hr/>
Current tax at 21% (2014: 23%)	299	462
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	4
Depreciation for the period in excess of capital allowances	(5)	(4)
Adjustments in respect of prior periods	(2)	5
	<hr/>	<hr/>
Total current tax charge (see above)	292	467
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Fixtures & fittings £000
Cost	
At beginning of year	531
Additions	24
	<hr/>
At end of year	555
	<hr/>
Depreciation	
At beginning of year	520
Charge for year	12
	<hr/>
At end of year	532
	<hr/>
Net book value	
At 31 March 2015	23
	<hr/>
At 31 March 2014	11
	<hr/>

9 Stocks

	2015 £000	2014 £000
Goods for resale	5,055	4,328
	<hr/>	<hr/>

10 Debtors

	2015 £000	2014 £000
Trade debtors	2,683	3,529
Amounts owed by group undertakings	2,813	1,999
Other debtors	473	497
Deferred tax assets	7	11
Prepayments and accrued income	227	137
	<hr/>	<hr/>
	6,203	6,173
	<hr/>	<hr/>

Notes (continued)

10 Debtors (continued)

The deferred tax asset is comprised of the following:

	2015 £000 Recognised	2014 £000 Recognised
Depreciation in excess of capital allowances	7	11

The directors consider that there is sufficient persuasive and reliable evidence that the company will make sufficient profits to recover the assets.

11 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	633	944
Amounts owed to group undertakings	261	567
Taxation and social security	41	42
Corporation tax payable	283	469
Accruals and deferred income	1,498	2,431
	<u>2,716</u>	<u>4,453</u>

12 Called up share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>		
500,000 Ordinary shares of £1 each	500	500

13 Reserves

	Profit and loss account £000
At beginning of year	8,059
Profit for the year	1,127
Dividend payment	-
At end of year	<u>9,186</u>

Notes (continued)

14 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2015		2014	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	769	-	724
In the second to fifth years inclusive	174	20	174	32
Over five years	-	-	-	-
	<u>174</u>	<u>789</u>	<u>174</u>	<u>756</u>

15 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £55,411 (2014: £46,658).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of VTech Electronics Europe B.V. incorporated in the Netherlands. The ultimate controlling party is VTech Holdings Limited (incorporated in Bermuda).

The only group in which the results of the company are consolidated is that headed by VTech Holdings Limited, incorporated in Bermuda. The consolidated accounts of this group are available to the public and may be obtained from:

23 Floor, Tai Ping Industrial Centre, Block 1
57 Ting Kok Road
Tai Po
New Territories
Hong Kong