

VTech Electronics Europe Plc

Annual report and financial statements

Registered number 2178243

31 March 2018



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Strategic report

The directors present their strategic report on VTech Electronics Europe Plc for the year ended 31st March 2018. As at 31st March 2018 the company is a wholly owned subsidiary of a group headed by VTech Holdings Limited.

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

From 1st April 2017 the company began selling LeapFrog branded products alongside its existing range of VTech products. This additional range of product lines helped to deliver a 44% increase in revenue to £65,212k despite the failure of a major toy retailer, Toys R Us in early 2018. No material bad debt was incurred as a result of Toys R Us entering administration in the UK.

A combination of pricing pressures on product purchases and excess inventory write down, mainly on LeapFrog branded stock, resulted in a drop in gross margin by 1.7%. Distribution costs increased in line with the increase in revenue and administrative costs were lower due to the absence of legal costs incurred in the prior year associated with the Competition Market Authority investigation into VTech's acquisition of Leap Frog Toys (UK) Limited. Operating profit rose to £1,988k, up from £1,238k in the previous year.

VTech branded standalone and platform products both achieved sales increases in the financial year supported by higher sales of infant and preschool products as well as Kidizoom camera. This offset the sales decline of the Toot-Toot family of products. Growth in VTech branded platform products was driven by the Kidizoom Smartwatch range and Digigo Max.

The introduction of LeapFrog branded standalone and platform products, which compliment the VTech brand, helped deliver higher sales revenue and strengthened VTech's position as number one infant and toddler toy manufacturer in the UK. LeapFrog Academy, a subscription based guided learning system, was introduced in August 2017 adding to the LeapFrog product portfolio.

LeapStart and Chase Me Casey were both chosen as "Dream Toys 2017 – Toys for Christmas 2017 (Category of Top of the Tots)" by the UK Toy Retailers Association.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as market and credit risk

Market risk

The company's products are sold mainly to retail customers. The performance of the toy market is affected by the general economic climate, overall consumer confidence and the changing retail landscape. In addition the company is open to the risk of sales fluctuations resulting from changing fashion in technology based toys. The company aims to mitigate this by positively marketing the benefits of the company's quality products and continual product development.

Credit risk

The company's principle financial asset is trade debtors. High street failures will reduce the traditional bricks and mortar customer base sales level and increase credit risk. In order to manage credit risk the company purchases credit insurance for its whole customer base.

Future Developments

Revenue in the financial year 2019 will be effected by the Toys R Us liquidation and recent announcement by Mothercare regarding its restructuring plans although we believe the bulk of lost sales will eventually be taken up by existing customers.

We will continue to launch new products in both brands to strengthen our market position. Standalone products will see the expansion of VTech baby, infant and preschool lines, as well as LeapFrog branded learning toys. In platform products Kidizoom Smartwatch DX2 was launched in June 2018 while the new LeapStart 3D will be available in early summer. LeapStart 3D features an interactive 3D-like holographic display and touch and talk games. The LeapStart library will also be expanded with new titles.

S. Mason

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 (2017: Nil).

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 19 days (2017: 17 days) purchases in trade creditors.

Political and charitable contributions

The company made no political contributions during the year (2017: nil). No donations were made to UK charities (2017: nil).

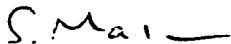
Disclosure of information to auditor

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
Oxfordshire
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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and 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 member of VTech Electronics Europe Plc

Opinion

We have audited the financial statements of VTech Electronics Europe Plc ("the company") for the year ended 31st March 2018 which comprise the profit and loss account and other comprehensive, balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's member, 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 member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.



11 September 2018

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

Profit and Loss Account and Other Comprehensive Income
For the year ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	3	65,212	45,174
Cost of sales		(46,993)	(31,815)
Gross profit		18,219	13,359
Distribution costs		(17,136)	(11,982)
Administrative expenses		(3,254)	(3,623)
Other operating income		4,159	3,484
Operating profit		1,988	1,238
Interest payable and similar expenses		(116)	(13)
Profit before taxation	4-6	1,872	1,225
Tax on profit	7	(507)	(242)
Profit for the financial year and other comprehensive income		<u>1,365</u>	<u>983</u>

The results shown above all relate to continuing activities.

The notes on pages 10 to 19 form part of these financial statements.

Balance sheet
at 31 March 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	8	217	202
Current assets			
Stocks	9	10,397	9,106
Debtors	10	9,848	7,424
Cash at bank and in hand		6,298	3,609
		<u>26,543</u>	<u>20,139</u>
Creditors: amounts falling due within one year	11	(13,308)	(8,251)
Net current assets		<u>13,235</u>	<u>11,888</u>
Total assets less current liabilities		<u>13,452</u>	<u>12,090</u>
Provisions for liabilities			
Deferred tax liability	12	(25)	(28)
Net assets		<u><u>13,427</u></u>	<u><u>12,062</u></u>
Capital and reserves			
Called up share capital	13	500	500
Profit and loss account		12,927	11,562
Shareholder's funds		<u><u>13,427</u></u>	<u><u>12,062</u></u>

These financial statements were approved by the board of directors on 6 September 2018 and were signed on its behalf by:


TONG Ka Hung
Director

Registered number: 2178243

The notes on pages 10 to 19 form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 March 2018

	Called up Share capital	Profit and loss account	Total Equity
	£000	£000	£000
Balance at 1 April 2016	<u>500</u>	<u>10,579</u>	<u>11,079</u>
 Total comprehensive income for the period	 <u>-</u>	 <u>983</u>	 <u>983</u>
Balance at 1 April 2017	<u>500</u>	<u>11,562</u>	<u>12,062</u>
 Total comprehensive income for the period	 <u>-</u>	 <u>1,365</u>	 <u>1,365</u>
Balance at 31 March 2018	<u>500</u>	<u>12,927</u>	<u>13,427</u>

The notes on pages 10 to 19 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

VTech Electronics Europe Plc (the "Company") is a public company incorporated, domiciled and registered in England in the UK. The registered number is 2178243 and the registered address is Napier Court, Abingdon Science Park, Abingdon, Oxfordshire, OX14 3YT.

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

These financial statements are prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, VTech Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of VTech Holdings Limited are available to the public and may be obtained from 23rd Floor, Tai Ping Industrial Centre, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.
- Related party transactions
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

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.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account..

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. The Company also provides estimated allowances against revenue and accounts receivable for defective products, retrospective volume rebates, promotional allowances and cooperative advertising arrangements in the same period the revenue is recorded. The allowances are estimated based on historical information and customer agreements. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	-	five years
Fixtures and fittings	-	three to five years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit ("CGU")).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes (continued)

1 Accounting policies (continued)

Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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 Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with the corresponding effect in profit or loss, when, and if, better information is obtained.

Significant judgements that management has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relates to the following:

Stocks

Management estimates on a monthly basis the net realisable value of stock, taking into account the most reliable evidence at each reporting date. This will include analysing retail sell through data and retail stock levels, the age of the stock item, whether it is included in the current year sales catalogue and changes in consumer buying fashions. This process allows for the early recognition of potential stock issues based on consumer purchasing choices.

3 Analysis of turnover

	2018 £000	2017 £000
<i>By activity</i>		
Import and distribution of electronic learning products	65,212	45,174
	<hr/>	<hr/>
<i>By geographical market</i>		
United Kingdom	60,992	37,784
Ireland	4,128	7,390
Rest of World	92	-
	<hr/>	<hr/>
	65,212	45,174
	<hr/>	<hr/>

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

Notes (continued)

4 Operating profit

	2018 £000	2017 £000
<i>Profit before taxation is stated after charging/(crediting):</i>		
Depreciation and other amounts written off tangible fixed assets	57	9
Hire of plant and machinery - rentals payable under operating leases	-	-
Hire of other assets – rentals payable under operating leases	1,405	1,126
Net exchange (gains)/ losses	65	31
	<hr/>	<hr/>
<i>Auditor's remuneration:</i>		
	2018 £000	2017 £000
Audit of these financial statements	36	21
Amounts payable to the auditor and their associates in respect of: Other services relating to taxation	15	10
	<hr/>	<hr/>

5 Remuneration of directors

The directors also hold directorships in other companies within the VTech group. 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 2018 (2017: nil).

6 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 2018	2017
Office and management	9	8
Selling and distribution	27	21
	<hr/>	<hr/>
	36	29
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	1,395	1,227
Social security costs	158	138
Other pension costs	62	51
	<hr/>	<hr/>
	1,615	1,416
	<hr/>	<hr/>

Notes (continued)

7 Taxation

Analysis of charge in period

	2018 £000	£000	2017 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	366		212	
Adjustments in respect of prior periods	143		(4)	
	<hr/>		<hr/>	
Total current tax		509		208
<i>Deferred tax</i>				
Origination/reversal of timing differences	(2)		34	
	<hr/>		<hr/>	
Total deferred tax		(2)		34
		<hr/>		<hr/>
Tax on profit		507		242
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2017: lower) than the standard rate of corporation tax in the UK (19%, 2017: 20%). The differences are explained below.

Reconciliation of effective tax rate

	2018 £000	2017 £000
<i>Current tax reconciliation</i>		
Profit before tax	1,872	1,225
	<hr/>	<hr/>
Current tax at 19% (2017: 20%)	356	245
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1	1
Depreciation for the period in excess of capital allowances	9	-
Adjustments in respect of prior periods	143	(4)
Other timing differences	(2)	-
	<hr/>	<hr/>
Total tax charge (see above)	507	242
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1st April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 March 2018 has been calculated based on these rates.

Notes (continued)

8 Tangible fixed assets

	Leasehold fixtures & fittings improvements		Total
	£000	£000	£000
Cost			
At beginning of year	198	557	755
Additions	72	-	72
	<hr/>	<hr/>	<hr/>
At end of year	270	557	827
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	-	553	553
Charge for year	54	3	57
	<hr/>	<hr/>	<hr/>
At end of year	54	556	610
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2018	216	1	217
	<hr/>	<hr/>	<hr/>
At 31 March 2017	198	4	202
	<hr/>	<hr/>	<hr/>

9 Stocks

	2018 £000	2017 £000
Goods for resale	10,397	9,106
	<hr/>	<hr/>

10 Debtors

	2018 £000	2017 £000
Trade debtors	9,320	6,386
Amounts owed by group undertakings	55	12
Other debtors	14	833
Deferred tax assets	-	-
Prepayments	223	193
Accrued income	236	-
	<hr/>	<hr/>
	9,848	7,424
	<hr/>	<hr/>

Notes (continued)

11 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	1,934	1,210
Amounts owed to group undertakings	9,099	4,502
Taxation and social security	43	50
Corporation tax payable	367	311
Accruals	1,865	2,178
	<u>13,308</u>	<u>8,251</u>

12 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	2017 £000	Liabilities 2018 £000	2017 £000	Net 2018 £000	2017 £000
Accelerated capital allowances	-		(25)	(28)	(25)	(28)
Tax (assets) / liabilities	-	-	-	-	-	-
Net of tax liabilities/(assets)						
Net tax (assets) / liabilities	-		(25)	(28)	(25)	(28)

The amount of the net reversal of deferred tax expected to occur next year is £3,036 relating to the reversal of accelerated capital allowances.

13 Called up share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
500,000 Ordinary shares of £1 each	<u>500</u>	<u>500</u>

14 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	1,334	1,317
Between one and five years	2,634	3,896
More than five years	-	-
	<u>3,968</u>	<u>5,213</u>

Notes (continued)

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 £61,550 (2017: £51,432).

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:

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57 Ting Kok Road
Tai Po
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Hong Kong