VTech Electronics Europe Plc

Annual report and financial statements

Registered number 2178243

31 March 2022

Contents

Strategic report

The directors present their strategic report on VTech Electronics Europe Plc for the year ended 31 March 2022. As at 31 March 2022 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 and baby monitors.

Business Review

The financial year proved challenging for the company. The gradual wind down of COVID work-from-home and stay-at-home orders during the financial year, with children returning to full time education, impacted negatively on the rate of turnover growth which decreased to 2.5% compared with 9% in the prior year. In addition continued disruption to the supply chain resulted in some delays to the fulfilment of customer orders and subsequently low channel inventory. Increases in the price of electronic components and plastics together with an increase in freight in costs led to increases in product selling prices thereby passing some of the cost increases to consumers. This limited any impact on gross margin percentage which remained stable at 25%.

Other operating income from direct sales was lower in the financial year as customers reduced their purchases due to the uncertainty caused by the continued disruption to container availability and the associated rise in shipping costs. Cost savings in distribution expenses offset this fall in income resulting in a small increase in operating profit compared to the prior year.

In the calendar year 2021 VTech retained its status as number one infant and toddler toy manufacturer in the UK (source: The NPD Group Retail Tracking Service). Although sales of ELPs declined this was more than offset by the increase in sales of baby monitor products.

In standalone products, the VTech brand achieved higher sales while the LeapFrog brand was flat. For VTech, growth was led by Kidizoom products and augmented by the successful launch of the new Marble Rush line. These increases offset declines in the Toot Toot family of products and Toot Toot Cory Carson vehicles and playsets. The LeapFrog branded Count-Along Basket & Scanner was a "Gold Winner (Best Toy for Pretend Play) in the "MadeForMums Toy Awards 2021.

Platform products saw lower sales of both VTech and LeapFrog products.

VTech branded baby monitors strengthened their position in the UK with the successful introduction of a new product line up and increased distribution. The VN5463 baby monitor won three "2021 Loved by Parents" awards including "Best Baby Monitor – Gold Award".

Moving forward, the company is better prepared to tackle supply chain issues. Sufficient stockpiles of finished products are in place to meet the anticipated strong demand while earlier shipment schedules will ensure new products reach customers on time. Revenue for the financial year 2023 will be driven by a strong product offering including the new product launch for Autumn of Magic Adventures Microscope, which lets children explore interesting facts related to insects, the human body and more through over 220 custom BBC videos and images.

Principal risks and uncertainties

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

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 principal financial asset is trade debtors. The increasing squeeze on consumer spending power as a result of rising inflation and higher interest rates will increase the risk of business failures in both bricks and mortar stores and online retailers. In order to manage credit risk the company purchases credit insurance for its whole customer base.

Brexit

Since leaving the European Union, there has been no impact on sales to the company's customers in Ireland and Northern Ireland although there have been some minor delays in deliveries due to extra border checks on exports to the European Union and Northern Ireland.

Future Developments

Last year VTech introduced its first range of green ELP's that utilise plant-based plastic, reclaimed plastic and Forest Stewardship Council (FSC) certified wood. Later this year VTech will launch new plush ELPs with fabric made from recycled polyethelene terephthalate (PET) bottles and offer more eco-friendly toy products made from plant based plastic and FSC certified wood.

Section 172(1) statement

The directors of the company note that they have a duty to promote the success of the company for the benefit of the company's shareholders, having regard to a number of broader matters including the likely long term consequences of decisions, and the company's wider relationships. In this regard, the board:

- considers on an annual basis the key business activities and the likely long term consequences of any key decisions;
- ensures employees are regularly engaged through reviews to discuss employee performance, suitability and interest;
- ensures the company maintains strong business relationships with suppliers, customers and others;
- ensures the company's operations do not have a negative impact on the community and environment; and
- ensures, through the company's policies and procedures, that the desired high standards of business conduct prevail across all functions.

The following is an overview of how the directors have performed their duties in this regard during the year.

Employees

The company's employees are considered integral to the successful performance of the business. The directors receive feedback on matters relating to employees through staff surveys and staff meetings. This feedback is then used by the directors reviewing human resources policies to ensure the right culture is in place to meet the goals of the employees and the business.

Business Relationships

How the directors' performed their duties with regard to business relationships is set out in the Directors' report.

Community & Environment

The directors recognise that the business has a role in supporting the communities in which we operate by collaborating with local charities to support events and activities in particular the UK toy industry charity, The Toy Trust.

The directors are aware of the impact business can have on the environment and is constantly reviewing ways this impact can be reduced including by incorporating sustainability concepts into product design and the increased use of sustainable materials for our products and packaging.

S. Mas —

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 (2021: Nil).

Engagement with suppliers, customers and others in a business relationship with the company

The directors receive regular feedback from customers, suppliers and other business associates from the company's management team. Customers provide feedback at regular product preview meetings which enable the board to develop product strategies which meet the requirements of both the customer and the end user. Suppliers and other business associates are appraised of the company's goals through ongoing discussions designed to align the objectives of its partners with that of the company for the mutual economic benefit of all stakeholders.

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 25 days (2021: 14 days) purchases in trade creditors.

Political and charitable contributions

The company made no political contributions during the year *(2021: nil)*. No donations were made to UK charities *(2021: 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

Azets Audit Services was appointed as auditor of the company and in accordance with Section 489 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Carbon and energy reporting

In line with part 15 of the Companies Act 2006 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 the company is required to measure and report on its Greenhouse Gas ("GHG") emission disclosures. The company is reporting UK emissions in line with the Streamlined Energy and Carbon Reporting Guidance.

Emissions have been calculated for the year ended 31 March 2022 in line with the company's financial year. The calculation of the disclosures has been performed in accordance with the Greenhouse Gas Protocol Corporate Standard and using the UK government's conversion factor guidance for the year reported.

The company's operations that primarily release GHG includes usage of electricity in leased offices and business travel. The company keeps its data capture under review and seeks to extend the availability of direct information wherever possible. Where direct information is not available estimates have been used. These estimates are revised if new or improved data is obtained.

The company's chosen intensity ratio is kilograms of CO2 equivalent per thousand pound of sales revenue in line with the company's growth plans.

During the year ended 31 March 2022, the amount of business travel increased due to the relaxation of COVID-19 restrictions.

		Year ended 31 March 2022	Year ended 31 March 2021
		kgCO2e	kgCO2e
Scope 2	Electricity consumption in offices	9,177	12,242
Scope 3	Business travel	18,150	9,023
Total		27,327	21,265
Energy consumption used to calculate emissions (kWh)		47,454	51,079
Intensity ratio	kgCO2e per £000 of sales revenue	0.41	0.32

By order of the board

S. Mas —

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 accounting 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 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 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.

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 31 March 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies in Note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors
As explained more fully in the Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations and;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of noncompliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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.

Azets Audit Services

David Green MA (Cantab) ACA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services
Chartered Accountants
Statutory Auditor
Suites B & D
Burnham Yard
Beaconsfield
Buckinghamshire
HP9 2JH

Date: 26 September 2022

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 March 2022

	Note	2022 £000	2021 £000
Turnover	3	67,264	65,641
Cost of sales		(50,776)	(49,286)
Gross profit		16,488	16,355
Distribution costs		(12,626)	(13,032)
Administrative expenses		(3,101)	(3,081)
Other operating income		1,279	1,717
Operating profit		2,040	1,959
Interest payable and similar expenses		(36)	(212)
Profit before taxation	4-6	2,004	1,747
Tax on profit	7	(383)	(334)
Profit for the financial year and other comprehensive income		1,621	1,413

The results shown above all relate to continuing activities.

The notes on pages 14 to 23 form part of these financial statements.

Balance sheet
at 31 March 2022

	Note	2022		2021	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*8*		-		55
Current assets					
Stocks	*9*	12,551		7,270	
Debtors	*10*	9,340		10,935	
Cash at bank and in hand		4,210		7,546	
Deferred tax asset	*12*	3		-	
		26,104		25,751	
Creditors: amounts falling due within one year	*11*	(7,090)		(8,404)	
Net current assets			19,014		17,347
Total assets less current liabilities			19,014		17,402
Provisions for liabilities					
Deferred tax liability	*12*		-		(9)
Net assets			19,014		17,393
Capital and reserves					
Called up share capital	*13*		500		500
Profit and loss account			18,514		16,893
Shareholder's funds			19,014		17,393

These financial statements were approved by the board of directors on 8 September 2022 and were signed on its behalf by:

TONG Ka Hung
Director

Registered number: 2178243

The notes on pages 14 to 23 form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 March 2022

	Called up share capital	Profit and loss account	Total Equity
	£000	£000	£000
Balance at 1 April 2020	500	15,480	15,980
Total comprehensive income for the period	-	1,413	1,413
Balance at 1 April 2021	500	16,893	17,393
Total comprehensive income for the period	-	1,621	1,621
Balance at 31 March 2022	500	18,514	19,014

The notes on pages 14 to 23 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"*) and the requirements of the Companies Act 2006.

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;
- Key Management Personnel compensation;
- Related party transactions; and
- 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.

A number of uncertainties lie ahead in the financial year 2023. High inflation may slow consumer spending and COVID-19 may continue to cause disruption to the global supply chain. Additionally the price of plastic materials has risen as the war in Ukraine has pushed up oil prices significantly while supplies of some product components remains tight.

In spite of the uncertain business environment the directors believe the company is well placed to to manage its businesss risk successfully.

The directors are confident that the company can continue as a going concern for a period of at least twelve months from the date of approval of these financial statements and that the company has adequate resources to continue in operation for the foreseeable future.

Notes *(continued)*

1 Accounting policies *(continued)*

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

	2022 £000	2021 £000
By activity		
Import and distribution of electronic learning products	**67,264**	65,641
By geographical market		
United Kingdom	**61,735**	60,264
Ireland	**5,528**	5,326
Rest of World	**1**	51
	67,264	65,641

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

Notes *(continued)*

4 Operating profit

	2022 £000	2021 £000
Profit before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	55	55
Hire of other assets – rentals payable under operating leases	2,701	2,603
Net exchange losses	8	32

Auditor's remuneration:

	2022 £000	2021 £000
Audit of these financial statements	31	30
Amounts payable to the auditor and their associates in respect of:		
Other services relating to Brexit	-	8

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 2022 (2021: 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 2022	2021
Office and management	10	10
Selling and distribution	26	25
	36	35

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	1,643	1,643
Social security costs	185	174
Other pension costs	88	86
	1,916	1,903

Notes *(continued)*

7 Taxation

Analysis of charge in period

	2022 £000	£000	2021 £000	£000
UK corporation tax				
Current tax on income for the period	392		341	
Adjustments in respect of prior periods	3		1	
Total current tax		395		342
Deferred tax				
Origination/reversal of timing differences	(12)		(8)	
Total deferred tax		(12)		(8)
Tax on profit		383		334

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2021: higher)* than the standard rate of corporation tax in the UK (19%, *2021: 19 %*). The differences are explained below.

Reconciliation of effective tax rate

	2022 £000	2021 £000
Current tax reconciliation		
Profit before tax	2,004	1,747
Current tax at 19% *(2021: 19%)*	381	332
Effects of:		
Expenses not deductible for tax purposes	-	-
Depreciation for the period in excess of capital allowances	10	7
Adjustments in respect of prior periods	3	1
Other timing differences	(11)	(6)
Total tax charge (see above)	383	334

The UK government announced on 11 March 2020 that the UK corporation tax rate will remain at 19% for the period 1 April 2020 to 31 March 2021 and 1 April 2021 to 31 March 2022. These changes were part of Finance Act 2020, which was enacted on 22 July 2020. The effect of the tax change has been reflected in the deferred tax balances.

The UK government further announced on 3 March 2021 that the UK corporation tax rate will increase to 25% from 1 April 2023. These changes were enacted in Finance Act 2021 on 10 June 2021. The effect of this rate change is considered to be immaterial to the deferred tax balances.

Notes *(continued)*

8 Tangible fixed assets

	Leasehold improvements £000	Fixtures & fittings £000	Total £000
Cost			
At beginning of year	270	227	497
Additions	-	-	-
Disposals	-	-	-
At end of year	270	227	497
Depreciation			
At beginning of year	216	226	442
Charge for year	54	1	55
Disposals	-	-	-
At end of year	270	227	497
Net book value			
At 31 March 2022	-	-	-
At 31 March 2021	54	1	55

9 Stocks

	2022 £000	2021 £000
Goods for resale	**12,551**	7,270

Stocks recognised in cost of sales during the year as an expense was £50,607k (2021: £49,243k).
An impairment loss of £169k (2021: £43k) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

10 Debtors

	2022 £000	2021 £000
Trade debtors	**8,613**	6,775
Amounts owed by group undertakings	**290**	3,866
Other debtors	**32**	43
Prepayments	**405**	251
	9,340	10,935

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	1,426	1,041
Amounts owed to group undertakings	1,150	4,571
Taxation and social security	449	210
VAT creditor	889	500
Accruals	3,176	2,082
	7,090	8,404

12 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Accelerated capital allowances	3	-	-	(9)	3	(9)
Tax (assets) / liabilities Net of tax liabilities / (assets)	-	-	-	-	-	-
Net tax (assets) / liabilities	3	-	-	(9)	3	(9)

The amount of the net reversal of deferred tax expected to occur next year is £500 (2021: £7,000) relating to the reversal of accelerated capital allowances.

13 Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	500	500

14 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2022 £000	2021 £000
Less than one year	2,542	2,706
Between one and five years	13	2,649
More than five years	-	-
	2,555	5,355

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 £88,000 *(2021: £86,000)*.

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:

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