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NETGEAR UK LIMITED

**Annual Report
Financial Year Ended 31 December 2016**

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DIRECTORS AND OTHER INFORMATION

Board of Directors at 21 September 2017

Patrick Lo (American)
Andrew Kim (American)

Solicitors

Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA

Secretary and Registered Office

Andrew Kim
Netgear UK Limited
Reflex Cain Road
Berkshire
United Kingdom RG12 1HL

Bankers

HSBC Bank Plc
8 Canada Square
London E14 5HQ

Registered Number: 06344745

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
One Albert Quay
Cork
Republic of Ireland

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2016.

Review of the business

The company provides sales and marketing services for the group's products and services. The income of the entity is earned from other group entities through whom it has been engaged to market and promote the NETGEAR brand within the UK territory. The nature of the company's activities continues to evolve in line with the strategy of the NETGEAR group and the broader technology and e-commerce industry. The company's revenue in the year-ended 31 December 2016 was £6,383,187 (2015: £7,293,363). This represents a decrease of 12% arising from a decrease in activity with group entities.

Sales and marketing costs amounted to £5,337,349 (2015: £6,095,402), decreasing in line with the reduction in revenue.

Operating profit amounted to £1,045,838 (2015: £1,197,961), due to the decreased activity in the year.

The company's profit before tax amounted to £1,045,838 (2015: £1,203,037).

The company had net assets at 31 December 2016 of £7,518,116 (2015: £6,494,357) with the increase being due to the profit generated during the financial year.

The directors are satisfied with the level of business and the year-end financial position and look forward to satisfactory future results.

Strategy

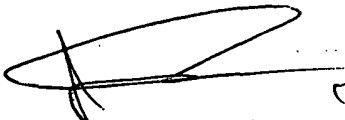
Due to the nature of the company's business arrangements, the directors believe that the risk attributable to foreign exchange, interest rates, credit and cash flow are minimal. The ultimate parent company, NETGEAR Inc, has appropriate risk management programmes in place to manage such risks that may arise.

Key performance indicators (KPI's)

Given the nature of the entity, the directors consider the management of sales and marketing costs to be the key metric to assess performance. Sales and marketing costs amounted to £5,337,349 (2015: £6,095,402).

Principal risks and uncertainties

Due to the nature of the Company's business arrangements, the directors believe that risk attributable to foreign exchange; interest rates, credit and cash flow are low. The ultimate parent company, NETGEAR Inc, has appropriate risk management programmes in place to manage any such risk that may arise.



On behalf of the Board

Andrew Kim
Director and secretary

DIRECTORS' REPORT

The directors present herewith their report and audited financial statements of the company for the year ended 31 December 2016.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Ireland' ('FRS 102'). They are presented in British pound sterling (£).

Principal activity and future developments

The principal activity of the company is to advertise, promote and support NETGEAR's consumer electronics, computer and networking products & peripherals. The directors do not expect the principal activities of the company to change in the foreseeable future.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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 United Kingdom Accounting Standards, including FRS 102, 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.

Profits, dividends and reserves

£

Profit for the financial year

855,667

The directors do not recommend the payment of a dividend.

Going concern

The directors, after making enquiries, have a reasonable expectation, that the company has adequate resources to continue operating for the foreseeable future. This reflects their assumptions about the company's trading prospects for the future. For this reason the going concern basis continues to be adopted in preparing the financial statements.

Financial risk management

The company does not have trade sales and hence credit risk. The company does not have a significant amount of purchases outside the sterling area and does not enter into foreign currency contracts and hence is not exposed to significant foreign exchange risk. Also interest income is not significant and hence there is no exposure to interest rate risk.

DIRECTORS' REPORT - continued

Directors

The names of the persons who are currently and were directors for the entire year ended 31 December 2016 were as follows:

Patrick Lo
Andrew Kim

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Events after the balance sheet date

There are no significant events affecting the company since the year-end.

Political and charitable donations

No donations for charitable or political purposes were made during the year.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and the resolution concerning their appointment will be proposed at the Annual General Meeting.



On behalf of the Board

Andrew Kim
Director and secretary



Independent auditors' report to the members of NETGEAR UK Limited

Report on the financial statements

Our opinion

In our opinion, NETGEAR UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.



Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities 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.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Jeremiah L Keohane (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Cork
Ireland
25 September 2017

PROFIT AND LOSS ACCOUNT**For the financial year ended 31 December 2016**

	Notes	2016 £	2015 £
Turnover	5	6,383,187	7,293,363
Sales and marketing costs		(5,337,349)	(6,095,402)
Operating profit	6	1,045,838	1,197,961
Interest receivable		-	5,076
Profit on ordinary activities before taxation		1,045,838	1,203,037
Tax on profit on ordinary activities	8	(190,171)	(224,412)
Profit for the financial year		855,667	978,625

Turnover and operating profit arose solely from continuing operations. There were no recognised gains and losses other than those recognised in the profit and loss account and, therefore, no separate statement of comprehensive income has been prepared.

Movements in the balance sheet and profit and loss account are set out in the statement of changes in equity on page 10.

The notes on pages 11 to 19 form part of these financial statements.

BALANCE SHEET
As at 31 December 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	9	<u>47,856</u>	<u>90,354</u>
Current assets			
Debtors	10	2,869,377	7,132,697
Cash at bank and in hand		<u>5,346,349</u>	<u>370,927</u>
		8,215,726	7,503,624
Creditors - Amounts falling due within one year	11	<u>(745,466)</u>	<u>(1,099,621)</u>
Net current assets		<u>7,470,260</u>	<u>6,404,003</u>
Net assets		<u>7,518,116</u>	<u>6,494,357</u>
Capital and reserves			
Called up share capital	12	1	1
Share based payment reserve	12	1,916,227	1,748,135
Profit and loss account	12	<u>5,601,888</u>	<u>4,746,221</u>
Total equity		<u>7,518,116</u>	<u>6,494,357</u>

The notes on pages 11 to 19 form part of these financial statements.

The financial statements on pages 8 to 19 were approved by the board of directors on 21/09/2017 and signed on its behalf by:

Andrew Kim
Director and secretary



NETGEAR UK Limited

Registered No: 06344745

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2016

	Called up share capital	Share based payment reserve	Profit and loss account	Total
	£	£	£	£
Balance at 1 January 2015	1	1,590,800	3,767,596	5,358,397
Profit for the financial year	-	-	978,625	978,625
Credit relating to equity settled share based payments	-	157,335	-	157,335
Balance at 31 December 2015	<u>1</u>	<u>1,748,135</u>	<u>4,746,221</u>	<u>6,494,357</u>
Balance at 1 January 2016	1	1,748,135	4,746,221	6,494,357
Profit for the financial year	-	-	855,667	855,667
Credit relating to equity settled share based payments	-	168,092	-	168,092
Balance at 31 December 2016	<u>1</u>	<u>1,916,227</u>	<u>5,601,888</u>	<u>7,518,116</u>

The notes on pages 11 to 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activities of NETGEAR UK Limited ("the company") are to provide sales and marketing support for related entities, in the UK territory. Support includes the provision of marketing and promotional services in relation to NETGEAR products.

The company's parent is NETGEAR International Limited, a company incorporated in the Republic of Ireland. The ultimate parent company is NETGEAR Inc., a company incorporated in the United States of America.

NETGEAR Inc., incorporated in the United States of America, is the company's ultimate parent undertaking. The company's financial statements and trading activities reflect the effects of this relationship. NETGEAR Inc. is the only company for which group financial statements are drawn up and of which the company is a member. The registered office of NETGEAR Inc. is 350 East Plumeria Drive, San Jose, California 95134-1911, USA. Copies of NETGEAR Inc consolidated financial statements can be obtained from The Secretary, NETGEAR Inc., 350 east Plumeria Drive, San Jose, California 95134-1911, USA.

As the company is a wholly owned subsidiary of NETGEAR Inc., the group financial statements of which are publicly available, advantage is taken of the exemptions from disclosing transactions with group companies and from presenting a cash flow statement.

2 Statement of compliance

The financial statements have been prepared on a going concern basis and in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) Going concern

The directors, after making enquiries, have a reasonable expectation, that the company has adequate resources to continue operating for the foreseeable future. This reflects the assumptions about the company's trading prospects for the future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company is a qualifying entity for the purposes of FRS 102. Note 1 gives details of the company's parent and from where the consolidated financial statements may be obtained.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(c) Exemptions for qualifying entities under FRS 102 - continued

As a qualifying entity the company has availed of a number of exemptions from the disclosure requirements of FRS 102 in the preparation of the entity financial statements. The company has notified its shareholders in writing about, and they do not object to, the disclosure exemptions availed of by the company in the entity financial statements.

(i) Cash flow statement

The entity has taken advantage of the exemption, under FRS 102, paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, NETGEAR Inc., includes the entity's cash flows in its own consolidated financial statements.

(ii) Related party transactions

The entity discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

(iii) Key management compensation

The entity has taken advantage of the exemption, under FRS 102, paragraph 33.7, from disclosing key management compensation, on the basis that it is a qualifying entity.

(iv) Financial instruments

Disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29 have not been presented as the information is provided in the consolidated financial statements of NETGEAR Inc.

(v) Share based payments

The entity has availed of the exemption, under FRS 102 paragraph 26.16, by recognising and measuring the share based payment expense on the basis of a reasonable allocation of the expense for the NETGEAR Inc. group.

(d) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the profit and loss account within 'Sales and marketing costs'.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered to group undertakings on a cost plus percentage basis under a service agreement, net of discounts and rebates allowed by the company and value added taxes.

Rendering of services

The company earns revenue under a Marketing Service Agreement with related NETGEAR entities. The revenue receivable from the related services is recognised as the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(f) Employee benefits

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

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(iv) Share-based payments

Employees may acquire shares in the parent undertaking, NETGEAR Inc., under group share option and awards schemes. These are accounted for as equity settled share based transactions. The fair value of employee services received in exchange for the benefit provided is recognised and measured on the basis of a reasonable allocation of the expense for the group.

(g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Statement of significant accounting policies - continued

(h) Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

(i) Leasehold improvements, machinery and equipment and fixtures and fittings

Leasehold improvements, machinery and equipment and fixtures and fittings are stated at cost less accumulated depreciation.

(ii) Depreciation and residual values

Depreciation on assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3 years
Machinery and equipment	2 - 3 years
Fixtures and fittings	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iii) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(iv) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(i) Leased assets - operating leases

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

(k) Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Statement of significant accounting policies - continued**(k) Provisions and contingencies - continued***(ii) Contingencies*

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(l) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including debtors and cash and cash equivalents, are recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortized cost using the effective interest method.

(m) Share capital presented as equity

Equity shares issued are recognised at the proceeds received.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Tax

We prepare and file our tax returns based on an interpretation of tax laws and regulations, and record estimates based on these judgements and interpretations. Inherent uncertainties exist in estimates of our tax positions. We believe that our estimated amounts for current and deferred tax assets or liabilities, including any amounts relating to any uncertain tax positions are appropriate based on currently known facts and circumstances.

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Turnover

Turnover relates entirely to the company's principal activity of advertising, promoting and supporting NETGEAR's consumer electronics, computers and networking products and peripherals in the United Kingdom.

6 Operating profit	2016 £	2015 £
The following operating expenses have been recognised within sales and marketing costs:		
Staff costs (note 7)	3,042,607	3,377,508
Depreciation charge	44,684	44,825
Directors' remuneration	-	-
Operating lease rental charge	226,827	108,856
Foreign exchange (gain)/loss	(59,698)	61
	<u>3,042,607</u>	<u>3,377,508</u>

7 Employee information	2016 £	2015 £
Staff costs		
Wages and salaries	2,430,432	2,678,919
Social security costs	337,348	418,870
Other pension costs (note 15)	106,735	122,384
Share-based payment expense (note 14)	168,092	157,335
	<u>3,042,607</u>	<u>3,377,508</u>

The average number of persons employed by the company during the financial year was:

	2016	2015
Selling and distribution	18	26
Administration	3	3
	<u>21</u>	<u>29</u>

The directors do not receive compensation from NETGEAR UK Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Tax on profit on ordinary activities	2016 £	2015 £
Current tax:		
UK corporation tax on profit of the year	190,200	224,412
Adjustments in respect of prior years	(29)	-
Tax on profit on ordinary activities	<u>190,171</u>	<u>224,412</u>

The company is liable to corporation tax on profits at the standard rate of corporation tax in the UK. With effect from 1 April 2015, the standard rate of corporation tax is 20 per cent (2015: weighted average 20.75 per cent). The differences between the current tax charge for the year and the current charge that would result from applying the standard rate of corporation tax to the profit on ordinary activities are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>1,045,838</u>	<u>1,203,037</u>
Profit on ordinary activities multiplied by the weighted average tax rate in the UK of 20% (2015: weighted average 20.75%)	209,168	249,630
Effects of:		
Expenses not deductible for tax purposes	6,095	4,511
Depreciation in excess of capital allowances	4,937	5,664
Share based payment effect	(30,000)	13,786
Other timing differences	-	(49,179)
Adjustments in respect of prior years	(29)	-
Current tax charge for the year	<u>190,171</u>	<u>224,412</u>

9 Tangible fixed assets	Leasehold improvements £	Machinery and equipment £	Fixtures and fittings £	Total £
At 1 January 2016				
Cost	292,556	109,892	64,905	467,353
Accumulated depreciation	(203,394)	(109,892)	(63,713)	(376,999)
Carrying amount	<u>89,162</u>	<u>-</u>	<u>1,192</u>	<u>90,354</u>
Financial year ended 31 December 2016				
Opening carrying amount	89,162	-	1,192	90,354
Additions	-	-	2,186	2,186
Depreciation	(43,816)	-	(868)	(44,684)
Carrying amount	<u>45,346</u>	<u>-</u>	<u>2,510</u>	<u>47,856</u>
At 31 December 2016				
Cost	292,556	109,892	67,091	469,539
Accumulated depreciation	(247,210)	(109,892)	(64,581)	(421,683)
Carrying amount	<u>45,346</u>	<u>-</u>	<u>2,510</u>	<u>47,856</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Debtors	2016	2015
	£	£
Amounts due from immediate parent undertaking	2,663,740	6,849,544
Value added tax receivable	87,246	100,975
Other receivables	3,100	25,821
Prepayments	115,291	156,357
	<u>2,869,377</u>	<u>7,132,697</u>

Amounts due from the immediate parent undertaking relate to the recharge of costs borne by NETGEAR UK Limited on behalf of NETGEAR International Limited. They are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11 Creditors - amounts falling due within one year	2016	2015
	£	£
Trade creditors	4,475	-
Corporation tax payable	76,424	89,218
Taxation and social insurance	83,613	105,625
Accruals	580,954	904,778
	<u>745,466</u>	<u>1,099,621</u>

Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

12 Share capital and reserves	2016	2015
	£	£
Allotted and fully paid presented as equity		
1 ordinary share of £1	<u>1</u>	<u>1</u>

Profit and loss account

Profit and loss account represents accumulated comprehensive income for the financial year and prior years plus charges from the parent company for share based payments less dividends paid.

Share based payment reserve

Share based payments reserve represents the accumulated benefit owing to employees for their participation in the long term incentive scheme and is recognised as an allocation relevant to the company's participating employees.

13 Operating leases	Motor vehicles	Premises	Total	Total
	£	£	2016	2015
			£	£
Payments due:				
Not later than one year	7,307	105,115	112,422	146,553
Later than one year and not later than five years	-	420,462	420,462	442,900
Later than five years	-	87,596	87,596	192,712
	<u>7,307</u>	<u>613,173</u>	<u>620,480</u>	<u>782,165</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Share-based payments

Certain employees of the company have been granted options over shares in NETGEAR Inc. The options are granted with a fixed exercise price, are exercisable three years after the date of grant and expire five years after the date of grant. Employees are required to remain in employment with the group throughout the three year vesting period.

The company recognises an equity-settled share-based payment expense based on the grant date fair value of the share option. The expense is recognised on a straight-line basis over the vesting period.

On exercise of the share options by employees of NETGEAR UK Limited, the company is charged the intrinsic value of the share options by NETGEAR Inc. NETGEAR UK Limited was charged £168,092 (2015: £157,335) for share options exercised during the financial year and this was recognised within equity.

15 Pension

The company operates a defined contribution scheme. The assets of the scheme are held separately from the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2016 £	2015 £
Contributions payable by the company for the year	<u>106,735</u>	<u>122,384</u>

Amounts due to the pension scheme at year-end amounted to £19,299 (2015: £30,859).

16 Related party transactions

The company is exempt from disclosing related party transactions as they are within other companies that are wholly owned within NETGEAR Inc Group.

17 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 21 September 2017 and were signed on its behalf on that date.