NETGEAR UK LIMITED

Annual Report
Financial Year Ended 31 December 2020

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CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors at 21 December 2021

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

Statutory Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
One Albert Quay
Cork
Ireland

DIRECTORS' REPORT

The directors present herewith their report and audited financial statements of the company for the year ended 31 December 2020.

The company has availed of the exemptions available to a small private company.

Principal activities and future developments
The principal activity of the company is to advertise, promote and support NETGEAR's consumer electronics, computer and networking products & peripherals in the United Kingdom. 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 Annual Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law.

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

Review of the business
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 company earns revenue under a Marketing Service Agreement with related NETGEAR entities. 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 2020 was £3,715,375 (2019: £4,003,595). This represents a decrease of 7% arising from a decrease in activity with group entities.

Sales and marketing costs amounted to £2,844,900 (2019: £2,931,116), decreasing in line with the reduction in revenue. Operating profit and profit before taxation amounted to £689,836 (2019: £966,150), due to the decreased activity in the year. The company had net assets at 31 December 2020 of £5,354,059 (2019: £4,652,786).

On 31 December 2019, the World Health Organisation (WHO) was alerted to the Covid-19 outbreak in China and on 11 March 2020 it was declared a pandemic. Given the core business of NETGEAR includes products related to internet connectivity the company has been uniquely placed to service demand driven from the centring of work life, learning life and recreational life in the home. As a result, the ongoing trading has not been adversely impacted and the balance sheet and profit and loss as of and for the year ended 31 December 2020 have not significantly impacted due to the pandemic.

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

DIRECTORS' REPORT - continued

Profits, dividends and reserves	£
Profit for the financial year	524,013

During the financial year the company did not pay a dividend (2019: £Nil) to the company's immediate parent undertaking.

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.

Going concern
The directors' assessment of the company's going concern position is set out in note 3(b).

Financial risk management
The company does not have trade sales and hence external 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, it 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
The names of the persons who are currently and were directors for the entire year ended 31 December 2020 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 have been no events after the balance sheet date, which would require adjustment or disclosure in these financial statements.

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

Statutory auditors
The statutory 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

DocuSigned by:
Andrew Kim
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Andrew Kim
Director and secretary

Director

21 December 2021

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Independent auditors' report to the members of NETGEAR UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, NETGEAR UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise:

- the balance sheet as at 31 December 2020;
- 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 description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

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Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the operations of NETGEAR UK Limited and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance. Audit procedures performed included:

- discussions with management, in respect of the risk of fraud and any known or suspected instances of non-compliance with laws and regulation and fraud and reviewing Board Minutes;
- confirmation with those charged with governance in respect of risk of fraud and any known or suspected instances of non-compliance with laws and regulations;
- consideration of the overall control environment and the processes and controls in place in the company, including procedures to achieve compliance with relevant laws and regulations; and
- testing of journal entries posted throughout the period and at period end. There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility

Declan Maunsell

Declan Maunsell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Cork
Ireland
22 December 2021

PROFIT AND LOSS ACCOUNT
For the financial year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover	5	3,715,375	4,003,595
Sales and marketing costs		(2,844,900)	(2,931,116)
Other operating expenses		(180,639)	(106,329)
Operating profit	6	689,836	966,150
Profit before taxation		689,836	966,150
Tax on profit	8	(165,823)	(234,432)
Profit for the financial year		524,013	731,718

BALANCE SHEET
As at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible assets	9	48,968	31,103
Current assets			
Debtors	10	1,720,225	1,915,705
Cash at bank and in hand		3,995,886	3,270,214
		5,716,111	5,185,919
Creditors - Amounts falling due within one year	11	(411,020)	(564,236)
Net current assets		5,305,091	4,621,683
Net assets		5,354,059	4,652,786
Capital and reserves			
Called up share capital	12	1	1
Share based payment reserve	14	2,581,787	2,404,527
Profit and loss account		2,772,271	2,248,258
Total equity		5,354,059	4,652,786

The notes on pages 11 to 20 form an integral part of these financial statements.

The financial statements on pages 8 to 20 were authorised for issue by the board of directors on 21 December 2021 and were signed on its behalf by:

Andrew Kim
Director and secretary

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Andrew Kim
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Director

NETGEAR UK Limited

Registered No: 06344745

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2020

	Called up share capital	Share based payment reserve	Profit and loss account	Total
	£	£	£	£
Balance at 1 January 2019	1	2,246,184	1,516,540	3,762,725
Profit for the financial year	-	-	731,718	731,718
Total comprehensive income for the financial year	-	-	731,718	731,718
Credit relating to equity settled share based payments (note 14)	-	158,343	-	158,343
Total transactions with owners, recognised directly in equity	-	158,343	-	158,343
Balance at 31 December 2019	1	2,404,527	2,248,258	4,652,786
Balance at 1 January 2020	1	2,404,527	2,248,258	4,652,786
Profit for the financial year	-	-	524,013	524,013
Total comprehensive income for the financial year	-	-	524,013	524,013
Credit relating to equity settled share based payments (note 14)	-	177,260	-	177,260
Total transactions with owners, recognised directly in equity	-	177,260	-	177,260
Balance at 31 December 2020	1	2,581,787	2,772,271	5,354,059

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. Support includes the provision of marketing and promotional services in relation to NETGEAR products.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is Reflex Cain Road, Berkshire, United Kingdom, RG12 1HL.

The company's parent is NETGEAR International Limited, a company incorporated in the Republic of Ireland. 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.

2 Statement of compliance

The financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the 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. The company has adopted FRS 102 in these financial statements.

(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 company meets its day-to-day working capital requirements through cash generated from operations, cash resources and, if required, intercompany financing. The company earns revenue under a Marketing Service Agreement with related NETGEAR entities. The directors, after making enquiries and having regard to the company's financial position, trading prospects and financing available to the company, have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. For these reasons, the going concern basis continues to be adopted in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(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.

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.

(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) 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.

(iii) 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.

(iv) 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 under a service agreement, net of discounts and rebates allowed by the company and excludes 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 the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including amounts due from the immediate parent undertaking, other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other creditors 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 creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Statement of significant accounting policies - continued

(l) Financial instruments - continued

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the year in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

(o) Related party transactions

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

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. There are no 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.

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

	2020	2019
	£	£
Operating profit is stated after charging/(crediting):		
Staff costs (note 7)	1,664,411	1,539,865
Depreciation charge (note 9)	9,164	3,362
Operating lease charge	122,961	122,961
Foreign exchange gain	(180,953)	(106,329)

The directors do not receive compensation or post-employment benefits from NETGEAR UK Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Employee and directors

	2020	2019
	£	£
Staff costs		
Wages and salaries	1,254,778	1,173,206
Social security costs	171,467	153,162
Other pension costs (note 15)	60,906	55,154
Share-based payment (note 14)	177,260	158,343
	1,664,411	1,539,865

The average number of persons employed by the company during the financial year was:	2020 No.	2019 No.
Selling and distribution	10	13
Administration	2	2
	12	15

8 Income tax

	2020	2019
	£	£
(a) Tax expense included in profit or loss		
Current tax:		
- UK corporation tax on profit for the year	145,634	206,956
- Under provision in respect of prior years	20,189	27,476
Total tax expense	165,823	234,432

(b) Reconciliation of tax charge

Tax assessed for the year differs (2019: differs) to the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£	£
Profit before tax	689,836	966,150
Profit multiplied by the standard rate of tax in the UK of 19% (2019: 19%)	131,069	183,568
Effects of:		
Expenses not deductible for tax purposes	34,513	47,314
Depreciation in excess of / (less than) capital allowances	403	(1,066)
Share based payment effect	(20,351)	(22,860)
Under provision in respect of prior years	20,189	27,476
Total tax charge for the year	165,823	234,432

(c) Tax rate charges

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that these changes will have a material impact on the Company's deferred tax balances.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Tangible assets

	Leasehold improvements	Machinery and equipment	Fixtures and fittings	Construction in progress	Total
	£	£	£	£	£
At 1 January 2019					
Cost	219,082	27,963	22,580	9,026	278,651
Accumulated depreciation	(219,082)	(5,886)	(22,580)	-	(247,548)
Carrying amount	-	22,077	-	9,026	31,103
Financial year ended					
Opening carrying amount					
Opening carrying amount	-	22,077	-	9,026	31,103
Additions	-	27,029	-	-	27,029
Transfers	-	9,026	-	(9,026)	-
Depreciation	-	(9,164)	-	-	(9,164)
Carrying amount	-	48,968	-	-	48,968
At 31 December 2020					
Cost	219,082	64,018	22,580	-	305,680
Accumulated depreciation	(219,082)	(15,050)	(22,580)	-	(256,712)
Carrying amount	-	48,968	-	-	48,968

10 Debtors

	2020	2019
	£	£
Amounts due within one year:		
Amounts due from immediate parent undertaking	1,621,112	1,741,824
Value added tax receivable	45,454	56,043
Other receivables	-	13,957
Prepayments	53,659	103,881
	1,720,225	1,915,705

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

	2020	2019
	£	£
Corporation tax payable	51,785	109,465
PAYE and social insurance	45,154	39,293
Accruals	314,081	415,478
	411,020	564,236

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

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Share capital and reserves

	2020	2019
	£	£
Allotted and fully paid presented as equity		
1 ordinary share of £1	1	1

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Profit and loss account
Profit and loss represents accumulated comprehensive income for the financial year and prior financial years less dividends paid.

Share based payment reserve
Share based payment 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

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020	2019
	£	£
Payments due:		
Not later than one year	179,735	179,735
Later than one year and not later than five years	179,735	359,470
	359,470	539,205

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.

NETGEAR UK Limited was charged £177,260 (2019: £158,343) for share options during the financial year and this was recognised within equity. This has resulted in the share-based payment reserve being £2,581,787 as at 31 December 2020 (2019: £2,404,527).

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.

	2020	2019
	£	£
Contributions payable by the company for the year	60,906	55,154

Amounts due to the pension scheme at year-end amounted to £8,792 (2019: £8,471).

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Related party transactions

Refer to note 6 for details in respect of directors' remuneration.

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

17 Events after the balance sheet date

There have been no events after the balance sheet date, which would require adjustment or disclosure in these financial statements.

18 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 21 December 2021 and were signed on its behalf on that date.