Registered number: 1336602

FABRINET UK LIMITED
(FORMERLY KNOWN AS EXCEPTION EMS LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

FABRINET UK LIMITED (FORMERLY KNOWN AS EXCEPTION EMS LIMITED)

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FABRINET UK LIMITED (FORMERLY KNOWN AS EXCEPTION EMS LIMITED)

COMPANY INFORMATION

Directors	S Healings (resigned 14 September 2016, re-appointed 21 February 2017) TS Ng (appointed 14 September 2016) P Shah (appointed 14 September 2016, resigned 28 February 2017) M P O'Connor (resigned 14 September 2016) N T Murphy (resigned 14 September 2016)
Company secretary	Talor Wessing Secretaries Limited
Registered number	1336602
Registered office	32 Harris Road Porte Marsh Industrial Estate Calne Wiltshire SN11 9PT
Independent auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The directors present their strategic report on the company for the year ended 30 June 2017.

Principal activities

The principal activity of the company is that of the design, manufacture, assembly and sale of specialised electronic equipment. It is expected to continue in this capacity for the foreseeable future

Business review

Fabrinet UK Limited is a contract manufacturer of electro-mechanical systems, offering fully automated PCB assembly facilities right through to complete product supply. This business is focused on supporting customers' pre-production design led fast track requirements through to the long-term supply of product either in the UK or as a gateway into our low cost offshore parent company in Thailand. The Fabrinet plant in Calne is one of the few large UK based suppliers of outsourced electronic assemblies and it services a range of customers operating in a number of market sectors. Growth is focused in the specialist long term global markets of Defence, Semiconductor, Energy and Oil & Gas.

For the year ending 30 June 2017, Fabrinet UK Limited recorded sales of £19.3m (2016: £19.4m) and operating profit of £848,000 (2016: £1,223,000) was recorded.

Research and development

The company maintains research and development activities into new technologies impacting its core product proposition and regards research and development as integral to its success in continuing to provide customers with leading edge technologies and a competitive product and service offering.

Employees

Employees are kept informed of matters of concern to them as employees by briefing meetings and other notices.

The company is committed to developing a safe and healthy working environment for all employees consistent with the requirements of the Health and Safety at Work Act. Within the constraints of health and safety, disabled people are given full and fair consideration for appropriate job vacancies. Depending on their skills and abilities, disabled people enjoy the same career prospects as other employees and if employees become disabled every effort is made to ensure their continued employment with appropriate training where necessary.

Policies for recruiting employees are designed to ensure equal opportunities irrespective of colour, ethnic or natural origin, nationality, sex or marital status.

This report was approved by the board on 22 Nov 2017 and signed on its behalf by:

S Healings
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and the audited financial statements of Fabrinet UK Limited for the year ended 30 June 2017.

On 18 August 2017, the company changed its name from Exception EMS Limited to Fabrinet UK Limited.

Results and dividends

The profit for the financial year amounted to £786,000 (2016: £1,605,000).

The directors paid a dividend of £195,000 during the year (2016: £973,000).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

S Healings (resigned 14 September 2016, re-appointed 21 February 2017)
TS Ng (appointed 14 September 2016)
P Shah (appointed 14 September 2016, resigned 28 February 2017)
M P O'Connor (resigned 14 September 2016)
N T Murphy (resigned 14 September 2016)

Matters covered in the strategic report

The business review and principal risks and uncertainties have been included in the Strategic report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017

Financial risk management

Summary

The company's operations expose it to a variety of financial risks, which include changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company has a rigorous approach to risk management to ensure that any consequent adverse effects on the financial performance of the company are minimised. Further details of the company's financial risk management activities are detailed below.

Interest rate and cash flow risk

Given the structure of the financing the company is exposed to interest rate cash flow risk. However, whilst the company has interest bearing liabilities the debt service margin is low and provides a degree of comfort to minimise the financial risks. The board regularly reviews whether interest rate hedging instruments might be appropriate.

Liquidity risk

The company has a mixture of long term and short term debt finance which is structured to ensure it has sufficient available funds for operations. The confidential invoice discounting facilities ensure the group has appropriate working capital finance for growth opportunities.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made and the debtor book is largely insured with appropriate trade credit insurance. Consequently, the amount of exposure to any individual debtor is subject to a limit which is regularly re-assessed.

Price risk

The company is exposed to commodity price risk as a result of its operations; however, given the size of the company's operations the costs of managing exposure to commodity price risk currently exceed any potential benefits.

Exchange rate risk

The company is exposed to exchange risk as a result of its operations; however, with significant sales and purchases denominated in US Dollars a natural hedge is established. Where operations generate a surplus or deficit in currency the company, if it is considered appropriate, will enter into forward exchange contracts in order to manage this risk.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2017

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 22 Nov 2017 and signed on its behalf by:

S Healings
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FABRINET UK LIMITED (FORMERLY KNOWN AS EXCEPTION EMS LIMITED)

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2017 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 (the "Annual Report"), which comprise: the balance sheet as at 30 June 2017; the statement of comprehensive income, and 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report 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 Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FABRINET UK LIMITED (FORMERLY KNOWN AS EXCEPTION EMS LIMITED) (CONTINUED)

to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 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 Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

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 received 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.

Andrew Latham

Andrew Latham (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
Date: 28th November 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £000	As restated 2016 £000
Turnover	4	**19,276**	19,418
Cost of sales		**(17,048)**	(17,206)
Gross profit		**2,228**	2,212
Administrative expenses		**(1,380)**	(989)
Operating profit	5	**848**	1,223
Interest receivable and similar income		**20**	-
Interest payable and similar expenses	9	**(103)**	(82)
Other finance income/(costs)	10	**1**	(1)
Profit before tax		**766**	1,140
Tax on profit	11	**20**	465
Profit for the financial year		**786**	1,605
Actuarial losses on defined benefit pension scheme		**(31)**	(31)
Other comprehensive expense for the financial year		**(31)**	(31)
Total comprehensive income for the financial year		**755**	1,574

FABRINET UK LIMITED (FORMERLY KNOWN AS EXCEPTION EMS LIMITED)
REGISTERED NUMBER: 1336602

BALANCE SHEET
AS AT 30 JUNE 2017

	Note		2017 £000		As restated 2016 £000
Fixed assets					
Intangible assets	13		**62**		111
Tangible assets	14		**2,673**		2,917
			2,735		3,028
Current assets					
Stocks	15	**1,608**		926	
Debtors	16	**6,195**		6,378	
Cash at bank and in hand	17	**220**		1,528	
		8,023		8,832	
Creditors: amounts falling due within one year	18	**(5,409)**		(6,913)	
Net current assets			**2,614**		1,919
Total assets less current liabilities			**5,349**		4,947
Creditors: amounts falling due after more than one year	19		**(786)**		(944)
Net assets			**4,563**		4,003
Capital and reserves					
Called up share capital	22		**40**		40
Profit and loss account	23		**4,523**		3,963
Total shareholders' funds			**4,563**		4,003

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 Nov 2017 by:

S Healings
Director

The notes on pages 11 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Called up share capital	Profit and loss account	Total shareholders' funds
	£000	£000	£000
At 1 July 2015	**40**	**3,362**	**3,402**
Comprehensive income/(expense) for the financial year			
Profit for the financial year	-	1,605	1,605
Actuarial losses on pension scheme	-	(31)	(31)
Total comprehensive income for the financial year	-	1,574	1,574
Contributions by and distributions to owners			
Dividends: Equity capital	-	(973)	(973)
Total transactions with owners	-	(973)	(973)
At 1 July 2016	**40**	**3,963**	**4,003**
Comprehensive income/(expense) for the financial year			
Profit for the financial year	-	786	786
Actuarial losses on pension scheme	-	(31)	(31)
Total comprehensive income for the financial year	-	755	755
Contributions by and distributions to owners			
Dividends: Equity capital	-	(195)	(195)
Total transactions with owners	-	(195)	(195)
At 30 June 2017	**40**	**4,523**	**4,563**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. General information

Fabrinet UK Limited is a limited liability company incorporated in England and Wales. The registered office address is 32 Harris Road, Porte Marsh Industrial Estate, Calne, Wiltshire, SN11 9PT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Fabrinet UK Holdings Limited as at 30 June 2017 and these financial statements may be obtained from 5 New Street Square, London, United Kingdom, EC4A 3TW.

2. Accounting policies (continued)

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.5 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

2. Accounting policies (continued)

2.5 Tangible assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis:

Short leasehold land and buildings	- 15% reducing balance
Plant and machinery (pre-2009)	- 15% reducing balance
Plant and machinery (post-2009)	- 14.3% straight line
Fixtures and fittings (pre-2009)	- 15% reducing balance
Fixtures and fittings (post-2009)	- 14.3% straight line
Computer equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

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 Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'Other finance income/(costs)'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

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 in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain current and former employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The amount recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date out of which the obligations are to be settled. If the pension plan is in a net surplus position the Company does not recognise an asset as it does not have an unconditional right to the surplus. This gives rise to a 'ceiling'.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments (discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and
b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of comprehensive income as a 'finance expense'.

2.17 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

2. Accounting policies (continued)

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

2.21 Prior year restatement

An adjustment has been made to the prior year Statement of Comprehensive Income in order to reallocate expenses totalling £6,385,000 from administrative expenses to cost of sales. This adjustment has had no effect on the profit for the financial year, net current assets or net assets.

In addition, an adjustment has been made to the prior year Balance Sheet in order to reallocate computer software with a net book value of £11,000 from tangible assets to intangible assets. This adjustment has also had no effect on the profit for the financial year, net current assets or net assets.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of debtors
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Deferred tax
Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. .

4. Turnover

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	**14,702**	15,290
Rest of Europe	**4,426**	4,036
Rest of the World	**148**	92
	19,276	19,418

5. Operating profit

The operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of tangible assets	**665**	641
Amortisation of intangible assets	**57**	-
Exchange differences	**(30)**	(23)
Operating lease rentals	**342**	351

6. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the company's auditors for the audit of the company's annual financial statements	**16**	19

7. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	**4,728**	4,700
Social security costs	**391**	380
Other pension costs	**191**	146
	5,310	5,226

The average monthly number of employees, including the directors, during the year was as follows:

	2017 Number	2016 Number
Production	**186**	177
Administration	**17**	26
	203	203

The directors' emoluments have been borne by another group company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

8. Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group companies	**20**	-

9. Interest payable and similar expenses

	2017 £000	2016 £000
Bank interest payable	**-**	5
Finance leases and hire purchase agreements	**57**	51
Other interest payable	**46**	26
	103	82

10. Other finance income/(costs)

	2017 £000	2016 £000
Net interest on net defined benefit liability	**1**	(1)

11. Tax on profit

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	**(141)**	-
Adjustments in respect of prior years	**(21)**	(465)
Total current tax	**(162)**	(465)
Deferred tax		
Origination and reversal of timing differences	**121**	-
Effect of tax rate change on opening balance	**21**	-
Total deferred tax	**142**	-
Tax on profit	**(20)**	(465)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

11. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.75% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before tax	**766**	1,140
Profit multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20%)	**151**	228
Effects of:		
Expenses not deductible for tax purposes	**1**	6
Utilisation of tax losses	**-**	(228)
Adjustments to tax charge in respect of prior years	**(21)**	(465)
RDEC repayment	**(113)**	-
RDEC tax credit	**(28)**	-
Adjustments in deferred tax	**(1)**	-
Deferred tax not provided	**(7)**	-
Group relief surrendered	**(4)**	(4)
Fixed assets differences	**2**	(2)
Total tax charge for the year	**(20)**	(465)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Dividends

	2017 £000	2016 £000
Dividends paid	**195**	973

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

13. Intangible assets

	Computer software £000
Cost	
At 1 July 2016	**390**
Additions	**8**
Disposals	**(19)**
At 30 June 2017	**379**
Accumulated amortisation	
At 1 July 2016	**279**
Charge for the year	**57**
On disposals	**(19)**
At 30 June 2017	**317**
Net book value	
At 30 June 2017	**62**
At 30 June 2016	111

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

14. Tangible assets

	Short leasehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, equipment and vehicles £000	Total £000
Cost				
At 1 July 2016	1,111	5,724	735	7,570
Additions	39	346	69	454
Disposals	-	(679)	(26)	(705)
At 30 June 2017	1,150	5,391	778	7,319
Accumulated depreciation				
At 1 July 2016	921	3,216	516	4,653
Charge for the year	35	555	75	665
Disposals	-	(646)	(26)	(672)
At 30 June 2017	956	3,125	565	4,646
Net book value				
At 30 June 2017	194	2,266	213	2,673
At 30 June 2016	190	2,508	219	2,917

The net book value of tangible assets includes an amount of £1,435,000 (2016: £1,812,000) in respect of assets held under hire purchase contracts. The depreciation charged in the year in respect of those assets amounted to £299,000 (2016: £259,000).

Computer software has been reclassified to intangible assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

15. Stocks

	2017 £000	2016 £000
Raw materials and consumables	**392**	118
Work in progress (goods to be sold)	**1,060**	734
Finished goods and goods for resale	**156**	74
	1,608	926

Stock recognised in cost of sales during the year as an expense was £10,176,000 (2016: £10,598,000).

An impairment loss of £nil (2016: £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The replacement value of stock is not materially different to the value of stock presented above.

16. Debtors

	2017 £000	2016 £000
Trade debtors	**4,801**	4,793
Amounts owed by group undertakings	**667**	662
Other debtors	**20**	64
Tax recoverable	**141**	-
Deferred taxation	**238**	380
Prepayments and accrued income	**328**	479
	6,195	6,378

Amounts owed by group undertakings are unsecured, repayable on demand and are subject to an interest of 2% per annum above the base rate of Bank of England.

17. Cash at bank and in hand

	2017 £000	2016 £000
Cash at bank and in hand	**220**	1,528

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

18. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	3,444	2,364
Other loans	-	97
Confidential invoice discounting facility	770	3,075
Other taxation and social security	256	423
Obligations under finance lease and hire purchase agreements	264	397
Other creditors	219	64
Accruals and deferred income	456	493
	5,409	6,913

Amounts owed to group undertakings are unsecured, repayable on demand and not subject to interest. The proceeds of the factored debts are secured against the trade debtors to which they relate.

19. Creditors: Amounts falling due after more than one year

	2017 £000	2016 £000
Net obligations under finance leases and hire purchase agreements	786	944

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £000	2016 £000
Within one year	264	397
Between one and five years	786	944
	1,050	1,341

21. Deferred taxation

	2017 £000
At beginning of year	380
Charged to the statement of comprehensive income	(142)
At end of year	238

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

21. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2017	2016
	£000	£000
Accelerated capital allowances	**(97)**	-
Tax losses carried forward	**326**	380
Short term timing differences	**9**	-
	238	380

22. Called up share capital

	2017	2016
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
40,001 (2016: 40,001) Ordinary share shares of £1 each	**40**	40

23. Reserves

Profit and loss account

The profit and loss accounts contains all current and prior year retained profit and accumulated loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

24. Pension commitments

The company operates a Defined benefit pension scheme.

The assets of the Scheme are held separately from those of the company in independently administered funds.

The contributions paid to the funds during the year were £30,000 (2016: £30,000). No contributions were owed at the year end (2016: £nil).

The scheme provides benefits based on the final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using a market related method. The most recent full valuation was at 1 April 2015 and was updated to 30 June 2017 for FRS 102. The assumptions which have the most significant effect on the results of the full valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The valuation showed that the market value of the scheme's assets was £232,000 at 30 June 2017. This represented 114% of the scheme's liabilities using market related assumptions. Employer contributions have been agreed to continue at £30,000 per annum until 28 February 2019.

	2017	2016
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	**228**	199
Current service cost	**5**	7
Remeasurement arising from changes in assumptions	**13**	29
Remeasurement arising from experience	**5**	1
Benefits paid	**(48)**	(8)
At the end of the year	**203**	228

	2017	2016
	£000	£000
Reconciliation of present value of plan assets		
At the beginning of the year	**231**	205
Interest income	**6**	8
Actual return on plan assets	**13**	(4)
Contributions	**30**	30
Benefits paid	**(48)**	(8)
At the end of the year	**232**	231

24. Pension commitments (continued)

Composition of plan assets:

	2017 £000	2016 £000
Equities	119	104
Property	-	2
Corporate Bonds	12	12
Gilts	81	90
Alternative	2	2
Global Fixed Interest	12	7
Cash	6	14
Total plan assets	**232**	231

	2017 £000	2016 £000
Fair value of plan assets	232	231
Present value of plan liabilities	(203)	(228)
Effect of ceiling	(29)	(3)
Net pension scheme liability	**-**	-

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Interest on obligation	(1)	(1)
Actual return on scheme assets	19	4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

24. Pension commitments (continued)

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2017 %	2016 %
Discount rate	**2.6% p.a.**	2.8% p.a.
Retail price of inflation	**3.2% p.a.**	3.0% p.a.
Consumer price inflation	**2.3% p.a.**	2.1% p.a.
Rates of early leaver revaluation	**Fixed rates**	Fixed rates
Increase in payment- GMP earned before 6/4/88	**0.0% p.a.**	0.0% p.a
Increase in payment- GMP earned after 5/4/88	**2.1% p.a.**	2.1% p.a.
Mortality rates		
- for a male aged 65 now	**20.3**	20.2
- at 65 for a male aged 45 now	**21.6**	21.5
- for a female aged 65 now	**22.2**	22.2
- at 65 for a female member aged 45 now	**23.7**	23.6

25. Commitments under operating leases

At 30 June the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	**332**	335
Later than 1 year and not later than 5 years	**1,282**	1,292
Later than 5 years	**399**	665
	2,013	2,292

26. Controlling party

The company's parent company is Exception Group Limited, a company incorporated in Great Britain. Exception Group Limited is wholly owned by Global CEM Solutions Limited.

The parent undertaking of the largest and smallest group for which consolidated financial statements are prepared is Fabrinet UK Holdings Limited.

Copies of Fabrinet UK Holdings Limited's financial statements are available from the Company Secretary, Fabrinet UK Holdings Limited, 5 New Street Square, London, United Kingdom, EC4A 3TW.

In the opinion of the directors, Fabrinet is the company's ultimate parent company and ultimate controlling party.