

Registered No: 2087867

## Future Electronics Limited

### Report and Financial Statements

26 December 2008

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## Future Electronics Limited

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Registered No: 2087867

### **Directors**

M Bielesch  
D R Miller  
G B Oliver  
A Shepherd (appointed 25 March 2008)

### **Secretary**

M. Moilanen

### **Auditors**

Ernst & Young LLP  
Apex Plaza  
Reading  
RG1 1YE

### **Bankers**

ABN AMRO Bank  
250 Bishopsgate  
London  
EC2M 4AA

### **Solicitors**

Baker & McKenzie  
100 New Bridge Street  
London  
EC4V 6JA

### **Registered office**

Future House  
The Glanty  
Egham  
Surrey  
TW20 9AH

## Directors' report

The directors present their report and financial statements for the year ended 26 December 2008.

### Results and dividends

The profit for the year, after taxation, amounted to £11,231,210 (2007: £1,221,836). The directors do not recommend the payment of any dividends (2007: £nil).

### Principal activities and review of the business

The company's key financial indicators during the year were as follows:

	2008 £'000	2007 £'000	Change £'000
Turnover	343,673	323,425	20,248
Operating profit	16,585	2,778	13,807
Profit after tax	11,231	1,222	10,009
Shareholders' funds	135,735	116,004	19,731
Net current assets	126,127	113,950	12,177

Turnover increased by 6% (2007:1%) The company achieved strong sales growth in all markets in the first half of the year. In the second half of the year, the weakening of sterling resulted in an increase in recorded sales, the majority of the Company's revenue being denominated in Euros. In the course of the year the Euro strengthened by an average of 15% compared to sterling, more than offsetting the decline in business activity seen across all markets in the final quarter of the year.

Operating profit as a percentage of revenue increased by 4% to 4.8%. Although the economic environment has remained fiercely competitive throughout the year, driving a reduction in gross margins (GM), the increase largely reflects the movement in currencies over the course of the year. The majority of receivables are held in currencies which have strengthened against sterling during this period. Meanwhile inventory, whilst bought mainly in US Dollars and intended for use in Euro and US Dollar customer contracts, is held in Sterling. The impact of these currency movements has been to increase significantly GMs, and realised and unrealised currency gains.

This more than offsets the further reserve that was made against the dilapidation costs of the leasehold on the European warehouse in the UK which will be replaced in 2010 by a new facility currently being constructed in Germany (see below.) Also offset is the reserve made for the redundancy costs of employees at the above facility.

Profit after tax reflects, in addition to the above, a distribution from FE Future Holdings BV and the impact of tax at an effective rate of 28.2%.

Furthermore, 8,500,000 of share capital with a value of £8,500,000 were allotted during the year to finance the additional investment in an existing subsidiary. Shareholders Funds increased by £19,731k during the year as a result of this investment and the retained profit of £11,231k.

Net current assets have increased by 11% reflecting increases in inventory, receivables and cash being partially offset by an increase in payables and provision for liabilities.

The Europe, the Middle East and Africa (EMEA) headquarters were relocated to new offices during the year. Notice had been served on both of the previous offices serving this purpose during the course of the previous year. The new office is part of a 10 year lease agreement signed at the end of 2007.

### Future developments

The company is committed to strengthening its market position across EMEA and continues to invest in improving its presence, efficiency and effectiveness in all locations to achieve that aim.

## Directors' report (continued)

The decision was taken to relocate the EMEA distribution centre which is currently in the UK, to Germany. The new distribution centre, currently under construction, will be owned by another Group company and is expected to be completed in June 2010. Its services will be leased back to the Company. As a result the Company has accelerated the write-down of assets relating to the distribution centre which will be decommissioned and has made provision for the expected costs of restructuring.

### **Derivatives – fair value**

Until October 2008, the company had a forward contract to sell a monthly sum of US dollars in exchange for Euros. Gains and losses on this contract have been recognised on a monthly basis. No new contracts were put in place subsequent to that date.

### **Principal risks and uncertainties**

Discussed below are the company's two major business risks, market and financial, together with the systems and initiatives in place to address them.

#### *Market risk*

The European Electronic Component market is subject to fluctuations of demand by customers. These fluctuations are linked to the economic cycles of the region and each individual country as well as the migration of manufacturing activity. The company manages its exposure to these fluctuations by monitoring working capital, restricting dependence on large customers and maintaining close working relationships with suppliers.

#### *Financial risk management*

The company uses certain financial instruments to manage the main operating risks it faces. In particular the company uses group funding to manage the liquidity and cash flow risks faced.

The company manages its interest rate risk exposure, as interest on the group loan is at annually agreed fixed rates of interest.

The company manages its foreign currency risk exposures on the sale of goods overseas by invoicing in the currency that payment is expected to be received in. The company makes use of forward contracts for purchases made in US Dollars as a high proportion of the business' products acquired are denominated in that currency.

The company assesses the creditworthiness of new customers before commencing trade with them. Based on this, authorised credit line limits are set. A proactive approach to the identification and control of bad and doubtful debts is operated as well as a group insurance policy against uncollectible receivables.

#### *Competitive risk*

The company is at risk from changes in market trading conditions driven by consumer demand and the level of competition in the marketplaces in which the company operates. The company attempts to offset such risks by maintaining a diversified portfolio of products and suppliers and by extending the geographical marketplaces in which it operates.

#### *Legislative risk*

Unanticipated changes in the legislative framework in which the company operates could affect its future results from operations. In addition the company buys and sells products in many different countries exposing it to the additional risks of their legislatures as well economic and political risks. The company continuously assesses these environments and decides what actions to take to limit its risk following such examination.

### **Disabled employees**

The directors give special attention to the health and safety of their employees and endeavour to ensure that as far as possible the training, career development and promotion of disabled persons is the same as for other employees.

## Directors' report (continued)

### Employee involvement

During the year, the policy of providing employees with information about the company has continued. Regular meetings are held between management and employees to allow a free flow of information and ideas.

### Charitable contributions

The company supports three main charities in the areas of medical research, helping the aged and helping children. Contributions during the year amounted to £7,835 (2007: £3,882).

### Directors

The directors who served the company during the year were as follows:

M Bielesch  
D R Miller  
G B Oliver  
A Shepherd

There are no directors' interests requiring disclosure under the Companies Act 1985.

### Directors' liabilities

The company has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year.

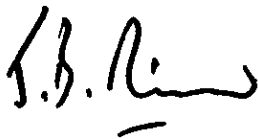
### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

In accordance with s385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

On behalf of the Board



G B Oliver  
Director

Date: 18 May 2009

## **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 year. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditors' report**

### **to the shareholders of Future Electronics Limited**

We have audited the company's financial statements for the year ended 26 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report

to the shareholders of Future Electronics Limited (continued)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 26 December 2008 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Reading

Date: *18 May 2009*



## Profit and loss account

for the year ended 26 December 2008

	Notes	2008 £'000	2007 £'000
<b>Turnover</b>	2	343,673	323,425
Cost of sales		(270,611)	(270,020)
<b>Gross profit</b>		73,062	53,405
Distribution costs		(35,970)	(31,448)
Administrative expenses before exceptional items		(23,298)	(20,369)
Exchange gains		5,817	1,280
Restructuring costs		(1,292)	(71)
Onerous lease costs		(1,489)	—
Dilapidation costs		(405)	(200)
Total administrative expenses		(20,667)	(19,360)
Other operating income		160	181
<b>Operating profit</b>	3	16,585	2,778
Income from shares in group undertakings		267	—
Interest receivable and similar income	6	213	343
Interest payable	7	(1,418)	(1,325)
<b>Profit on ordinary activities before taxation</b>		15,647	1,796
Tax on profit on ordinary activities	8	(4,416)	(574)
<b>Profit retained for the financial period</b>	19	11,231	1,222

## Statement of total recognised gains and losses

for the year ended 26 December 2008

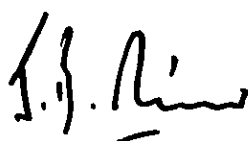
There are no recognised gains or losses other than the profit of £11,231k attributable to the shareholders for the year ended 26 December 2008 (2007: profit of £1,222k).

# Balance sheet

at 26 December 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible assets	9	5,993	1,497
Investments	10	26,340	17,840
		<u>32,333</u>	<u>19,337</u>
<b>Current assets</b>			
Stocks	11	86,004	78,512
Debtors	12	86,343	71,562
Cash at bank and in hand		4,270	972
		<u>176,617</u>	<u>151,046</u>
<b>Creditors: amounts falling due within one year</b>	13	(50,490)	(37,096)
<b>Net current assets</b>		<u>126,127</u>	<u>113,950</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(17,028)	(17,083)
<b>Provisions for liabilities</b>	15	(5,697)	(200)
<b>Net Assets</b>		<u>135,735</u>	<u>116,004</u>
<b>Capital and reserves</b>			
Called up share capital	18	109,889	101,389
Share premium account	19	876	876
Profit and loss account	19	24,970	13,739
<b>Shareholders' funds</b>	19	<u>135,735</u>	<u>116,004</u>

Approved by the Board



G B Oliver  
Director

Date: 18 May 2009.

## Statement of cash flows

for the year ended 26 December 2008

	<i>Notes</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
<b>Net cash inflow/(outflow) from operating activities</b>	20(a)	13,967	(5,255)
<b>Returns on investments and servicing of finance</b>	20(b)	(938)	(982)
<b>Taxation</b>		–	–
<b>Capital expenditure and financial investment</b>	20(c)	(14,225)	(461)
<b>Financing</b>	20(d)	8,500	–
<b>Increase/(Decrease) in cash</b>	20(e)	<u>7,304</u>	<u>(6,698)</u>

### Reconciliation of net cash flow to movement in net debt

		<i>2008</i> <i>£'000</i> <i>(Restated)</i>	<i>2007</i> <i>£'000</i> <i>(Restated)</i>
Increase/(Decrease) in cash		<u>7,304</u>	<u>(6,698)</u>
Change in net funds	20(e)	7,304	(6,698)
Net debt at 29 December	20(e)	<u>(20,034)</u>	<u>(13,336)</u>
Net debt at 26 December	20(e)	<u>(12,730)</u>	<u>(20,034)</u>

## Notes to the financial statements

at 26 December 2008

### 1. Accounting policies

#### **Basis of preparation**

The financial statements of Future Electronics Limited were approved for issue by the Board of Directors on the date shown on the balance sheet.

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirements to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

#### **Fixed assets**

All fixed assets are initially recorded at cost. Costs expected to be incurred for dilapidations are capitalised and written off to the profit and loss account over the term of the lease on a straight line basis.

#### **Depreciation**

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Short leasehold improvements	-	5 years
Equipment and fixtures	-	5 to 10 years
Computer equipment	-	4 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Stocks**

Stocks, including consignment inventory, are stated at the lower of weighted average cost and net realisable value. Cost is purchase price less trade discounts and is computed on a first-in first-out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

#### **Provision for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of funding will be required to settle the obligation.

The Company has applied a weighted average cost of capital in order to take account of the time value of money on future obligations and benefits arising from a lease agreement to arrive at the value of a leasehold dilapidation provision.

Provision for the expected costs of leasehold dilapidations are charged against profits on a straight line basis over the shorter of the period to the first rent review or the life of the lease.

Provision is made for expected redundancy costs on the restructuring of the business at the time of the restructuring decision being taken and publicly announced.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing

# Notes to the financial statements

at 26 December 2008

## 1. Accounting policies (continued)

differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### **Pension**

The company arranges stakeholders' pension schemes for eligible employees. The company does not contribute to the schemes, however arrangement fees borne by the company are charged to the profit and loss account as incurred.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

### **Operating lease rentals**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the period to the next rent review.

### **Revenue recognition**

Revenue is recognized on products shipped when title and risk of loss transfers, delivery has occurred, the price to the buyer is determinable and collectability is reasonably assured.

### **Investments**

Investments in other group companies are carried at cost. The company assesses potential impairments to its investments when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If necessary an impairment loss is recognised as the difference between the carrying value and the fair value of the investment.

## 2. Turnover

Turnover represents the amounts derived from the sale of goods supplied by the company, net of value added tax and trade discounts. All turnover arises from one continuing operation.

An analysis of turnover destination by geographical market has not been provided on the grounds that, in the opinion of the directors, it would be seriously prejudicial to the interests of the company.

## 3. Operating profit

This is stated after charging:

	2008 £'000	2007 £'000
Auditors' remuneration - audit of the financial statements	54	39
- taxation services	19	38
	<u>73</u>	<u>77</u>
Depreciation of owned fixed assets	1,229	603
Operating lease rentals - land and buildings	3,193	1,711
- plant and machinery	<u>203</u>	<u>271</u>

## Notes to the financial statements

at 26 December 2008

### 4. Staff costs

	2008 £'000	2007 £'000
Wages and salaries	16,541	14,701
Social security costs	1,770	1,622
	<u>18,311</u>	<u>16,323</u>

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

	2008 No.	2007 No.
Warehouse	165	161
Sales and administration	317	337
	<u>482</u>	<u>498</u>

### 5. Directors' emoluments

	2008 £'000	2007 £'000
Emoluments	<u>—</u>	<u>—</u>

Certain directors' emoluments have been borne by the company's immediate parent company Future Electronics Management Services Limited. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the fellow subsidiary companies. No directors are accruing benefits under a company pension scheme.

The emoluments are disclosed within the immediate parent company's financial statements.

### 6. Interest receivable

	2008 £'000	2007 £'000
Bank interest receivable	157	325
Interest from group companies	56	18
	<u>213</u>	<u>343</u>

### 7. Interest payable

	2008 £'000	2007 £'000
Bank interest payable	—	—
Interest payable to group undertakings	1,418	1,325
	<u>1,418</u>	<u>1,325</u>

# Notes to the financial statements

at 26 December 2008

## 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008 £'000	2007 £'000
<i>Current tax:</i>		
UK corporation tax	3,062	—
UK group relief	1,446	574
Tax under-provided in previous years	(92)	—
Total current tax (note 8(b))	<u>4,416</u>	<u>574</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different than the standard rate of corporation tax in the UK of 28% and 30% (2007: 30%). The differences are reconciled below:

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	<u>15,647</u>	<u>1,796</u>
Profit on ordinary activities multiplied by rate of tax (2008:28.5%/2007:30%)	4,458	539
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	216	27
Depreciation in excess of capital allowances	(38)	172
Foreign tax credits	(106)	—
Other timing differences	(22)	(164)
Adjustments in respect of previous periods	(92)	—
Total current tax (note 8(a))	<u>4,416</u>	<u>574</u>

(c) Deferred tax

The deferred taxation asset not recognised in the financial statements is as follows:

	2008 £'000	2007 £'000 (Restated)	2007 £'000
Depreciation in advance of capital allowances	381	417	448
Other timing differences	235	104	113
	<u>616</u>	<u>521</u>	<u>561</u>

The net deferred tax asset has not been recognised due to uncertainty over the availability of suitable future taxable profits.

Under the 2007 Finance Act, the rate of UK corporation tax reduced from 30% to 28% with effect from 1 April 2008. The effect on the company of these changes to the UK tax system has been fully reflected in these financial statements.

## Notes to the financial statements

at 26 December 2008

### 9. Tangible fixed assets

	<i>Short leasehold improvements</i>	<i>Equipment and fixtures</i>	<i>Computer Equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>				
At 29 December 2007	1,167	3,497	684	5,348
Additions	5,236	300	189	5,725
Disposals	—	—	—	—
At 26 December 2008	6,403	3,797	873	11,073
<i>Depreciation:</i>				
At 29 December 2007	967	2,582	302	3,851
Provided during the year	682	369	178	1,229
Disposals	—	—	—	—
At 26 December 2008	1,649	2,951	480	5,080
<i>Net book value:</i>				
At 26 December 2008	4,754	846	393	5,993
At 29 December 2007	200	915	382	1,497

### 10. Investments

	<i>Shares in group companies</i>
	<i>£'000</i>
<i>Cost and net book value:</i>	
At 29 December 2007	17,840
Additions	8,500
At 26 December 2008	26,340

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
FE Future Holding BV	Ordinary	40%	Holding company
	Preference	60%	

On 22 July 2008 the company made a capital contribution of £8.5million to its subsidiary FE Future Holding BV.



## Notes to the financial statements

at 26 December 2008

### 11. Stocks

	2008 £'000	2007 £'000
Finished goods	86,004	78,512

Included within finished goods is £216,662 (2007: £287,455) of stock held on consignment.

### 12. Debtors

	2008 £'000	2007 £'000
Trade debtors	59,284	52,548
Amounts owed by group undertakings	24,180	15,366
Other debtors	1,999	2,592
Prepayments and accrued income	880	1,056
	<u>86,343</u>	<u>71,562</u>

### 13. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	–	4,006
Trade creditors	12,248	13,037
Amounts owed to group undertakings	29,932	17,886
Corporation tax	2,539	72
Other taxation and social security	489	433
Other creditors	5	–
Accruals and deferred income	5,277	1,662
	<u>50,490</u>	<u>37,096</u>

### 14. Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Loan from group company	17,000	17,000
Accruals and deferred income	28	83
	<u>17,028</u>	<u>17,083</u>

The UK sterling loan issued by FE Barbados (Holding) Limited is repayable in full by 26 October 2010. Interest on the loan is charged at a rate determined by the Eurocurrency Base Rate plus a premium. The interest applied during the period to 27 October 2008 was 6.43%; thereafter the rate applied was 6.90%.

# Notes to the financial statements

at 26 December 2008

## 15. Provision for liabilities

	<i>Provision for Restructuring Costs</i>	<i>Onerous Lease Provision</i>	<i>Dilapidation Provision £'000</i>	<i>Total £'000</i>
At 29 December 2007	—	—	200	200
Arising during the year	733	1,489	3,475	5,697
Utilised	—	—	(200)	(200)
At 26 December 2008	<u>733</u>	<u>1,489</u>	<u>3,475</u>	<u>5,697</u>

A decision was taken to relocate the European Distribution Centre from the current London location to a new location in Leipzig, Germany. The change is due to occur from July 2010. As a result, a provision has been made for redundancy costs for all staff that are not due to be relocated and retention bonuses for the key members of staff.

A provision is recognised for the onerous lease on the unoccupied portion of the new European headquarters for which the company has been unable to find a tenant.

A provision is recognised for dilapidations on the European distribution centre resulting from the termination of the lease. These costs are all expected to be incurred within two years from the balance sheet date. A further provision is recognised for dilapidations on the new European headquarters resulting from the eventual termination of the lease in 2017.

## 16. Commitments under operating leases

At 26 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>2008</i>		<i>2007</i>	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings (Restated)</i>	<i>Other (Restated)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Operating leases which expire:</i>				
Within one year	17	—	703	77
In two to five years	940	76	62	14
In over five years	—	—	899	—
	<u>957</u>	<u>76</u>	<u>1,664</u>	<u>91</u>

## Notes to the financial statements

at 26 December 2008

### 17. Related party transaction

Mr Robert Miller is the ultimate controller of Future Electronics Limited and of the following companies whose ultimate parent undertaking is also Future Electronics Inc. During the year, the company entered into the following related party transactions, in the ordinary course of business.

#### Sales to related parties

##### Related party

	<i>Country of operation</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
FE Trading PTY Limited	South Africa	729	765
Future Electronics Corporation	USA	15,186	14,450
Future Electronics Inc. (Distribution) PTE Limited	Singapore	7,063	5,180
Future Electronics A.S.	Norway	5,570	4,787
Future Electronics Sp. Z.o.o	Poland	7,613	7,186
Future Electronics Deutschland GmbH	Germany	59,655	52,867
Future Electronics (Distribution) Israel Limited	Israel	24,522	24,016
Future Electronics Kft.	Hungary	990	539
Future Electronics Austria GmbH	Austria	6,166	5,704
Future Electronics (Schweiz) GmbH	Switzerland	4,113	837
Paris Nord Electronique S.A.	France	355	–
		<u>131,962</u>	<u>116,331</u>

#### Purchases from related parties

##### Related party

	<i>Country of operation</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
Future Electronics Corporation	USA	38,485	38,956
Future Electronics Inc. (Distribution) PTE Limited	Singapore	6,677	4,532
Future Electronics Kitting Limited.	UK	1,479	907
Paris Nord Electronique S.A.	France	8	–
		<u>46,649</u>	<u>44,395</u>

#### Loan interest paid and payable to related parties

##### Related party

	<i>Country of operation</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
FE Barbados (Holding) Limited	Barbados	1,108	1,038
Future Electronics Austria GmbH	Austria	28	12
Future Electronics Deutschland GmbH	Germany	129	195
Future Electronics A/S	Denmark	13	4
Future Electronics Oy	Finland	1	–
Future Electronics (Ireland) Ltd	Ireland	108	75
Future Electronics Distribution (Spain)	Spain	2	1
Future Electronics A.S.S	Norway	26	–
Future Electronics S.r.L.	Italy	3	–
		<u>1,418</u>	<u>1,325</u>

# Notes to the financial statements

at 26 December 2008

## 17. Related party transaction (continued)

### Loan interest received and receivable from related parties

#### Related party

	<i>Country of operation</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
Future Electronics Kft	Hungary	15	9
Future Electronics Schweiz GmbH	Switzerland	4	—
FE Trading PTY Limited	South Africa	37	9
		<u>56</u>	<u>18</u>

### Sales commission paid and payable to related parties

#### Related party

	<i>Country of operation</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
Future Electronics S.A.	France	5,567	4,869
Future Electronics S.r.L.	Italy	5,616	5,003
Future Electronics (Ireland) Limited	Ireland	441	644
Future Electronics A/S	Denmark	1,510	1,300
Future Electronics B.V.	Netherlands	559	641
Future Electronics Oy	Finland	1,502	1,231
FAI Electronics AB	Sweden	2,385	2,200
Future Electronics Kft.	Hungary	473	466
Future Electronics Distribution (Spain) S.L.	Spain	1,993	1,768
Future Electronics NV	Belgium	854	721
Future Electronics OU	Estonia	169	132
Future Electronics UAB	Lithuania	161	151
F E Trading PTY Limited	South Africa	3	85
Future Electronics Polska Sp.Z.o.o.	Poland	621	426
Future Electronics SRL	Romania	83	—
Future Electronics s.r.o	Czech Republic	520	365
		<u>22,457</u>	<u>20,002</u>

## Notes to the financial statements

at 26 December 2008

### 17. Related party transaction (continued)

#### Amounts due from related parties

##### Related party

	<i>Country of operation</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
FE Trading PTY Limited	South Africa	1,363	722
Future Electronics s.r.o	Czech Republic	–	54
Future Electronics Management Services Ltd	UK	3,247	3,384
Future Electronics A.S.	Norway	–	42
Future Electronics Sp. Z.o.o.	Poland	539	1,298
Future Electronics Distribution (Israel) Limited	Israel	10,672	8,503
Future Electronics Kft	Hungary	538	339
FE Barbados (Holding) Limited	Barbados	7	7
Future Electronics Deutschland GmbH	Germany	3,289	–
Future Electronics EDC Services GmbH	Germany	3,118	–
Paris Nord Electronique S.A.	France	593	–
Future Electronics Schweiz GmbH	Switzerland	814	1,017
		<u>24,180</u>	<u>15,366</u>

#### Amounts due to related parties: falling due within one year

##### Related party

	<i>Country of operation</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
Future Electronics NV	Belgium	186	200
Future Electronics S.A.	France	435	621
Future Electronics (Ireland) Limited	Ireland	2,739	2,141
Future Electronics A/S	Denmark	872	592
Future Electronics Deutschland GmbH	Germany	–	7,775
Future Electronics Distribution (Spain) S.L.	Spain	1,167	864
Future Electronics S.r.L	Italy	2,942	2,038
Future Electronics Oy	Finland	529	345
FAI Electronics AB	Sweden	879	799
Future Electronics A.S.	Norway	413	–
F.E. Future Holding B.V.	Netherlands	331	200
Future Electronics s.r.o	Czech Republic	28	–
Future Electronics Inc. (Distribution) PTE Limited	Singapore	4,144	562
Future Electronics Austria GmbH	Austria	1,332	763
Future Electronics Corporation	USA	6,747	328
Future Electronics Inc.	Canada	6,830	593
Future Electronics SRL	Romania	3	–
Future Electronics Lithuania	Lithuania	64	29
Future Electronics Estonia	Estonia	25	6
Future Electronics Kitting Limited	UK	266	30
		<u>29,932</u>	<u>17,886</u>

## Notes to the financial statements

at 26 December 2008

### 17. Related party transaction (continued)

Amounts due to related parties: falling due within more than one year

*Related party*

	<i>Country of operation</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
FE Barbados (Holding) Limited	Barbados	17,000	17,000

### 18. Share capital

	<i>2008 £'000</i>	<i>Authorised 2007 £'000</i>
Ordinary shares of £1 each	120,000	120,000

	<i>No.</i>	<i>Allotted, called up and fully paid 2008 £'000</i>	<i>No.</i>	<i>2007 £'000</i>
Ordinary shares of £1 each	109,888,583	109,889	101,388,583	101,389

On 22 July 2008 the company issued 8.5 million shares for a consideration of £8.5 million.

### 19. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total share- holders' funds £'000</i>
At 31 December 2006	101,389	876	12,517	114,782
Profit for the year	–	–	1,222	1,222
At 28 December 2007	101,389	876	13,739	116,004
Shares issued	8,500	–	–	8,500
Profit for the year	–	–	11,231	11,231
At 26 December 2008	109,889	876	24,970	135,735

## Notes to the financial statements

at 26 December 2008

### 20. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2008 £'000	2007 £'000
Operating profit	16,585	2,778
Depreciation	1,228	603
Provision for liabilities	5,497	200
(Increase)/decrease in stocks	(7,492)	4,473
(Increase)/decrease in debtors	(14,803)	(2,464)
(Decrease)/increase in creditors	12,952	(10,845)
Net cash outflow from operating activities	<u>13,967</u>	<u>(5,255)</u>

(b) Returns on investments and servicing of finance

	2008 £'000	2007 £'000
Income from shares in group undertakings	267	—
Interest received	213	343
Interest paid	(1,418)	(1,325)
	<u>(938)</u>	<u>(982)</u>

(c) Capital expenditure

	2008 £'000	2007 £'000
Payments to acquire tangible fixed assets	5,725	461
Payments to acquire investments	8,500	—
	<u>14,225</u>	<u>461</u>

(d) Financing

	2008 £'000	2007 £'000
Issue of ordinary share capital	8,500	—
	<u>8,500</u>	<u>—</u>

## Notes to the financial statements

at 26 December 2008

### 20. Notes to the statement of cash flows (continued)

(e) Analysis of changes in net funds/(debt)

	<i>At</i> 28 December 2007 (Restated) £'000	<i>Cash flows</i>	<i>At</i> 26 December 2008 £'000
Cash at bank and in hand	(3,034)	7,304	4,270
Debt due after one year	(17,000)	-	(17,000)
	<u>(20,034)</u>	<u>7,304</u>	<u>(12,730)</u>

### 21. Contingent liability

During the year, the Company and its fellow subsidiaries provided a financial guarantee of US\$200,000,000 (£137,200,000; 2007: £nil), to a syndicate of banks in connection with a loan granted to its ultimate holding company. The Company's current assets including accounts receivable, balances in bank accounts and inter-company accounts receivable with carrying amounts of £59,284,000, £4,270,000 and £24,681,000 respectively at 26 December 2008, have been secured to the bank for the purpose of guaranteeing this loan.

As at 26 December 2008, the bank loan facility granted to its ultimate holding company subject to guarantee given to the bank by the Company and its fellow subsidiaries was utilised to the extent of US\$81,147,000 (includes US\$2,147,000 of standby letters of credit).

### 22. Ultimate parent company

The company is a wholly-owned subsidiary of Future Electronics Management Services Limited a company registered in England and Wales.

The company's ultimate parent undertaking is Future Electronics Inc., which is incorporated in Canada.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Future Electronics Inc. Copies of Future Electronics Inc.'s financial statements can be obtained from 237 Hymus Blvd., Pointe-Claire, Quebec, H9R 5C7, Canada.

In the opinion of the directors, Mr Robert Miller, who controls 100% of the shares of Future Electronics Inc., is the company's ultimate controller.