

# **Future Electronics Limited**

## **Report and Financial Statements**

31 December 2012

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COMPANIES HOUSE

**Directors**

R Buehler  
G B Oliver  
A Shepherd

**Secretary**

C Jones

**Auditors**

Ernst & Young LLP  
Apex Plaza  
Forbury Road  
Reading RG1 1YE

**Bankers**

Royal Bank of Scotland  
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

Registered No 2087867

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

### Results and dividends

The profit for the year after taxation amounted to £2,633,000 (2011 – profit of £14,255,000) The directors paid an interim ordinary dividend amounting to £nil (2011 – £15,000,000) The directors do not propose a final dividend (2011 – £nil)

### Principal activities and review of the business

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

	2012 £000	2011 £000	Change £000
Turnover	425,158	471,897	(46,739)
Operating profit	805	12,808	(12,003)
Profit after tax	2,633	14,255	(11,622)
Dividend paid	–	15,000	(15,000)
Shareholders' funds	147,276	144,643	2,633
Net current assets	139,789	136,695	3,094

Turnover decreased by 10% (2011 – 5% increase) The company has one or more branches in most European countries Turnover volume in all fell by between 4 and 25% Combined with an erosion of gross profit driven by market competition, over-supply and foreign currency impact, this resulted in a sharp decline in operating profitability

The company implemented a focus on Administrative and Distribution costs resulting in a decrease of 10%

Profit after tax reflects, in addition to the impacts above, a reduction in distributions from Group companies of 47%, a distribution from FE Future Holdings BV, and the impact of tax relief from Group companies

Net current assets have increased by 2% reflecting a decrease in creditors and a reduction in cash, with an increase in receivables being offset by a decrease in stock

### 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)

### Principal risks and uncertainties

The company has identified the principal risks that it faces as

Discussed below are the company's major business risks, market, financial, competitive and legislative, 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 a combination of group funding and forward contracts 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 where possible by invoicing in the currency that payment is expected to be received in. In addition, where the buying and selling currencies are mismatched, the company attempts to include contractual terms to enable a variable rate to be invoiced in the event of significant currency movements.

The company has forward contracts to the end of November 2014 to sell monthly sums of Euros in exchange for US dollars. Realised gains and losses on this contract have been recognised on a monthly basis.

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 as economic and political risks. The company continuously assesses these environments and decides what actions to take to limit its risk following such examination.

## Directors' report (continued)

### Going concern

A financial review of the results and group financial position occurs each month with the Board of Future Electronics Limited and the Board of Future Electronics Inc. The group has considerable financial resources together with established long-term relationships with a number of customers and suppliers. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### Directors

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

M Bielesch (resigned 31 January 2012)

R Buehler (appointed 31 January 2012)

G B Oliver

A Shepherd

### Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

### Charitable contributions

In the current year the company supported charities in the areas of medical research and child welfare. Contributions during the year amounted to £2,811 (2011 – £1,589).

### 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.

### 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.

### Payments of creditors

It is, and will continue to be, the policy of the company to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period settlement and, having agreed those terms, to abide by them.

	2012	2011
	No	No
Creditor days at the year-end	16	15

## Directors' report (continued)


### 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 and the company's auditor, 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

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



G B Oliver  
Director

Date

7/5/2013.

## Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report**

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

We have audited the financial statements of Future Electronics Limited for the year ended 31 December 2012 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 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Independent auditor's report (continued)

to the members of Future Electronics Limited

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

*Ernst & Young LLP*

Richard Chatwin (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading

Date 14 MAY 2013

## Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
<b>Turnover</b>	2	425,158	471,897
Cost of sales		(366,395)	(395,010)
<b>Gross profit</b>		58,763	76,887
Administrative and distribution costs		(57,929)	(63,939)
Other operating expenses		(29)	(140)
<b>Operating profit</b>	3	805	12,808
Income from shares in group undertakings		2,866	5,412
Interest receivable and similar income	6	229	99
Interest payable and similar charges	7	(830)	(774)
<b>Profit on ordinary activities before taxation</b>		3,070	17,545
Tax	8	(437)	(3,290)
<b>Profit for the financial year</b>	18	2,633	14,255

All amounts relate to continuing activities

## Statement of total recognised gains and losses

for the year ended 31 December 2012

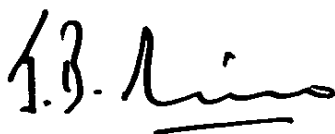
There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £2,633,000 in the year ended 31 December 2012 (2011 – profit of £14,255,000)

## Balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
<b>Fixed assets</b>			
Tangible fixed assets	10	1,385	2,020
Investments	11	26,340	26,340
		<u>27,725</u>	<u>28,360</u>
<b>Current assets</b>			
Stock	12	79,675	100,777
Debtors	13	117,358	96,143
Cash at bank and in hand		3,441	5,586
		<u>200,474</u>	<u>202,506</u>
<b>Creditors</b> amounts falling due within one year	14	(60,685)	(65,811)
<b>Net current assets</b>		<u>139,789</u>	<u>136,695</u>
<b>Creditors</b> , amounts falling due after more than one year	15	(18,508)	(18,737)
<b>Provisions for liabilities</b>	16	(1,730)	(1,675)
<b>Net assets</b>		<u>147,276</u>	<u>144,643</u>
<b>Capital and reserves</b>			
Called up share capital	17	109,889	109,889
Share premium account	18	876	876
Profit and loss account	18	36,511	33,878
<b>Shareholders' funds</b>	18	<u>147,276</u>	<u>144,643</u>

The financial statements were approved by the Board of directors on 7<sup>th</sup> May 2013 and signed on its behalf by



G B Oliver

Director

## Statement of cash flows

for the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
<b>Net cash inflow from operating activities</b>	19(a)	(3,041)	13,689
<b>Returns on investments and servicing of finance</b>	19(b)	2,265	(10,263)
<b>Taxation</b>		(1,284)	(3,477)
<b>Capital expenditure and financial investment</b>	19(c)	(85)	(180)
<b>Financing</b>	19(d)	—	—
<b>(Decrease) in cash</b>	19(e)	<u>(2,145)</u>	<u>(231)</u>

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

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
<b>Decrease in cash</b>		<u>(2,145)</u>	<u>(231)</u>
<b>Change in net funds</b>	19(e)	(2,145)	(231)
<b>Net debt at 1 January</b>	19(e)	<u>(11,414)</u>	<u>(11,183)</u>
<b>Net debt at 31 December</b>	19(e)	<u>(13,559)</u>	<u>(11,414)</u>

## Notes to the financial statements

at 31 December 2012

### 1. Accounting policies

#### *Basis of preparation*

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

#### *Group financial statements*

The company is exempt by virtue of section 405 of the Companies Act 2006 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.

#### *Tangible fixed assets*

All tangible 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 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 when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *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.

#### *Revenue recognition*

Revenue is recognised 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.

#### *Stock*

Stock, 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.

## Notes to the financial statements (continued)

at 31 December 2012

### 1. Accounting policies (continued)

#### *Deferred taxation*

Deferred taxation 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 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 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

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate 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 leases*

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

#### *Pensions*

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

### 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 continuing operations

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

## Notes to the financial statements (continued)

at 31 December 2012

### 3. Operating profit

This is stated after charging/(crediting)

		2012 £000	2011 £000
Auditors' remuneration	– audit of the financial statements	55	52
	– taxation services	18	25
		<u>73</u>	<u>77</u>
Depreciation of owned tangible fixed assets		<u>720</u>	<u>739</u>
Operating lease rentals	– land and buildings	1,467	1,338
	– plant and machinery	<u>54</u>	<u>135</u>

### 4. Directors' remuneration

	2012 £000	2011 £000
Remuneration	<u>–</u>	<u>–</u>

Certain directors' remuneration has been borne by the company's immediate parent undertaking 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 remuneration is disclosed within the immediate parent undertaking's financial statements.

### 5. Staff costs

	2012 £000	2011 £000
Wages and salaries	12,225	12,051
Social security costs	1,641	1,338
	<u>13,866</u>	<u>13,389</u>

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

	No	No
Warehouse	–	–
Administration, sales and general	305	300
	<u>305</u>	<u>300</u>

## Notes to the financial statements (continued)

at 31 December 2012

### 6. Interest receivable and similar income

	2012 £000	2011 £000
Bank interest receivable	1	55
Interest from group companies	228	44
	<u>229</u>	<u>99</u>

### 7. Interest payable and similar charges

	2012 £000	2011 £000
Bank interest payable	29	1
Interest payable to group undertakings	801	773
	<u>830</u>	<u>774</u>

### 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2012 £000	2011 £000
<b>Current tax:</b>		
UK corporation tax on the profit for the year	99	2,302
UK group relief	338	988
Tax under/(over)-provided in previous year	—	—
Total current tax (note 8(b))	<u>437</u>	<u>3,290</u>



## Notes to the financial statements (continued)

at 31 December 2012

### 8. Tax (continued)

#### (b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26% and 24% (2011 – 28% and 26%) The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	3,070	17,545
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% and 24% (2011 – 28% and 26%)	752	4,649
<i>Effects of</i>		
Disallowed expenses and non-taxable income	(592)	(1,315)
Depreciation in excess of capital allowances	(7)	(49)
Foreign tax credits	–	–
Other timing differences	284	5
Adjustments in respect of previous periods	–	–
Current tax for the year (note 8(a))	437	3,290

#### (c) Deferred tax

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

	2012 £000	2011 £000
Depreciation in advance of capital allowances	305	337
Other timing differences	353	75
	658	412

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

#### (d) Factors that may affect future tax charges

In Budget 2012 on 21 March 2012, the Chancellor of the Exchequer announced a reduction in the UK rate of corporation tax to 24%. This reduced rate applied from 1 April 2012 and was enacted using secondary legislation, called the Provisional Collection of Taxes Act. However, following the 2013 Budget on 20 March 2013, legislation was planned to be introduced to reduce the main rate of corporation tax to 22% for the financial year commencing 1 April 2013. Further cuts were announced to 21% in April 2014 and 20% in April 2015, to be enacted in successive Finance Bills. Consequently, the company will only recognise the impact of the rate change which is substantively enacted at that time in its financial statements.

## Notes to the financial statements (continued)

at 31 December 2012

### 9. Dividends

	2012 £000	2011 £000
Paid		
Ordinary shares at £0.00 per share (2011 – £0.1365 per share)	–	15,000

### 10. Tangible fixed assets

	<i>Leasehold improve- ments £000</i>	<i>Equipment and fixtures £000</i>	<i>Computer equipment £000</i>	<i>Total £000</i>
Cost				
At 1 January 2012	3,494	350	714	4,558
Additions	–	3	82	85
Disposals	(18)	(35)	(365)	(418)
At 31 December 2012	3,476	318	431	4,225
Depreciation				
At 1 January 2012	1,841	227	470	2,538
Provided during the year	525	65	130	720
Disposals	(18)	(35)	(365)	(418)
At 31 December 2012	2,348	257	235	2,840
Net book value				
At 31 December 2012	1,128	61	196	1,385
At 1 January 2012	1,653	123	244	2,020

### 11. Investments

	<i>Subsidiary undertakings £000</i>
Cost	
At 1 January 2012 and 31 December 2012	26,340

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

## Notes to the financial statements (continued)

at 31 December 2012

### 12. Stocks

	2012	2011
	£000	£000
Finished goods	79,675	100,777

Included within finished goods is £1,146,000 (2011 – £1,269,000) of stock held on consignment

### 13. Debtors

	2012	2011
	£000	£000
Trade debtors	59,018	63,890
Amounts owed by group undertakings	47,895	18,746
Corporation tax	333	–
Other debtors	1,798	7,756
Other taxation and social security	7,100	4,619
Prepayments and accrued income	1,214	1,132
	<u>117,358</u>	<u>96,143</u>

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

	2012	2011
	£000	£000
Trade creditors	16,102	16,187
Amounts owed to group undertakings	35,017	38,390
Corporation tax	–	852
Other creditors	52	67
Accruals and deferred income	9,514	10,315
	<u>60,685</u>	<u>65,811</u>

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

	2012	2011
	£000	£000
Loan stock - group company	17,000	17,000
Deferred income	1,508	1,737
	<u>18,508</u>	<u>18,737</u>

The UK sterling loan stock issued to FE Barbados (Holding) Limited is unsecured and is repayable in full on 31 December 2013 with an option to extend this by a further year thereafter to 31 December 2014. It is the directors' intention to exercise this option or seek an alternative source of group funding with a repayment date falling due after more than one year. Interest on the loan stock is charged at a rate determined by the Eurocurrency Base Rate plus a premium. The interest applied during the year to 31 December 2012 was 3.90457%.

## Notes to the financial statements (continued)

at 31 December 2012

### 16. Provisions for liabilities

	2012	2011
	£000	£000
Provision for liabilities	<u>1,730</u>	<u>1,675</u>

A provision is recognised for dilapidations on the European headquarters which will result on termination of the lease in 2017

### 17. Share capital

	No	2012	No	2011
		£000		£000
Allotted, called up and fully paid				
Ordinary shares of £1 each	109,888,583	<u>109,889</u>	109,888,583	<u>109,889</u>

### 18. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total share- holders' funds £000
At 1 January 2011	109,889	876	34,623	145,388
Profit for the year	—	—	14,255	14,255
Dividend paid	—	—	(15,000)	(15,000)
At 1 January 2012	109,889	876	33,878	144,643
Profit for the year	—	—	2,633	2,633
At 31 December 2012	<u>109,889</u>	<u>876</u>	<u>36,511</u>	<u>147,276</u>

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

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

	2012	2011
	£000	£000
Operating profit	805	12,808
Depreciation	720	739
Provision for liabilities	55	—
Decrease in stock	21,101	4,486
(Increase) / Decrease in debtors	(20,882)	11,565
Decrease in creditors	(4,840)	(15,909)
Net cash (outflow) / inflow from operating activities	<u>(3,041)</u>	<u>13,689</u>

## Notes to the financial statements (continued)

at 31 December 2012

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

#### (b) Returns on investments and servicing of finance

	2012 £000	2011 £000
Income from shares in group undertakings	2,866	5,412
Dividends paid to parent undertaking	–	(15,000)
Interest received and similar income	229	99
Interest paid and similar charges	(830)	(774)
	<u>2,265</u>	<u>(10,263)</u>

#### (c) Capital expenditure

	2012 £000	2011 £000
Payments to acquire tangible fixed assets	(85)	(180)
Proceeds on disposal of tangible fixed assets	–	–
	<u>(85)</u>	<u>(180)</u>

#### (d) Financing

	2012 £000	2011 £000
Issue of ordinary share capital	–	–

#### (e) Analysis of net debt

	At 1 January 2012 £000	Cash flows £000	At 31 December 2012 £000
Cash at bank and in hand	5,586	(2,145)	3,441
Debt due after one year	(17,000)	–	(17,000)
	<u>(11,414)</u>	<u>(2,145)</u>	<u>(13,559)</u>

## Notes to the financial statements (continued)

at 31 December 2012

### 20. Other financial commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	2012		2011	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Operating leases which expire				
Within one year	29	2	–	4
In two to five years	1,885	53	78	54
Over five years	–	–	1,855	–
	<u>1,914</u>	<u>55</u>	<u>1,933</u>	<u>58</u>

### 21. Contingent liabilities

During the year, the company and its fellow subsidiaries provided a financial guarantee of up to \$250,000,000 (£154,613,000), (2011 – \$250,000,000 (£161,561,000)) to a syndicate of banks in connection with a secured revolving credit facility entered into by its ultimate parent undertaking. The facility was partially guaranteed by a first claim on the company's financial statements receivable and stock with carrying amounts of £59,018,000 and £79,675,000 respectively at 31 December 2012.

As at 31 December 2012, the amount utilized under the loan facility of its ultimate parent undertaking subject to the guarantee above was \$961,000 (£594,000) exclusively for standby letters of credit.

### 22. Related party transactions

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

<i>Related party</i>	<i>Country of operation</i>	2012	2011
		£000	£000
FE Trading PTY Limited	South Africa	2,665	2,505
Future Electronics Corporation	USA	26,394	22,790
Future Electronics Inc (Distribution) PTE Limited	Singapore	16,489	13,366
Future Electronics A S	Norway	3,403	3,799
Future Electronics Sp Z o o	Poland	5,519	9,828
Future Electronics Deutschland GmbH	Germany	94,663	100,107
Future Electronics (Distribution) Israel Limited	Israel	21,936	22,253
Future Electronics Austria GmbH	Austria	8,054	9,046
Future Electronics (Schweiz) GmbH	Switzerland	8,636	11,020
Paris Nord Electronics S A	France	2,279	4,620
		<u>190,038</u>	<u>199,334</u>

## Notes to the financial statements (continued)

at 31 December 2012

### 22. Related party transactions (continued)

#### Purchases from related parties

<i>Related party</i>	<i>Country of operation</i>	<i>2012 £000</i>	<i>2011 £000</i>
Future Electronics Corporation	USA	44,814	44,001
Future Electronics Inc (Distribution) PTE Limited	Singapore	36,911	32,848
Future Kitting Limited	UK	12,406	8,977
Future Electronics Inc	USA	—	—
		<u>94,131</u>	<u>85,826</u>

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

<i>Related party</i>	<i>Country of operation</i>	<i>2012 £000</i>	<i>2011 £000</i>
FE Barbados (Holding) Limited	Barbados	664	590
Future Electronics Austria GmbH	Austria	4	12
Future Electronics Deutschland GmbH	Germany	38	107
Future Electronics A/S	Denmark	8	11
Paris Nord Electronics S A	France	8	—
Future Electronics A S S	Norway	40	26
Future Electronics S r L	Italy	30	16
Paris Nord Electronics S A	France	—	4
Future Electronics B V	Netherlands	—	3
Future Electronics OU	Estonia	9	4
		<u>801</u>	<u>773</u>

#### Loan interest received and receivable from related parties

<i>Related party</i>	<i>Country of operation</i>	<i>2012 £000</i>	<i>2011 £000</i>
FE Trading PTY Limited	South Africa	—	2
Future Electronics Corporation	USA	228	42
		<u>228</u>	<u>44</u>

## Notes to the financial statements (continued)

at 31 December 2012

### 22. Related party transactions (continued)

#### Sales commission paid and payable to related parties

<i>Related party</i>	<i>Country of operation</i>	<i>2012 £000</i>	<i>2011 £000</i>
Future Electronics S A	France	5,469	5,764
Future Electronics S r L	Italy	4,410	5,834
Future Electronics (Ireland) Limited	Ireland	498	570
Future Electronics A/S	Denmark	870	1,006
Future Electronics B V	Netherlands	639	653
Future Electronics Oy	Finland	1,228	1,342
FAI Electronics AB	Sweden	3,389	3,909
Future Electronics Kft	Hungary	559	690
Future Electronics Distribution (Spain) S L	Spain	1,768	2,294
Future Electronics NV	Belgium	556	684
Future Electronics OU	Estonia	209	262
Future Electronics UAB	Lithuania	310	391
Future Electronics d o o	Slovenia	165	181
Future Electronics Polska Sp Z o o	Poland	1,065	538
Future Electronics SRL	Romania	297	261
Future Electronics s r o	Czech Republic	494	589
		<b>21,926</b>	<b>24,968</b>

#### Amounts due from related parties

<i>Related party</i>	<i>Country of operation</i>	<i>2012 £000</i>	<i>2011 £000</i>
FE Trading PTY Limited	South Africa	935	874
Future Electronics Management Services Ltd	UK	101	–
Future Electronics Sp Z o o	Poland	–	1,370
Future Electronics Distribution (Israel) Limited	Israel	6,113	7,047
Future Electronics d o o	Slovenia	7	–
Future Electronics EDC Services GmbH	Germany	33,140	–
Future Russia Repco Holding B V	Netherlands	103	100
Paris Nord Electronics S A	France	205	949
Future Electronics Schweiz GmbH	Switzerland	340	901
Future Electronics Corporation	USA	6,951	8,454
		<b>47,895</b>	<b>18,746</b>



## Notes to the financial statements (continued)

at 31 December 2012

### 22. Related party transactions (continued)

Amounts due to related parties: falling due within one year

<i>Related party</i>	<i>Country of operation</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
Future Electronics NV	Belgium	123	146
Future Electronics S A	France	1,290	1,045
Future Electronics Polska Sp Z o o	Poland	973	–
Future Electronics EDC Services GmbH	Germany	11,716	6,841
Future Electronics Kft	Hungary	112	97
Future Electronics (Ireland) Limited	Ireland	61	216
Future Electronics A/S	Denmark	226	903
Future Electronics Deutschland GmbH	Germany	7,514	11,710
Future Electronics Distribution (Spain) S L	Spain	389	519
Future Electronics S r L	Italy	2,828	3,239
FAI Electronics AB	Sweden	768	661
Future Electronics A S	Norway	1,638	1,839
F E Future Holding B V	Netherlands	–	42
Future Electronics s r o	Czech Republic	182	142
Future Electronics Inc (Distribution) PTE Limited	Singapore	4,151	5,588
Future Electronics Austria GmbH	Austria	590	509
Future Electronics Inc	Canada	285	540
Future Electronics SRL	Romania	90	43
Future Electronics Lithuania	Lithuania	274	221
Future Electronics Estonia	Estonia	429	338
Future Electronics Management Services Ltd	UK	–	1,769
Future Kitting Limited	UK	827	356
Future Electronics Oy	Finland	168	193
Future Electronics B V	Netherlands	383	473
Future Electronics d o o	Slovenia	–	11
		<b>35,017</b>	<b>38,390</b>

### 23. Ultimate parent undertaking and controlling party

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 controlling party