Registered No. 2087867

Future Electronics Limited

Report and Financial Statements

31 December 2009

Directors
M Bielesch
D R Miller (resigned 12 June 2009)
G B Oliver
A Shepherd

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
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Future House
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2009

Results and dividends

The loss for the year, after taxation, amounted to £2,856,000 (2008 – profit £11,231,000) The directors do not recommend the payment of any dividends (2008 £nil)

Principal activities and review of the business

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

	31 Dec 2009	*26 Dec2008*	*Change*
	£000	*£000*	*£000*
Turnover	315,997	343,673	(27,676)
Operating (loss)/profit	(3,350)	16,585	(19,935)
(Loss)/profit after tax	(2,856)	11,231	(14,087)
Shareholders' funds	132,879	135,735	(2,856)
Net current assets	124,817	126,127	(1,310)

Turnover reduced by 8% (2008 – 6% increase) In common with all other businesses in our sector, and most of the worldwide economy, 2009 was an extremely challenging year Although we believe our market share increased in most of the geographies in which we operate we believe that volumes decreased significantly However, as only 8% of the company's sales are in sterling, the majority being in either US Dollars or Euros, the weakening of sterling against these currencies enabled the reported decline to be mitigated to only 8%

Operating profit as a percentage of revenue reduced by 6% to a loss of -1% The decline in volume noted above was joined by an increased competitiveness driving gross margins down Gross margins were further reduced by the combination of the increased strength of the dollar and the high percentage of product purchased in that currency

A continued program of restructuring will reduce future fixed costs, but the cost of implementing such programs has had a continued impact on profitability in 2009

The company has branches in most European Union countries, namely Belgium, Bulgaria, the Czech Republic, Denmark, Estonia, Finland, France, Greece, Ireland, Italy, Lithuania, the Netherlands, Poland, Romania, Slovenia, Spain, Sweden and the United Kingdom No new branches were opened during the year and the restructuring programs noted above were implemented across all geographies in the region The decline in volumes discussed earlier was felt in all branches without exception

Loss 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 4%

Net current assets have decreased by 1% reflecting an increase receivables partially offset by reductions in inventory and cash and an increase in payables

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

The decision was taken in 2008 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

Directors' report

will be decommissioned and has made provision for the expected costs of restructuring

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 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 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

Going Concern

A financial review of the results and group financial position occurs each month with the whole 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 accounts

Directors' report

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 quantity, delivery, price and period settlement and, having agreed those terms, to abide by them

	31 Dec 2009	*26 Dec2008*
Creditor days at the year-end	24	16

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

Charitable contributions

In the current year the company supported charities in the areas of medical research Contributions during the year amounted to £602 (2008 – £7,835)

Directors

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

M Bielesch
D R Miller (resigned 12 June 2009)
G B Oliver
A Shepherd

Directors' qualifying third party indemnity provision

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

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

Directors' report

Auditors

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

By order of the board

GB Oliver

Director

27 May 2010

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 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 auditors' report

to the members of Future Electronics Limited

We have audited the financial statements of Future Electronics Limited for the year ended 31 December 2009 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 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 auditors

As explained more fully in the Statement of Directors' Responsibilities 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 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 (APB'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

Opinion on the 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 2009 and of its loss 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 auditors' report

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

Nick Powell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
Reading

27 May 2010

Profit and loss account

for the year ended 31 December 2009

	Notes	31 Dec 2009 £000	26 Dec2008 £000
Turnover	2	315,997	343,673
Cost of sales		(263,704)	(270,611)
Gross profit		52,293	73,062
Distribution costs		(31,025)	(35,970)
Total administrative expenses		(24,175)	(20,667)
Administrative expenses before exceptional items		(20,096)	(23,298)
Exchange (losses)/gains		(3,406)	5,817
Restructuring costs	15	(854)	(1,292)
Onerous lease costs	15	1,039	(1,489)
Dilapidation costs	15	(859)	(405)
Other operating (costs)/ income		(442)	160
Operating (loss)/profit	3	(3,350)	16,585
Income from shares in group undertakings		301	267
Interest receivable	6	884	213
Interest payable	7	(1,826)	(1,418)
(Loss)/profit on ordinary activities before taxation		(3,991)	15,647
Tax on (loss)/profit on ordinary activities	8	1,135	(4,416)
(Loss)/profit for the financial year	18	(2,856)	11,231

All amounts relate to continuing operations

A statement on the movement on reserves is given in note 18

Statement of total recognised gains and losses

for the year ended 31 December 2009

There are no recognised gains or losses other than the loss of £2,856,000 attributable to the shareholders for the year ended 31 December 2009 (26 December 2008 – profit of £11,231,000)

Balance sheet
at 31 December 2009

	Notes	31 Dec 2009 £000	26 Dec2008 £000
Fixed assets			
Tangible fixed assets	9	3,459	5,993
Investments	10	26,340	26,340
		29,799	32,333
Current assets			
Stocks	11	69,610	86,004
Debtors	12	109,687	86,343
Cash at bank and in hand		3,579	4,270
		182,876	176,617
Creditors amounts falling due within one year	13	(58,059)	(50,490)
Net current assets		124,817	126,127
Creditors amounts falling due after more than one year	14	(19,612)	(17,028)
Provisions for liabilities	15	(2,125)	(5,697)
Net assets		132,879	135,735
Capital and reserves			
Called up share capital	17	109,889	109,889
Share premium account	18	876	876
Profit and loss account	18	22,114	24,970
Shareholders' funds	18	132,879	135,735

Approved by the Board

GB Oliver
Director
27 May 2010

Statement of cash flows

for the year ended 31 December 2009

	Notes	31 Dec 2009 £000	26 Dec2008 £000
Net cash inflow from operating activities	19(a)	3,196	13,967
Returns on investments and servicing of finance	19(b)	(641)	(938)
Taxation		(3,039)	–
Capital expenditure and financial investment	19(c)	(207)	(14,225)
Financing	19(d)	-	8,500
(Decrease)/increase in cash	19(e)	(691)	7,304

Reconciliation of net cash flow to movement in net debt

	Notes	31 Dec 2009 £000	26 Dec2008 £000
(Decrease)/increase in cash		(691)	7,304
Change in net funds	19(e)	(691)	7,304
Net debt at 26 December/28 December	19(e)	(12,730)	(20,034)
Net debt at 31 December/26 December	19(e)	(13,421)	(12,730)

Notes to the financial statements

at 31 December 2009

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 s405 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

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 tax

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 31 December 2009

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 (loss)/profit

This is stated after charging

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
Auditors' remuneration – audit of the financial statements	72	54
– taxation services	3	19
	75	73

Notes to the financial statements

at 31 December 2009

3. Operating (loss)/profit (continued)

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
Depreciation of owned tangible fixed assets	1,881	1,229
Operating lease rentals – land and buildings	1,393	3,193
– plant and machinery	158	203

4. Directors' emoluments

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
Emoluments	–	–

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

5. Staff costs

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
Wages and salaries	13,102	16,541
Social security costs	1,490	1,770
	14,592	18,311

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

	31 Dec 2009	*26 Dec2008*
	No	*No*
Administration	139	165
Manufacturing	260	317
	399	482

Notes to the financial statements

at 31 December 2009

6. Interest receivable

	31 Dec 2009 £000	26 Dec2008 £000
Bank interest receivable	61	157
Interest from group companies	823	56
	884	213

7. Interest payable

	31 Dec 2009 £000	26 Dec2008 £000
Bank interest payable	2	–
Interest payable to group undertakings	1,824	1,418
	1,826	1,418

8. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax (credit)/charge is made up as follows

	31 Dec 2009 £000	26 Dec2008 £000
Current tax		
UK corporation tax	(1,084)	3,062
UK group relief	–	1,446
Tax over-provided in previous year	(51)	(92)
Total current tax (note 8(b))	(1,135)	4,416

Notes to the financial statements

at 31 December 2009

8. Tax (continued)

(b) Factors affecting tax (credit)/charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 – 28% and 30%) The differences are explained below

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
(Loss)/profit on ordinary activities before tax	(3,991)	15,647
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28% and 30%)	(1,117)	4,458
Effects of		
Disallowed expenses and non-taxable income	117	216
Depreciation in excess of capital allowances	(25)	(38)
Foreign tax credits	–	(106)
Other timing differences	(59)	(22)
Adjustments in respect of previous periods	(51)	(92)
Current tax for the year (note 8(a))	(1,135)	4,416

(c) Deferred tax

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

	31 Dec 2009	*26 Dec2008*	*26 Dec 2008*
	£000	*£000*	*£000*
		(Restated)	
Depreciation in advance of capital allowances	357	381	381
Other timing differences	24	83	235
	381	464	616

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

Notes to the financial statements
at 31 December 2009

9. Tangible fixed assets

	Short leasehold improvements	*Equipment and fixtures*	*Computer equipment*	*Total*
	£	£	£	£
Cost				
At 26 December 2008	6,403	3,797	873	11,073
Additions	41	2	164	207
Adjustment to cost	(860)	–	–	(860)
At 31 December 2009	5,584	3,799	1,037	10,420
Depreciation				
At 26 December 2008	1,649	2,951	480	5,080
Provided during the year	1,221	479	181	1,881
At 31 December 2009	2,870	3,430	661	6,961
Net book value				
At 31 December 2009	2,714	369	376	3,459
At 26 December 2008	4,754	846	393	5,993

Adjustment to cost represents the change in estimate to the asset retirement obligation (note 15)

10. Investments

	Subsidiary undertakings
	£
Cost	
At 26 December 2008 and 31 December 2009	26,340

Name of company	*Holding*	*Proportion of voting rights and shares*	*Nature of business*
FF Future Holding BV	Ordinary	40%	Holding company
	Preference	60%	

Notes to the financial statements

at 31 December 2009

11. Stocks

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
Finished goods	69,610	86,004

Included within finished goods is £124,000 (2008 – £216,662) of stock held on consignment

12. Debtors

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
Trade debtors	50,858	59,284
Amounts owed by group undertakings	53,184	24,180
Other debtors	2,519	1,999
Prepayments and accrued income	1,491	880
Corporation tax	1,635	–
	109,687	86,343

13. Creditors: amounts falling due within one year

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
Trade creditors	17,035	12,248
Amounts owed to group undertakings	34,820	29,932
Corporation tax	–	2,539
Other taxation and social security	353	489
Other creditors	28	5
Accruals and deferred income	3,648	5,277
Provision for liabilities (note 15)	2,175	–
	58,059	50,490

Notes to the financial statements

at 31 December 2009

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

	31 Dec 2009	*26 Dec2008*
	£000	*£000*
Loan from group company	17,000	17,000
Deferred income	2,612	28
	19,612	17,028

The UK sterling loan issued by FE Barbados (Holding) Limited was repayable in full by 26 October 2010 The terms have been extended by a year and it is now repayable on 26 October 2011 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 2009 was 6 90125%, thereafter the rate applied was 3 11125%

15. Provisions for liabilities

	Provision for Restructuring costs	*Onerous lease provision*	*Dilapidation provision*	*Total*
	£000	*£000*	*£000*	*£000*
At 26 December 2008	733	1,489	3,475	5,697
Arising during the year	502	–	–	502
Released during the year	–	(1,039)	(860)	(1,899)
Reclassified to creditors amounts falling due within one year	(1,235)	–	(940)	(2,175)
At 31 December 2009	–	450	1,675	2,125

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

Notes to the financial statements

at 31 December 2009

16 Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	31 Dec 2009		*26 Dec2008*	
	Land and buildings £000	*Other £000*	*Land and buildings £000*	*Other £000*
Operating leases which expire				
Within one year	772	13	17	–
In two to five years	55	42	940	76
In over five years	1,823	–	–	–
	2,650	55	957	76

17. Issued share capital

	31 Dec 2009		*26 Dec2008*	
Allotted, called up and fully paid	*No*	*£000*	*No*	*£000*
Ordinary shares of £1 each	109,888,583	109,889	101,388,583	101,389

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 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
Loss for the year	–	–	(2,856)	(2,856)
At 31 December 2009	109,889	876	22,114	132,879

Notes to the financial statements

at 31 December 2009

19. Notes to the statement of cash flows

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

	31 Dec 2009 *£000*	*26 Dec2008* *£000*
Operating (loss)/profit	(3,350)	16,585
Depreciation	1,881	1,228
Provision for liabilities	(537)	5,497
Decrease/(increase) in stocks	16,394	(7,492)
(Increase) in debtors	(21,709)	(14,803)
Increase in creditors	10,517	12,952
Net cash inflow from operating activities	3,196	13,967

(b) Returns on investments and servicing of finance

	31 Dec 2009 *£000*	*26 Dec2008* *£000*
Income from shares in group undertakings	301	267
Interest received	884	213
Interest paid	(1,826)	(1,418)
	(641)	(938)

(c) Capital expenditure

	31 Dec 2009 *£000*	*26 Dec2008* *£000*
Payments to acquire tangible fixed assets	(207)	(5,725)
Payments to acquire investments	–	(8,500)
	(207)	(14,225)

(d) Financing

	31 Dec 2009 *£000*	*26 Dec2008* *£000*
Issue of ordinary share capital	–	8,500

Notes to the financial statements

at 31 December 2009

19 Notes to the statement of cash flows (continued)

(e) Analysis of changes in net debt

	At 26 December 2008	flows	At 31 December 2009
	£000	£000	£000
Cash at bank and in hand	4,270	(691)	3,579
Debt due after one year	(17,000)	–	(17,000)
	(12,730)	(691)	(13,421)

20. Contingent liability

During the year, the company and its fellow subsidiaries provided a financial guarantee of US$200,000,000 (£125,300,000 million), (2008 - US$200,000,000 (£137,200,000)) to a syndicate of banks in connection with a loan granted to its ultimate holding company The company's current assets including accounts receivable, inventories, balances in bank accounts and inter-company accounts receivable with carrying amounts of £50,857,000, £69,610,000, £53,184,000 and £3,579,000 respectively at 31 December 2009, have been secured to the bank for the purpose of guaranteeing this loan

As at 31 December 2009, 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$43,719,000 (includes US$2,719,000 of standby letters of credit)

On 16 March 2010 the company signed an Advance Thin Capitalisation Agreement with Her Majesty's Revenue and Customs in respect of the intercompany loans of £58,500,000 owed by Future Electronics Management Services Ltd to F E Barbados (Holdings) Limited The company is currently in discussions with Her Majesty's Revenue and Customs in respect of further taxes to be paid in respect of this agreement which is effective from the financial year ended 31 December 2005 As taxes losses were reallocated to Future Electronics Ltd under group relief it may also impact any taxes payable in this entity As of the date of approving these accounts this amount is not quantifiable

Notes to the financial statements

at 31 December 2009

21 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

Related party

	Country of Operation	*31 Dec 2009 £000*	*26 Dec2008 £000*
FE Trading PTY Limited	South Africa	1,383	729
Future Electronics Corporation	USA	18,448	15,186
Future Electronics Inc (Distribution) PTE Limited	Singapore	9,559	7,063
Future Electronics A S	Norway	3,085	5,570
Future Electronics Sp Z o o	Poland	5,416	7,613
Future Electronics Deutschland GmbH	Germany	55,889	59,655
Future Electronics (Distribution) Israel Limited	Israel	22,998	24,522
Future Electronics Kft	Hungary	869	990
Future Electronics Austria GmbH	Austria	6,780	6,166
Future Electronics (Schweiz) GmbH	Switzerland	4,761	4,113
Paris Nord Electronique S A	France	598	355
		129,786	131,962

Purchases from related parties
Related party

	Country of Operation	*31 Dec 2009 £000*	*26 Dec2008 £000*
Future Electronics Corporation	USA	31,425	38,485
Future Electronics Inc (Distribution) PTE Limited	Singapore	9,233	6,677
Future Electronics Kitting Limited	UK	2,928	1,479
Paris Nord Electronique S A	France	67	8
		43,653	46,649

Notes to the financial statements

at 31 December 2009

21. Related party transactions (continued)

Loan interest paid and payable to related parties
Related party

	Country of Operation	*31 Dec 2009 £000*	*26 Dec2008 £000*
FE Barbados (Holding) Limited	Barbados	1,058	1,108
Future Electronics Austria GmbH	Austria	59	28
Future Electronics Deutschland GmbH	Germany	534	129
Future Electronics A/S	Denmark	14	13
Future Electronics Oy	Finland	–	1
Future Electronics (Ireland) Ltd	Ireland	81	108
Future Electronics Distribution (Spain)	Spain	9	2
Future Electronics A S S	Norway	28	26
Future Electronics S r L	Italy	20	3
Paris Nord Electronique S A	France	13	–
Future Electronics B V	Netherlands	5	–
Future Electronics OU	Estonia	2	–
Future Electronics UAB	Lithuania	1	–
		1,824	1,418

Loan interest received and receivable from related parties
Related party

	Country of Operation	*31 Dec 2009 £000*	*26 Dec2008 £000*
Future Electronics Kft	Hungary	10	15
Future Electronics Schweiz GmbH	Switzerland	–	4
FE Trading PTY Limited	South Africa	32	37
Future Electronics EDC Services GmbH	Germany	129	–
Future Electronics Corporation	USA	652	–
		823	56

Notes to the financial statements
at 31 December 2009

21. Related party transactions (continued)

Sales commission paid and payable to related parties
Related party

	Country of Operation	*31 Dec 2009 £000*	*26 Dec2008 £000*
Future Electronics S A	France	6,255	5,567
Future Electronics S r L	Italy	4,732	5,616
Future Electronics (Ireland) Limited	Ireland	450	441
Future Electronics A/S	Denmark	1,194	1,510
Future Electronics B V	Netherlands	527	559
Future Electronics Oy	Finland	1,140	1,502
FAI Electronics AB	Sweden	2,069	2,385
Future Electronics Kft	Hungary	532	473
Future Electronics Distribution (Spain) S L	Spain	1,940	1,993
Future Electronics NV	Belgium	831	854
Future Electronics OU	Estonia	124	169
Future Electronics UAB	Lithuania	106	161
F E Trading PTY Limited	South Africa	125	3
Future Electronics Polska Sp Z o o	Poland	660	621
Future Electronics SRL	Romania	193	83
Future Electronics s r o	Czech Republic	479	520
		21,357	22,457

Amounts due from related parties
Related party

	Country of Operation	*31 Dec 2009 £000*	*26 Dec2008 £000*
FE Trading PTY Limited	South Africa	1,097	1,363
Future Electronics Management Services Ltd	UK	6,515	3,247
Future Electronics Sp Z o o	Poland	–	539
Future Electronics Distribution (Israel) Limited	Israel	8,143	10,672
Future Electronics Kft	Hungary	91	538
FE Barbados (Holding) Limited	Barbados	–	7
Future Electronics Deutschland GmbH	Germany	–	3,289
Future Electronics EDC Services GmbH	Germany	3,021	3,118
Paris Nord Electronique S A	France	–	593
Future Electronics Schweiz GmbH	Switzerland	623	814
Future Electronics Corporation	USA	33,694	–
		53,184	24,180

Notes to the financial statements

at 31 December 2009

21. Related party transactions (continued)

Amounts due to related parties: falling due within one year
Related party

	Country of Operation	*31 Dec 2009 £000*	*26 Dec2008 £000*
Future Electronics NV	Belgium	130	186
Future Electronics S A	France	1,138	435
Future Electronics (Ireland) Limited	Ireland	2,524	2,739
Future Electronics A/S	Denmark	787	872
Future Electronics Deutschland GmbH	Germany	14,834	–
Future Electronics Distribution (Spain) S L	Spain	22	1,167
Future Electronics S r L	Italy	2,563	2,942
Future Electronics Oy	Finland		529
FAI Electronics AB	Sweden	881	879
Future Electronics A S	Norway	1,473	413
F E Future Holding B V	Netherlands	2,882	331
Future Electronics s r o	Czech Republic	15	28
Future Electronics Inc (Distribution) PTE Limited	Singapore	693	4,144
Future Electronics Austria GmbH	Austria	170	1,332
Future Electronics Corporation	USA	–	6,747
Future Electronics Inc	Canada	4,902	6,830
Future Electronics SRL	Romania	–	3
Future Electronics Lithuania	Lithuania	57	64
Future Electronics Estonia	Estonia	33	25
Future Electronics Kitting Limited	UK	385	266
Paris Nord Electronique S A	France	457	–
Future Electronics Oy	Finland	371	–
Future Electronics B V	Netherlands	342	–
Future Electronics Sp Z o o	Poland	148	–
Future Electronics d o o	Slovenia	13	–
		34,820	29,932

22. 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 ultimate controller