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Future Electronics Limited

Report and Financial Statements

31 December 2010

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COMPANIES HOUSE

Directors

M Bielesch
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
London EC4V 6JA

Registered Office

Future House
The Glanty
Egham
Surrey TW20 9AH

The directors present their report and financial statements for the year ended 31 December 2010

Results and dividends

The profit for the year, after taxation, amounted to £12,509,000 (2009 – loss of £2,856,000) The directors do not recommend the payment of any dividends (2009 – £nil)

Principal activities and review of the business

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

	2010 £000	2009 £000	Change £000
Turnover	451,508	315,997	135,511
Operating profit/(loss)	15,548	(3,350)	18,898
Profit/(loss) after tax	12,509	(2,856)	15,365
Shareholders' funds	145,388	132,879	12,509
Net current assets	137,258	124,817	12,441

Turnover increased by 43% (2009 8% decrease) The recovery in the EMEA markets, which began in the fourth quarter of 2009, continued throughout 2010 with four consecutive quarters of growth Turnover in 2010 was significantly higher than 2008 For many markets and product lines in which the company trades, 2010 was characterised by a shortage of available parts, with demand far outstripping supply This has had the effect of pushing up gross margins

The Company has one or more branches in most European countries. The growth in volume was experienced in all of them

Operating profit as a percentage of revenue increased by 4.5 percentage points to 3.4%

As a result of the stock shortages in the market improved gross margins were achieved in several product categories However, the relative strength of the US Dollar throughout the year had a negative impact on gross margins given the predominance of product purchased by the Company in US Dollars

The increase in Administrative and Distribution Costs as a result of the additional volume of business have been largely offset by exchange gains and the absence of restructuring costs

The company moved its distribution centre to the new premises in Leipzig, Germany during the course of the year This highly automated facility, well situated in the centre of the Region's geography, will have the impact of making the process of distribution more efficient in the future The distribution centre is owned by another Group company Its services are charged back to the Company

Profit after tax reflects, in addition to the impacts above, a distribution from FE Future Holdings BV and the impact of tax at an effective rate of 28.3%

Net current assets have increased by 10% reflecting an increase in stock and cash partially offset by an increase in payables and a decrease in receivables

Principal risks and uncertainties

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

Directors' report (continued)

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 December 2011 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.

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)

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
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.

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.

	2010	2009
	No	No
Creditor days at the year-end	24	24

Charitable contributions

In the current year the Company supported charities in the areas of medical research, child welfare and support for the aged. Contributions during the year amounted to £22,353 (2009 – £602).

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.

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

In accordance with s485 of the Companies Act 2006, 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
21 March 2011

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; 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 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 2010 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 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.

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 2010 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

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

23/3/11

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	451,508	315,997
Cost of sales		(379,574)	(263,704)
Gross profit		71,934	52,293
Administrative and distribution costs		(56,412)	(55,201)
Other operating income / (expenses)		26	(442)
Operating profit / (loss)	3	15,548	(3,350)
Income from shares in group undertakings		2,410	301
Interest receivable and similar income	6	218	884
Interest payable and similar charges	7	(835)	(1,826)
Profit / (Loss) on ordinary activities before taxation		17,341	(3,991)
Tax on profit/(loss) on ordinary activities	8	(4,832)	1,135
Profit / (Loss) for the financial year	17	12,509	(2,856)

All amounts relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2010

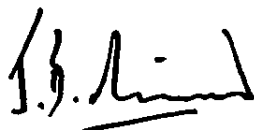
There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £12,509,000 in the year ended 31 December 2010 (2009 – loss of £2,856,000)

Balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible fixed assets	9	2,579	3,459
Investments	10	26,340	26,340
		<u>28,919</u>	<u>29,799</u>
Current assets			
Stock	11	105,263	69,610
Debtors	12	107,708	109,687
Cash at bank and in hand		5,817	3,579
		<u>218,788</u>	<u>182,876</u>
Creditors amounts falling due within one year	13	(81,530)	(58,059)
Net current assets		<u>137,258</u>	<u>124,817</u>
Creditors amounts falling due after more than one year	14	(19,114)	(19,612)
Provisions for liabilities	15	(1,675)	(2,125)
Net assets		<u>145,388</u>	<u>132,879</u>
Capital and reserves			
Called up share capital	16	109,889	109,889
Share premium account	17	876	876
Profit and loss account	17	34,623	22,114
Shareholders' funds	17	<u>145,388</u>	<u>132,879</u>

The financial statements were approved by the Board on 21 March 2011 and signed on its behalf by



G B Oliver

Director

Statement of cash flows

for the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Net cash inflow from operating activities	18(a)	1,182	3,196
Returns on investments and servicing of finance	18(b)	1,856	(641)
Taxation		(747)	(3,039)
Capital expenditure and financial investment	18(c)	(53)	(207)
Financing	18(d)	–	–
Increase/(decrease) in cash	18(e)	2,238	(691)

Reconciliation of net cash flow to movement in net debt

	<i>Notes</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Increase/(decrease) in cash		2,238	(691)
Change in net funds	18(e)	2,238	(691)
Net debt at beginning of the year	18(e)	(13,421)	(12,730)
Net debt at end of the year	18(e)	(11,183)	(13,421)

Notes to the financial statements

at 31 December 2010

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

Group financial statements

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.

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.

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

at 31 December 2010

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 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 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.

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.

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

at 31 December 2010

3. Operating profit / (loss)

This is stated after charging

	2010 £000	2009 £000
Auditors' remuneration – audit of the financial statements	41	42
– taxation services	11	7
	<u>52</u>	<u>49</u>
	2010 £000	2009 £000
Depreciation of owned tangible fixed assets	932	1,881
Operating lease rentals – land and buildings	1,467	1,393
– plant and machinery	155	158
	<u></u>	<u></u>

4. Directors' emoluments

	2010 £000	2009 £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.

5. Staff costs

	2010 £000	2009 £000
Wages and salaries	11,432	13,102
Social security costs	1,414	1,490
	<u>12,846</u>	<u>14,592</u>

Notes to the financial statements

at 31 December 2010

5. Staff costs (continued)

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

	2010 No	2009 No
Warehouse	64	139
Administration, sales and general	261	260
	<u>325</u>	<u>399</u>

6. Interest receivable and similar income

	2010 £000	2009 £000
Bank interest receivable	4	61
Interest from group companies	214	823
	<u>218</u>	<u>884</u>

7. Interest payable and similar charges

	2010 £000	2009 £000
Bank interest payable	54	2
Interest payable to group undertakings	781	1,824
	<u>835</u>	<u>1,826</u>

8. Tax

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

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

	2010 £000	2009 £000
<i>Current tax</i>		
UK corporation tax	2,903	(1,084)
UK group relief	1,006	–
Tax under/(over)-provided in previous year	923	(51)
Total current tax (note 8(b))	<u>4,832</u>	<u>(1,135)</u>

Notes to the financial statements

at 31 December 2010

8. Tax (continued)

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

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010 £000	2009 £000
Profit/(loss) on ordinary activities before tax	17,341	(3,991)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	4,856	(1,117)
<i>Effects of</i>		
Disallowed expenses and non-taxable income	(568)	117
Depreciation in excess of capital allowances	16	(25)
Foreign tax credits	(10)	–
Other timing differences	(385)	(59)
Adjustments in respect of previous periods	923	(51)
Current tax for the year (note 8(a))	4,832	(1,135)

(c) Deferred tax

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

	2010 £000	2009 £000
Depreciation in advance of capital allowances	397	357
Other timing differences	72	24
	469	381

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

In his budget of 22 June 2010, the Chancellor of the Exchequer announced tax changes which, if enacted in the proposed manner, will have an effect on the Company's future tax position. As at the balance sheet date of 31 December 2010, the tax changes announced in the budget were not 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the Company's financial statements as at 31 December 2010. The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually, in separate Finance Acts in each of the four years. This reduction will affect both the future current and deferred tax charge of the Company. The effect on the Company of these proposed changes to the UK tax system will be reflected in the Company's financial statements in future years, as appropriate, once the proposals have been substantively enacted. Further, from 1 April 2012, there will be a 2% reduction in the rates of capital allowances, the main rate pool going down from 20% to 18% and the special rate pool from 10% to 8%.

Notes to the financial statements

at 31 December 2010

9. Tangible fixed assets

	<i>Short leasehold improvements</i>	<i>Equipment and fixtures</i>	<i>Computer equipment</i>	<i>Total</i>
	£	£	£	£
<i>Cost</i>				
At 1 January 2010	5,584	3,799	1,037	10,420
Additions		7	47	54
Disposals	(1,283)	(3,353)	(104)	(4,740)
At 31 December 2010	4,301	453	980	5,734
<i>Depreciation</i>				
At 1 January 2010	2,870	3,430	661	6,961
Provided during the year	534	228	170	932
Disposals	(1,283)	(3,353)	(102)	(4,738)
At 31 December 2010	2,121	305	729	3,155
<i>Net book value</i>				
At 31 December 2010	2,180	148	251	2,579
At 1 January 2010	2,714	369	376	3,459

Notes to the financial statements

at 31 December 2010

10. Investments

	<i>Subsidiary undertakings £</i>
Cost.	
At 1 January 2010 and at 31 December 2010	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%	Holding company
FE Future Holding BV	Preference	60%	Holding company

11. Stock

	<i>2010 £000</i>	<i>2009 £000</i>
Finished goods	105,263	69,610

Included within finished goods is £378,000 (2009 – £124,000) of stock held on consignment

12. Debtors

	<i>2010 £000</i>	<i>2009 £000</i>
Trade debtors	69,535	50,858
Amounts owed by group undertakings	23,455	53,184
Other debtors	4,187	2,519
Other taxation and social security	8,890	–
Prepayments and accrued income	1,641	1,491
Corporation tax	–	1,635
	<u>107,708</u>	<u>109,687</u>

13. Creditors: amounts falling due within one year

	<i>2010 £000</i>	<i>2009 £000</i>
Trade creditors	25,128	17,035
Amounts owed to group undertakings	42,163	34,820
Corporation tax	2,027	–
Other taxation and social security	978	353
Other creditors	1	28
Accruals and deferred income	11,233	3,648
Provision for liabilities	–	2,175
	<u>81,530</u>	<u>58,059</u>

Notes to the financial statements

at 31 December 2010

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

	2010	2009
	£000	£000
Loan from group company	17,000	17,000
Deferred income	2,114	2,612
	<u>19,114</u>	<u>19,612</u>

The UK sterling loan issued by FE Barbados (Holding) Limited was originally repayable in full by 26 October 2010. The terms have been extended by a further period and it is now repayable on 31 December 2014. 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 2010 was 3.23625%, thereafter the rate applied was 3.50219%.

15. Provisions for liabilities

	<i>Onerous lease provision</i>	<i>Dilapidation provision</i>	<i>Total</i>
	£000	£000	£000
At 1 January 2010	450	1,675	2,125
Released during the year	(450)	–	(450)
At 31 December 2010	<u>–</u>	<u>1,675</u>	<u>1,675</u>

The provision for the onerous lease on the unoccupied portion of the European headquarters has now been released following the occupation by an existing tenant of the remaining vacant area.

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

16. Issued share capital

		2010		2009
	No	£000	No	£000
Allotted, called up and fully paid				
Ordinary shares of £1 each	109,888,583	109,889	109,888,583	109,889

Notes to the financial statements

at 31 December 2010

17. Reconciliation of shareholders' funds and movements 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 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
Profit for the year	–	–	12,509	12,509
At 31 December 2010	109,889	876	34,623	145,388

18. Notes to the statement of cash flows

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

	<i>2010 £000</i>	<i>2009 £000</i>
Operating profit / (loss)	15,548	(3,350)
Depreciation	932	1,881
Profit on disposal of fixed assets	(427)	–
Provision for liabilities	(450)	(537)
(Increase)/decrease in stock	(35,653)	16,394
Decrease/(increase) in debtors	344	(21,709)
Increase in creditors	20,888	10,517
Net cash inflow from operating activities	1,182	3,196

(b) Returns on investments and servicing of finance

	<i>2010 £000</i>	<i>2009 £000</i>
Income from shares in group undertakings	2,410	301
Interest received and similar income	218	884
Interest paid and similar charges	(772)	(1,826)
	1,856	(641)

Notes to the financial statements

at 31 December 2010

18. Notes to the statement of cash flows (continued)

(c) Capital expenditure

	2010 £000	2009 £000
Payments to acquire tangible fixed assets	(54)	(207)
Proceeds on disposal of tangible fixed assets	1	–
	<u>(53)</u>	<u>(207)</u>

(d) Financing

	2010 £000	2009 £000
Issue of ordinary share capital	–	–

(e) Analysis of changes in net debt

	At 1 January 2010 £000	Cash flows 31 December 2010 £000	At 31 December 2010 £000
Cash at bank and in hand	3,579	2,238	5,817
Debt due after one year	(17,000)	–	(17,000)
	<u>(13,421)</u>	<u>2,238</u>	<u>(11,183)</u>

19. Other financial commitments

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	29	37	772	13
In two to five years	26	6	55	42
In over five years	1,823	–	1,823	–
	<u>1,878</u>	<u>43</u>	<u>2,650</u>	<u>55</u>

Notes to the financial statements

at 31 December 2010

20. Contingent liability

During the year, the company and its fellow subsidiaries provided a financial guarantee of up to US\$200,000,000 (£128,111,000), (2009 - US\$200,000,000 (£125,300,000)) to a syndicate of banks in connection with a secured revolving credit facility entered into by its ultimate holding company. The facility was partially guaranteed by a first rank on the company's accounts receivable and stock with carrying amounts of £69,535,000 and £105,263,000 respectively at 31 December 2010.

As at 31 December 2010, the amount utilized under the loan facility of its ultimate holding company subject to the guarantee above was US\$3,500,000 exclusively for standby letters of credit.

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

	<i>Country of Operation</i>	<i>2010 £000</i>	<i>2009 £000</i>
FE Trading PTY Limited	South Africa	2,665	1,383
Future Electronics Corporation	USA	16,214	18,448
Future Electronics Inc (Distribution) PTE Limited	Singapore	8,698	9,559
Future Electronics A S	Norway	4,418	3,085
Future Electronics Sp Z o o	Poland	8,109	5,416
Future Electronics Deutschland GmbH	Germany	95,260	55,889
Future Electronics (Distribution) Israel Limited	Israel	28,257	22,998
Future Electronics Kft	Hungary	–	869
Future Electronics Austria GmbH	Austria	8,903	6,780
Future Electronics (Schweiz) GmbH	Switzerland	10,880	4,761
Paris Nord Electronics S A	France	2,713	598
		<u>186,117</u>	<u>129,786</u>

Notes to the financial statements

at 31 December 2010

21. Related party transactions (continued)

Purchases from related parties

Related party

	<i>Country of Operation</i>	<i>2010 £000</i>	<i>2009 £000</i>
Future Electronics Corporation	USA	41,434	31,425
Future Electronics Inc (Distribution) PTE Limited	Singapore	23,651	9,233
Future Electronics Kitting Limited	UK	5,327	2,928
Paris Nord Electronics S A	France	–	67
Future Electronics Inc	USA	19	–
		<u>70,431</u>	<u>43,653</u>

Loan interest paid and payable to related parties

Related party

	<i>Country of Operation</i>	<i>2010 £000</i>	<i>2009 £000</i>
FE Barbados (Holding) Limited	Barbados	601	1,058
Future Electronics Austria GmbH	Austria	–	59
Future Electronics Deutschland GmbH	Germany	104	534
Future Electronics A/S	Denmark	7	14
Future Electronics (Ireland) Ltd	Ireland	35	81
Future Electronics Distribution (Spain)	Spain	–	9
Future Electronics A S S	Norway	20	28
Future Electronics S r L	Italy	12	20
Paris Nord Electronics S A	France	1	13
Future Electronics B V	Netherlands	3	5
Future Electronics OU	Estonia	1	2
Future Electronics UAB	Lithuania	–	1
		<u>784</u>	<u>1,824</u>

Loan interest received and receivable from related parties

Related party

	<i>Country of Operation</i>	<i>2010 £000</i>	<i>2009 £000</i>
Future Electronics Kft	Hungary	–	10
Future Electronics Distribution (Spain)	Spain	1	–
Future Electronics Austria GmbH	Austria	2	–
FE Trading PTY Limited	South Africa	2	32
Future Electronics Deutschland GmbH	Germany	33	–
Future Electronics EDC Services GmbH	Germany	–	129
Future Electronics Corporation	USA	179	652
		<u>217</u>	<u>823</u>

Notes to the financial statements

at 31 December 2010

21. Related party transactions (continued)

Sales commission paid and payable to related parties

Related party

	<i>Country of Operation</i>	<i>2010 £000</i>	<i>2009 £000</i>
Future Electronics S A	France	5,385	6,255
Future Electronics S r L	Italy	5,469	4,732
Future Electronics (Ireland) Limited	Ireland	481	450
Future Electronics A/S	Denmark	985	1,194
Future Electronics B V	Netherlands	450	527
Future Electronics Oy	Finland	1,428	1,140
FAI Electronics AB	Sweden	3,336	2,069
Future Electronics Kft	Hungary	634	532
Future Electronics Distribution (Spain) S L	Spain	2,163	1,940
Future Electronics NV	Belgium	633	831
Future Electronics OU	Estonia	211	124
Future Electronics UAB	Lithuania	286	106
F E Trading PTY Limited	South Africa	–	125
Future Electronics d o o	Slovenia	183	–
Future Electronics Polska Sp Z o o	Poland	485	660
Future Electronics SRL	Romania	192	193
Future Electronics s r o	Czech Republic	597	479
		<u>22,918</u>	<u>21,357</u>

Amounts due from related parties

Related party

	<i>Country of Operation</i>	<i>2010 £000</i>	<i>2009 £000</i>
FE Trading PTY Limited	South Africa	1,166	1,097
Future Electronics Management Services Ltd	UK	10,049	6,515
Future Electronics Sp Z o o	Poland	574	–
Future Electronics Distribution (Israel) Limited	Israel	8,597	8,143
Future Electronics Kft	Hungary	–	91
Future Electronics EDC Services GmbH	Germany	–	3,021
Paris Nord Electronics S A	France	1,705	–
Future Electronics Schweiz GmbH	Switzerland	1,364	623
Future Electronics Corporation	USA	–	33,694
		<u>23,455</u>	<u>53,184</u>

Notes to the financial statements

at 31 December 2010

21. Related party transactions (continued)

Amounts due to related parties: falling due within one year

Related party	Country of Operation	2010 £000	2009 £000
Future Electronics NV	Belgium	157	130
Future Electronics S A	France	1,125	1,138
Future Electronics Corporation	USA	5,434	–
Future Electronics EDC Services GmbH	Germany	4,489	–
Future Electronics Kft	Hungary	110	–
Future Electronics (Ireland) Limited	Ireland	110	2,524
Future Electronics A/S	Denmark	822	787
Future Electronics Deutschland GmbH	Germany	8,898	14,834
Future Electronics Distribution (Spain) S L	Spain	286	22
Future Electronics S r L	Italy	3,014	2,563
FAI Electronics AB	Sweden	1,367	881
Future Electronics A S	Norway	860	1,473
F E Future Holding B V	Netherlands	2,745	2,882
Future Electronics s r o	Czech Republic	36	15
Future Electronics Inc (Distribution) PTE Limited	Singapore	2,235	693
Future Electronics Austria GmbH	Austria	767	170
Future Electronics Inc	Canada	7,863	4,902
Future Electronics SRL	Romania	42	–
Future Electronics Lithuania	Lithuania	126	57
Future Electronics Estonia	Estonia	175	33
Future Electronics Kitting Limited	UK	421	385
Paris Nord Electronics S A	France	–	457
Future Electronics Oy	Finland	652	371
Future Electronics B V	Netherlands	351	342
Future Electronics Sp Z o o	Poland	–	148
Future Electronics d o o	Slovenia	15	13
		<u>42,100</u>	<u>34,820</u>

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