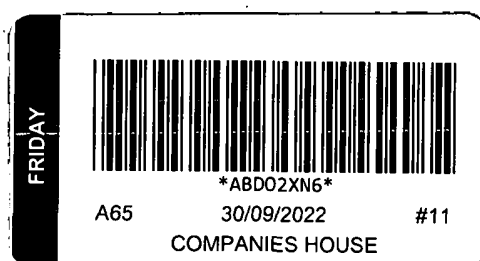


Registered No: 2087867

Future Electronics Limited

Report and Financial Statements

31 December 2021



Company Information

Directors

G B Oliver
A Shepherd

Secretary

K Carton

Auditors

Ernst & Young LLP
R+
2 Blagrove Street
Reading
Berkshire RG1 1AZ

Bankers

BNP Paribas
10 Harewood Avenue
London NW1 6AA

Registered Office

Future House
The Glanty
Egham
Surrey TW20 9AH

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2021.

Review of the business

The principal activities during the year continued to be the management of customers' supply chain requirements, in particular the design, distribution and support of semi-conductor and lighting solutions.

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

	2021 £000	2020 £000	Change £000	Change %
Turnover	940,939	727,752	213,187	29.3
Gross profit %	15.0%	12.2%	2.8%	23.0
Operating profit	38,672	2,922	35,750	1,223.5
Profit after tax	37,110	12,650	24,460	193.4
Total equity	310,755	273,645	37,110	13.6
Net current assets	285,342	321,352	(36,010)	(11.2)

Turnover increased by 29.3% (2020 – 1.0% increased). Whilst the early part of 2020 was impacted by the COVID pandemic, in 2021 the market was highly competitive as the market experienced a period of shortages of supply against demand, which increased prices and drove strong growth across the sector throughout the year. This sector growth coupled with some acquisition of market share were the primary contributors to the turnover increase achieved in 2021.

Sales, General and Administration Costs (SGA) increased by 19.2%. Mostly this is due to the increase in costs associated with delivering the revenue increase, including investment in additional headcount and other variable costs which rise with revenue and profit increases.

The increase in volume has added approximately £32.0m to the Gross Profit (GP). The increase in GP percentage has increased Gross Margin by approximately £20.3m, giving a total increase of £52.3m, (2020 – decrease of £6.6m). This increase in GP coupled with the increase in SGA costs, has increased Operating Profit by £35.8m (2020 – decrease of £0.9m).

Income from shares in group undertakings was £7.3m in 2021 compared to £12.2m in 2020, reducing profit on ordinary activities before interest and taxation by £4.9m (2020: £0.3m).

Net current assets have decreased by 11.2% (2020 – 38% increased), or £35.9m (2020 – £88.2m), reflecting an increase in stock of £40.1m (2020 – £5.4m decrease), an increase in debtors of £112.4m (2020 – £21.2m increase), and an increase in net cash of £3.5m (2020 – £5.7m increase) offset against an increase in creditors (<1year) of £191.9m (2020 – £66.6m decrease). This is consistent with the movement in trading performance noted above, other than the movement in creditors, which is also due to the reclassification from long-term to short-term of an intercompany loan of £75.5m that expires at the end of 2022.

Strategic report (continued)

Principal risks and uncertainties

The Company has identified the principal risks that it faces, and its reaction to them, as follows:

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 to lower cost locations. 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 manages its interest rate risk exposure, as interest on the group loan is an annually agreed fixed rate of interest.

The Company manages its foreign currency risk exposures on the sale of goods overseas where possible by invoicing in the same currency that the goods were purchased 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 and business environment 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, political and business environmental risks. The Company continuously assesses these environments and decides what actions to take to limit its risk following such examination, up to the withdrawal from markets considered to hold a prohibitive level of risk.

Statement by the Directors in performance of their statutory duties in accordance with S172 (1) Companies Act 2006

The directors consider that both individually and together they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the Act) in the decisions taken during the year ended 31 December 2021. This forms part of the directors' statement required under section 414CZA of the Companies Act 2006.

Through the actions detailed below, the directors have worked to ensure that the long-term objectives of the business are met and its reputation maintained

Strategic report (continued)

Statement by the Directors in performance of their statutory duties in accordance with S172 (1) Companies Act 2006 (continued)

Customers

The Company works closely with its customers to understand and address their business requirements in order to further the success of the respective businesses in partnership.

Senior management (including company directors) meet regularly with key strategic partners, which provides valuable insights into customers' issues, challenges and opportunities.

Employees

Matters affecting employees are communicated via the management structure to enable employees to be aware of the Company's strategy and performance. As a key component of making the Company a great place to work, wellbeing initiatives continue to be available including private health insurance, social club, cycle schemes, eyesight testing, and life-style management programs.

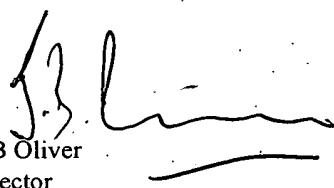
Suppliers

Company suppliers are fundamental to the success of its business. Key supplier relationships are managed at an executive level across the Future Electronics organisation globally, regionally and locally.

Community and environment

The Company is committed to managing the wider social and environmental impacts of its operations. Reference is made to the Future Electronics website for details of the 'Code of Conduct', 'Environmental Policy' and 'Modern Slavery and Human Trafficking Statement'.

On behalf of the Board



G B Oliver
Director

Date: 28 September 2022

Registered No. 2087867

Directors' report

The directors present their report and financial statements for the year ended 31 December 2021.

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 indemnity provision remains in force as at the date of approving the directors' report

Results and dividends

The profit for the year after taxation amounted to £37.1m (2020 – profit of £12.7m). No dividend was paid to Future Electronics Management Services Ltd (2020 – £nil).

Events since the balance sheet date

On 27 June 2022, the Company received £80,380,286 from Future Electronics Management Services Limited in the form of a contribution. In return management intend to issue 100 ordinary shares to Group company Future Electronics Management Services Ltd. Thereafter, the Company repaid it's unsecured loan of £75,500,000 in full to F.E. II (Luxfinco) Services S.a.r.l.

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.

Going concern

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

The Company is trading profitably, with positive cash flow and a strong balance sheet forecasted throughout the going concern assessment period of 12 months from approval of the financial statements. In addition, the Company has a letter of support from the ultimate parent company, Future Electronics Inc., committing to provide continuing financial support in the event the Company is unable to meet its obligations itself.

The demand for electronic components has continued to be very strong, and FEL achieved top-line growth in 2021 vs 2020 of close to 30%. In 2021, the market went into supply shortage as demand exceeded supply in these areas. As a result of this, the company experienced record breaking EMEA revenues throughout 2021 as this high level of demand continued. This high level of demand continued into 2022, with Q1 being the highest EMEA Revenue on record, with Q2 a close second. The directors expect demand to continue to be strong beyond that, as countries begin electronic intensive infrastructure projects such as the roll out of 5G and all of the products that become enabled by that. In assessing going concern, the Directors have noted the following matters:

- In 2021 FEL had operating profit of £38.7m on turnover of £941m. PBT was £44.1m and net income £37.1m;
- The forecast for 2022 is operating profit of £53m on turnover of £1,044m. PBT is forecast at £72m and net income £62m;
- As at December 2021 current assets totalled £561m. Forecast for December 2022 is £678m. This includes £241m of inventory and £427m of trade debtors;

Directors' report (continued)

Going concern (continued)

- Agreements with suppliers provide a level of return rights and subsidised inventory write-offs. Typically write-offs to our results have not exceeded the 0.5%-1% range. Therefore, the majority of this value would be convertible to cash;
- As noted above, management of credit terms is very strict and as a result bad debts tend not to exceed 0.1% of receivables. FY 2021 was 0.01%. Again this asset has very high liquidity;
- Short-term payables are forecast at £250m at December 2022, compared to £276m at December 2021;
- Intercompany loan funding of £75.5m was in place until 31 December 2022 at an interest rate of 2.29%; and
- Excluding the investment in subsidiaries and fixed assets, at 31 December 2021 the company has circa £281m of net assets (Inventory - £228m; Trade Debtors - £317m; Cash - £17m; Short Term Creditors - £(276m); Long-Term Creditors - £(2m); and Provision for Liabilities - £(2m)) that are highly liquid. This compares to total SG&A costs annualised at around £102m (Commissions to subsidiary promotional entities - £44m; Interco Charges (incl. Distribution centre recharge) - £24m; Compensation - £20m; Rent and Rates - £2.6m; Freight out - £3.2m; Other - £8m), before any potential restructuring. Therefore, indicating that the company has significant financial headroom.

The Company also has access to additional cash resources through its ability to call on its investments to pay dividends but this is not expected to be required based on the forecasts for the assessment period.

The cashflow forecast used for the Going Concern has been modelled on 2022 actual performance year to date, and using what is deemed to be the most likely outcome over the forecasted period. This takes into account current run-rates, with order backlog and collection rates extended for the remainder of the year, and with future years flat year on year.

A severe but plausible downside scenario was also considered with 2022 in line with current forecasts, but with a 20% downturn in billings for 2023, 50 basis points of uncollectible receivables, GP% falling by 2% reflecting downturn in prices and obsolete inventory, and an increase in non-variable SG&A of 6% due to inflationary pressure. This scenario also assumes that the intercompany loan will be replaced by an equal value of additional share capital in the Company to be taken up by the shareholder, allowing the loan to be repaid in full.

Based on the above severe but plausible downside scenario, although the Company would experience negative cashflow for the 12 month period following the signing of the accounts, the Company would continue to have access to the support provided by the Parent, evidenced in the letter of parental support which guarantees its commitment for at least the 12 months following the signing of the accounts. In practical terms, this would take place through the parent making funding available through the cash-pooling arrangement, as it currently does.

After making due enquiries, considering the access to funds, potential downside scenarios, and strength of the ultimate parent undertaking, Future Electronics Inc. who have provided a letter of support, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation during the going concern assessment period of 12 months from approval of the financial statements. Accordingly, the directors have prepared the financial statements on a going concern basis.

Directors

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

G B Oliver

A Shepherd

Directors' report (continued)

Charitable contributions

Contributions during the year amounted to £nil (2020 – £1,944).

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.

Disabled employees

The Company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and is committed to continuing the employment of, and arranging the appropriate training for, employees who may become disabled persons during the period when they were employed by the Company. Also, the Company will endeavour to ensure that as far as possible the training, career development and promotion of disabled persons is the same as for other employees.

Streamlined Energy and Carbon Reporting (SECR)

The SECR period covered in this report is the same as the Company's financial year, 1st January 2021 to 31st December 2021.

Organisation Boundary and Scope of Emissions

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2018. These sources fall within the Company's financial reporting.

An operational control approach has been used in order to define our organisational boundary. This is the basis for determining the Scope 1, Scope 2 and Scope 3 emissions for which the Company is responsible.

Methodology

The following methodology was applied in the preparation and presentation of this data:

- The Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (the "WBCSD/WRI GHG Protocol").
- Application of appropriate emission factors to the Company's activities to calculate GHG emissions.
- Scope 2 reporting methods – Location-based emissions factors for electricity supplies, which are calculated based on average energy generation emission factors for defined locations, including local, subnational or national boundaries. Market-based emissions factors for electricity supplies, which are calculated based on the electricity that organisations have chosen to purchase, often spelled out in contracts or instruments like Renewable Energy Certificates - electricity suppliers are required to disclose their electricity fuel mix each year.
- Inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO₂e.
- Presentation of gross emissions as the Company does not purchase carbon credits (or equivalents).
- Presentation of annual energy use.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

Absolute Emissions

The total Scope 1, 2 and Scope 3 GHG emissions from the Company's operations in the year ending 31 December 2021 were:

- 375.1 tonnes (2020 – 382.9 tonnes) of CO₂ equivalent (tCO₂e) using a 'location-based' emissions factor methodology for Scope 2 emissions; and
- 426.9 tonnes (2020 – 423.7 tonnes) of CO₂ equivalent (tCO₂e) using a 'market-based' emissions factor methodology for Scope 2 emissions.

Scope 1 emissions from onsite combustion of natural gas and CO₂ fire extinguisher replacements.

Scope 2 emissions from purchased electricity, calculated using the location-based and market-based methods.

Scope 3 emissions from fuel for personal cars and hire cars for business use.

Intensity Ratios

As well as reporting the absolute emissions, the Company's GHG emissions are reported below on the following intensity ratios. These were decided as the most appropriate metrics for the Company.

- 0.05 tCO₂e (2020 – 0.05 tCO₂e) per square meter of occupied space using the location-based method and 0.06 tCO₂e (2020 – 0.06 tCO₂e) per square meter of occupied space using the market-based method.
- 1.2 tCO₂e (2020 – 1.11 tCO₂e) per FTE employee using the location-based method and 1.3 tCO₂e per FTE employee using the market-based method.

Target and Baselines

The Company's objective is to maintain or reduce its GHG emissions per square meter of occupied space and per FTE employee each year and will report annually whether it has been successful in this regard.

There has been an overall reduction in absolute emissions of 2% when calculated using the location-based method, but an increase of 1% when calculated using the market-based method. Scope 2 and Scope 3 emissions were lower than in FY2020, however, Scope 1 emissions increased. This was due to an increase in gas consumption.

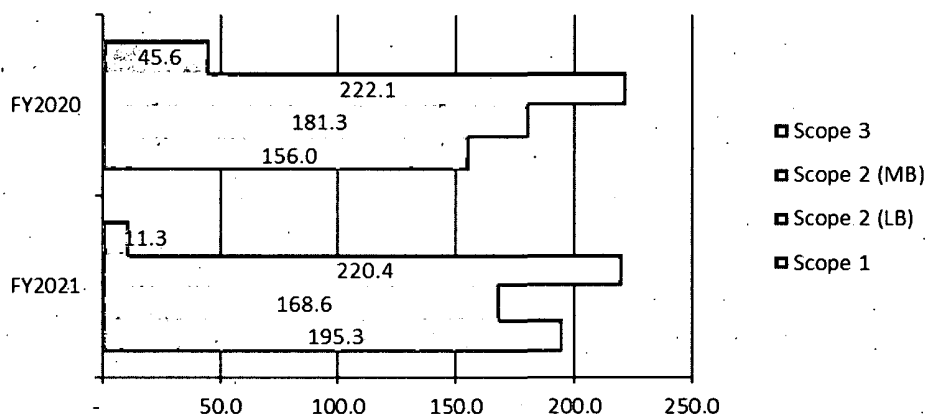
The intensity ratios per square meter of occupied space have remained the same, but the emissions per FTE employee have increased. This is due to a reduction in employees on a FTE basis.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

Key Figures

Future Electronics (UK) Ltd - Breakdown of emissions by scope



Total Energy Use

The total energy use for the Company for FY2021 was 1,885,614 kWh (2020 – 1,754,519 kWh)

	Electricity	Gas	Personal car use	Hire car use	Total Energy Use (kWh)
2021	793,892	1,066,039	25,682	-	1,885,614
2020	777,690	848,306	128,007	516	1,754,519

GHG emissions	2021			2020		
	Tonnes CO ₂ e	tCO ₂ e / m ² ⁴	tCO ₂ e / FTE employee ⁵	Tonnes CO ₂ e	tCO ₂ e / m ² ⁴	tCO ₂ e / FTE employee ⁵
Scope 1 ¹	195.3	0.03	0.6	156.0	0.02	0.5
Scope 2 ² (location-based)	168.6	0.03	0.5	181.3	0.03	0.5
Scope 2 ³ (market-based)	220.4	0.03	0.7	222.1	0.03	0.6
Sub-total (location-based)	363.8	0.05	1.1	337.3	0.05	1.0
Sub-total (market-based)	415.7	0.06	1.3	378.1	0.06	1.1
Scope 3 ³	11.3	-	0.03	45.6	-	0.1
Total GHG emissions (Location-based)	375.1	0.05	1.2	382.9	0.05	1.1
Total GHG emissions (Market-based)	426.9	0.06	1.3	423.7	0.06	1.2

1 Scope 1 being emissions from the Group's combustion of fuel and operation of facilities.

2 Scope 2 being emissions from electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use.

3 Scope 2 being emissions from electricity (from market-based calculations), heat, steam and cooling purchased for the Group's own use.

4 Scope 3 being all indirect emissions (not in scope 2) that occur in the value chain of the reporting company (downstream emissions).

5 Occupied office space: 6,725 m² (FY2021) 6,725 m² (FY2020)

6 FTE employees: 325 (FY2021); 345 (FY2020)

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

Energy Efficiency Actions

Over 2021, there was substantially less office occupation and business travel for all employees. There was a reduction in energy use across the offices by ensuring efficient use of space and not having office area climate controlled or lit when there was less than 10% occupancy. There was also continued replacement of non-office lighting to transition from fluorescent and halogen lights to LEDs.

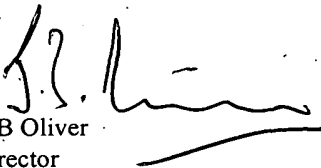
Disclosure of information to the auditors

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: 28 September 2022

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Director's 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 judgments 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 auditors' report

to the members of Future Electronics Limited

Opinion

We have audited the financial statements of Future Electronics Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report

to the members of Future Electronics Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditors' report

to the members of Future Electronics Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006) and the relevant tax compliance regulations in the United Kingdom.
- We understood how Future Electronics Limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. Our audit procedures were designed to either corroborate or provide contrary evidence, the results of which were followed up appropriately. Specifically, we have completed a board minute review to understand procedures in place and verify they are in line with the frameworks.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, detect and deter fraud; and how senior management monitors those programmes and controls. Where this risk was higher, we performed incremental audit procedures to address each identified fraud risk. These procedures included:
 - The vouching of a statistical sample to source evidence, monthly analytical review and the deployment of data analytics in our execution of journal entry testing procedures to respond to the risk of overstatement of supplier rebate arrangements.

Independent auditors' report

to the members of Future Electronics Limited

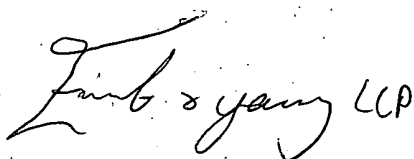
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- Trade receivable existence testing (through external circularisation and vouching to source evidence such as invoices, delivery notes and bank statements), the deployment of data analytics in our execution of both journal entry testing procedures and our revenue correlation assessment, monthly analytical review, post balance sheet date credit note evaluation and a revenue cut-off assessment to respond to the risk of inappropriate revenue recognition.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any noncompliance with laws and regulations, assessment of financial statement disclosures to ensure compliance with relevant reporting frameworks and enquiries of management and those charged with governance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Tristan Allen (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

Date: 30-09-2022

Statement of Total Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Turnover	4	940,939	727,752
Cost of sales		(799,824)	(638,923)
Gross Profit		141,115	88,829
Sales, general and administration costs		(102,443)	(85,907)
Operating Profit	5	38,672	2,922
Income from shares in group undertakings		7,253	12,187
Profit on ordinary activities before interest and taxation		45,925	15,109
Interest receivable and similar income	8	51	374
Interest payable and similar charges	8	(1,836)	(2,592)
Net interest payable and similar charges	8	(1,785)	(2,218)
Profit on ordinary activities before taxation		44,140	12,891
Tax on profit on ordinary activities	9	(7,030)	(241)
Profit and total comprehensive income for the financial year		37,110	12,650

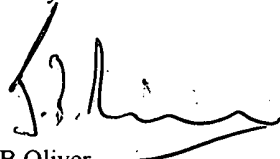
The notes on page 20 to 39 form part of these financial statements.

Statement of financial position

at 31 December 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Tangible assets	10	1,205	1,215
Investments	11	28,197	28,194
		<u>29,402</u>	<u>29,409</u>
Current assets			
Stocks	12	228,045	187,958
Debtors: amounts falling due within one year	13	316,726	204,364
Cash at bank and in hand		16,725	13,254
		<u>561,496</u>	<u>405,576</u>
Creditors: amounts falling due within one year	14	<u>(276,154)</u>	<u>(84,224)</u>
Net current Assets		<u>285,342</u>	<u>321,352</u>
Total assets less current liabilities		<u>314,744</u>	<u>350,761</u>
Creditors: amounts falling due after more than one year	15	<u>(2,373)</u>	<u>(75,500)</u>
Provisions for liabilities	16	<u>(1,616)</u>	<u>(1,616)</u>
Net Assets		<u>310,755</u>	<u>273,645</u>
Capital and reserves			
Called up share capital	17	169,789	169,789
Share premium	17	13,325	13,325
Profit and loss	17	127,641	90,531
Equity		<u>310,755</u>	<u>273,645</u>

The financial statements for company registration number 2087867 were approved and authorised for issue by the Board and were signed on its behalf by:



G B Oliver
Director

Date: 28 September 2022

The notes on page 20 to 39 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2021

	<i>Called up share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss £000</i>	<i>Total equity £000</i>
At 1 January 2020	169,789	13,325	77,881	260,995
Total comprehensive income for the year	—	—	12,650	12,650
At 1 January 2021	169,789	13,325	90,531	273,645
Total comprehensive income for the year	—	—	37,110	37,110
Balance at 31 December 2021	<u>169,789</u>	<u>13,325</u>	<u>127,641</u>	<u>310,755</u>

Statement of cash flows

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash generated / (used in) operations	19	3,551	(1,760)
Interest received		51	374
Tax paid		(3,922)	(1,376)
Net cash (used in) operating activities		(320)	(2,762)
Purchase of PPE		(409)	(298)
Net (increase) in investments		(3)	-
Dividends received		7,253	12,187
Net cash generated from investing activities		6,841	11,889
Increase in share premium		-	-
Issue of additional share capital		-	-
Interest paid		(1,836)	(2,592)
Net cash used in financing activities		(1,836)	(2,592)
Net increase in cash and cash equivalents		4,685	6,535
Cash and cash equivalents including bank overdrafts at the beginning of the period		12,040	5,505
Net cash and cash equivalents at the end of the year		16,725	12,040
Reconciliation of net cash and cash equivalents			
Cash and cash equivalents (disclosed within current assets)		16,725	13,254
Bank overdraft (disclosed within current liabilities)		-	(1,214)
Net cash and cash equivalents at the end of the year		16,725	12,040

Notes to the financial statements

at 31 December 2021

1. General information

Future Electronics Limited (the Company) is engaged in the management of customers' supply chain requirements, in particular, the design, distribution and support of semi-conductor and lighting solutions. The Company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is Future House, The Glanty, Egham, Surrey TW20 9AH.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and the Republic of Ireland" (FRS 102). The financial statements have been prepared on the going concern basis, under the historical cost convention except for derivative financial instruments which are measured at fair value, and in accordance with the Companies Act 2006.

The financial statements have been prepared in sterling which is the Company's functional currency and rounded to the nearest £000.

Going Concern

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

The Company is trading profitably, with positive cash flow and a strong balance sheet forecasted throughout the going concern assessment period of 12 months from approval of the financial statements. In addition, the Company has a letter of support from the ultimate parent company, Future Electronics Inc., committing to provide continuing financial support in the event the Company is unable to meet its obligations itself.

The demand for electronic components has continued to be very strong, and FEL achieved top-line growth in 2021 vs 2020 of close to 30%. In 2021, the market went into supply shortage as demand exceeded supply in these areas. As a result of this, the company experienced record breaking EMEA revenues throughout 2021 as this high level of demand continued. This high level of demand continued into 2022, with Q1 being the highest EMEA Revenue on record, with Q2 a close second. The directors expect demand to continue to be strong beyond that, as countries begin electronic intensive infrastructure projects such as the roll out of 5G and all of the products that become enabled by that. In assessing going concern, the Directors have noted the following matters:

- In 2021 FEL had operating profit of £38.7m on turnover of £941m. PBT was £44.1m and net income £37.1m;
- The forecast for 2022 is operating profit of £53m on turnover of £1,044m. PBT is forecast at £72m and net income £62m;
- As at December 2021 current assets totalled £561m. Forecast for December 2022 is £678m. This includes £241m of inventory and £427m of trade debtors;

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies (continued)

Going concern (continued)

- Agreements with suppliers provide a level of return rights and subsidised inventory write-offs. Typically write-offs to our results have not exceeded the 0.5%-1% range. Therefore, the majority of this value would be convertible to cash;
- As noted above, management of credit terms is very strict and as a result bad debts tend not to exceed 0.1% of receivables. FY 2021 was 0.01%. Again this asset has very high liquidity;
- Short-term payables are forecast at £250m at December 2022, compared to £276m at December 2021;
- Intercompany loan funding of £75.5m was in place until 31 December 2022 at an interest rate of 2.29%; and
- Excluding the investment in subsidiaries and fixed assets, at 31 December 2021 the company has circa £281m of net assets (Inventory - £228m; Trade Debtors - £317m; Cash - £17m; Short Term Creditors - £(276m); Long-Term Creditors - £(2m); and Provision for Liabilities - £(2m)) that are highly liquid. This compares to total SG&A costs annualised at around £102m (Commissions to subsidiary promotional entities - £44m; Interco Charges (incl. Distribution centre recharge) - £24m; Compensation - £20m; Rent and Rates - £2.6m; Freight out - £3.2m; Other - £8m), before any potential restructuring. Therefore, indicating that the company has significant financial headroom.

The Company also has access to additional cash resources through its ability to call on its investments to pay dividends but this is not expected to be required based on the forecasts for the assessment period.

The cashflow forecast used for the Going Concern has been modelled on 2022 actual performance year to date, and using what is deemed to be the most likely outcome over the forecasted period. This takes into account current run-rates, with order backlog and collection rates extended for the remainder of the year, and with future years flat year on year.

A severe but plausible downside scenario was also considered with 2022 in line with current forecasts, but with a 20% downturn in billings for 2023, 50 basis points of uncollectible receivables, GP% falling by 2% reflecting downturn in prices and obsolete inventory, and an increase in non-variable SG&A of 6% due to inflationary pressure. This scenario also assumes that the intercompany loan will be replaced by an equal value of additional share capital in the Company to be taken up by the shareholder, allowing the loan to be repaid in full.

Based on the above severe but plausible downside scenario, although the Company would experience negative cashflow for the 12 month period following the signing of the accounts, the Company would continue to have access to the support provided by the Parent, evidenced in the letter of parental support which guarantees its commitment for at least the 12 months following the signing of the accounts. In practical terms, this would take place through the parent making funding available through the cash-pooling arrangement, as it currently does.

After making due enquiries, considering the access to funds, potential downside scenarios, and strength of the ultimate parent undertaking, Future Electronics Inc. who have provided a letter of support, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation during the going concern assessment period of 12 months from approval of the financial statements. Accordingly, the directors have prepared the financial statements on a going concern basis.

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies (continued)

Consolidation

The Company is a wholly owned subsidiary of Future Electronics Management Services Limited, a company registered in England and Wales. Alonim Investments Inc. is regarded by the directors as being the entity's ultimate parent entity and is incorporated in Canada.

The smallest group of undertakings for which group financial statements are drawn up and of which the Company and its subsidiaries are included is Future Electronics Inc. (incorporated in Canada). The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Tangible assets

All tangible fixed assets are initially recorded at cost and are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value - updated if indicators are present that its value has changed, 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 recoverable amount of the investment. Recoverable amount is determined based on the greater of fair value less costs to sell or value in use.

Dividends

Income is recognised when the Company's right to receive payment is established.

Revenue recognition

Revenue is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer, when the price to the buyer is determinable and collectability is reasonably assured. Risk and rewards of ownership pass depending on terms of agreement with the customer, typically with most agreements this is on delivery. Revenue is measured at the fair value of consideration received, excluding VAT and other sales taxes or duty.

Interest income is recognised as interest accrues using the effective interest method, and dividend income when the right to receive dividend is obtained.

Stocks

Stock, including consignment inventory, is stated at the lower of cost and net realisable value including provision for any slow moving or obsolete items. Cost is purchase price including the cost to bring the stock into its present location less trade discounts and is computed on a weighted average cost basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Notes to the financial statements

at 31 December 2021

2. Summary of significant 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 probable 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 spot exchange 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 statement of comprehensive income.

Provisions of liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, the amount of the obligation can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

The Company has applied a pre-tax rate 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 recognised when there is an obligation to restore the building to its original condition, such cost is provided for over the term of the lease through the income statement on a straight-line basis over the shorter of the period to the first rent review or the life of the lease. The obligation will be relinquished when the lease has ended.

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 lease term.

Pensions

The Company makes payments into a defined contribution pension scheme for all eligible and enrolled employees. As such the amounts are charged to the statement of comprehensive income in the period in which they become payable.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies (continued)

Financial instruments

Financial assets

The Company's financial assets include cash, trade and other debtors.

Cash and cash equivalents comprise balances on bank financial statements, cash in transit and cash floats held in the business.

Trade and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as debtors. Trade debtors are measured initially at transaction price and subsequently at amortised cost using the effective interest method, less any impairment. Impairment is only recognised when there is objective evidence of an impairment.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Total Comprehensive Income in sales, general and administration costs. At the end of each reporting period, the company assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, the company recognises an impairment loss in profit or loss immediately.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the assets to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of the ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Basic financial liabilities including trade and other payables and interest bearing loans and borrowing, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the liability is measured at the present value of the future payments discounted at a market rate of interest.

Basic financial liabilities, other than short term payables, are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in interest payable and similar expenses in the income statement.

Short term trade and other payables with no stated interest rate which are payable within one year are recorded at transaction price.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Notes to the financial statements

at 31 December 2021

3. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These can affect the amounts recognised in the financial statements for assets, liabilities, revenues and expenses, as well as issues with regards to contingent liabilities.

The estimates and assumptions that are deemed by the Board to be the most important for an understanding of the financial statements are discussed below.

Impairment of Investments, property, plant and equipment

The Company tests whether any of its investments have suffered any impairment. The carrying value of the asset in the financial statements is compared to the recoverable amount of the investment at the year end. Recoverable amount is determined based on the greater of fair value less costs to sell or value in use.

Other fixed assets are depreciated or amortised over their estimated useful lives to their estimated residual values. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

Stock

Stock is valued at the lower of cost and net realisable value. Due allowance is made for obsolete and slow-moving items by consulting with persons who are experts in this field as to the most likely value of such items. However, a change in demand or a new innovation subsequent to the publishing of these financial statements could change such judgements. Stock obsolescence provision at 2021 year-end is £1,430,000 (2020 – £1,404,000).

Accounts receivable

The Company has a highly sophisticated process for managing debtors including the credit limits offered to customers. All customers are given a risk assessment rating on a quarterly or bi-annual basis and all receivables balances are reviewed at year end for collectability. Any individual receivable for which collection is considered improbable – based on objective evidence – is provided for, however without knowing all individual circumstances of a customer, the actuality could differ from this judgement. Accounts receivable provision at 2021 year-end is £117,000 (2020 – £141,000).

Income taxes

The Company makes a provision for corporation tax based on estimates of certain matters. If the final determination of HMRC differs from such estimates, then the difference will impact the period during which the determination is made. There are no uncertain tax positions at year end.

Disputes

The Company can be party to disputes and legal proceedings in the ordinary course of business. Management consults with legal experts in relation to legal disputes, and other experts both internal and external for other disputes in the ordinary course of business. Any dispute that is deemed to have a likely ultimate negative impact on the financial statements is provided at the best estimate of the cost to the Company. Such amounts are reviewed regularly.

Dilapidation costs

An estimate has been made of the cost to restore the Company's leasehold properties to their original conditions on lease termination and such cost provided for over the term of the lease. Whilst Chartered Surveyors have advised the Company in this calculation, there will be some variation when the actual cost is incurred.

Notes to the financial statements

at 31 December 2021

4. 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.

5. Operating Profit

This is stated after charging/(crediting):

	2021 £000	2020 £000
Wages and salaries	16,894	15,245
Social security costs	1,817	1,645
Defined pension contributions	503	493
Total Staff costs	19,214	17,383
Depreciation of owned assets	419	356
Operating lease charges – land and buildings	2,120	2,120
Write down of inventory	87	44
Foreign exchange loss/(gain)	4,926	(1,216)
Audit fees payable to the Company's auditors	107	89

6. Directors' remuneration

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. The directors participate in the Company's defined contribution scheme on the same terms as other employees.

The remuneration is disclosed within the immediate parent undertaking's financial statements. The total remuneration paid to the directors in the parent undertaking's financial statements is £503k (2020 – £383k).

7. Staff

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

	2021 £000	2020 £000
Sales	45	46
General and administration	299	287
	344	333

Notes to the financial statements

at 31 December 2021

8. Interest income and expense

	2021 £000	2020 £000
Interest receivable and similar income		
Bank interest receivable	51	374
Total interest received and similar income	<u>51</u>	<u>374</u>
Interest payable and similar charges		
Bank interest payable	(33)	(287)
Interest payable to group companies	(1,803)	(2,305)
Total interest payable and similar charges	<u>(1,836)</u>	<u>(2,592)</u>
	2021 £000	2020 £000
Net finance cost		
Interest income	51	374
Interest expense	(1,836)	(2,592)
Net finance cost	<u>(1,785)</u>	<u>(2,218)</u>

9. Tax

(a) Tax on profit from ordinary activities

The tax charge is made up as follows:

	2021 £000	2020 £000
Current tax:		
Tax expense included in profit or loss		
UK corporation tax charge on profit for the year	6,993	302
Adjustments in respect of prior periods	8	(40)
Total current tax	<u>7,001</u>	<u>262</u>
Origination and reversal of timing differences	27	(21)
Effects of rate change	2	-
Total deferred tax	<u>29</u>	<u>(21)</u>
Tax on profit on ordinary activities	<u>7,030</u>	<u>241</u>

Notes to the financial statements

at 31 December 2021

9. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2020 – lower) than the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	44,140	12,891
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	8,387	2,449
<i>Effects of:</i>		
Income not subject to and expenses not deductible for tax	(1,366)	(2,181)
Depreciation in excess of capital allowances	(1)	12
Adjustment to tax charge in respect of prior periods	8	(39)
Other timing differences	2	-
Tax charge	7,030	241

(c) Deferred tax

The deferred taxation liability / (asset) recognised in the financial statements is as follows:

	2021 £000	2020 £000
Depreciation in advance of capital allowances	43	14
Losses carried forward to future years	-	1
Other timing differences	(28)	(29)
Total	15	(14)

£000

Deferred tax liability is included in note 14: creditors < 1 year

Deferred tax (asset) brought forward as at 1 January 2021	(14)
Deferred tax charge / (credit) in the profit and loss account	29
Deferred tax charge / (credit) in other comprehensive income	-
Deferred tax liability carried forward as at 31 December 2021	15

It is estimated that £48,600 of timing differences will reverse in the next 12 months after taking into account new originations in that period. This is mainly due to utilisation of capital allowances.

Notes to the financial statements

at 31 December 2021

9. Tax (continued)

(c) Deferred tax (continued)

In 2021, the deferred taxation (asset) not recognised in the financial statements was as follows:

	2021	2020
	£000	£000
Rate change on opening balances	(64)	9
Other timing differences	(205)	(214)
Total	(269)	(205)

(d) Factors that may affect future tax charges

Reductions in the UK corporation tax main rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were enacted on 26 March 2016. In the Budget on 16 March 2016, the Chancellor announced a further reduction of the Corporation tax main rate to 17% (effective from 1 April 2020) which was enacted on 15 September 2016. These changes will reduce the Company's future tax charges accordingly. In March 2020, the Chancellor announced that the rate of Corporation tax (effective from 1 April 2020) would be 19% and would remain at 19% for the financial year beginning 1 April 2021.

On March 3rd 2021, the Chancellor announced in the Budget, that the headline rate of Corporation Tax would increase from 19% to 25%, with effect from 1 April 2023. This increase was enacted on 10 June 2021, therefore these changes to the tax rate have been reflected in these Financial Statements, and timing differences that will reverse after 1 April 2023 have been valued at the higher rate.

10. Tangible fixed assets

	Leasehold improvements	Equipment and fixtures	Computer equipment	Total
	£000	£000	£000	£000
Cost:				
At 1 January 2021	3,991	657	2,369	7,017
Additions	-	128	281	409
Disposals	(1,628)	(103)	(613)	(2,344)
At 31 December 2021	2,363	682	2,037	5,082
Accumulated depreciation and impairment:				
At 1 January 2021	3,766	598	1,438	5,802
Charge for the year	37	60	322	419
Disposals	(1,628)	(103)	(613)	(2,344)
At 31 December 2021	2,175	555	1,147	3,877
Net book value:				
At 31 December 2021	188	127	890	1,205
At 1 January 2021	225	59	931	1,215

Notes to the financial statements

at 31 December 2021

11. Investments

*Subsidiary
undertakings
£000*

Cost and net book value:

At 1 January 2021	28,194
Additions	3
Disposals	-
At 31 December 2021	<u>28,197</u>

<i>Name of company</i>	<i>% Holding</i>	<i>Principal Activity</i>	<i>Country of Incorporation</i>
Future Electronics Austria GmbH	100%	Local Distributor	Austria
Future Electronics NV	100%	Marketing & Technical	Belgium
Future Electronics s.r.o	100%	Marketing & Technical	Czech Rep
Future Electronics A/S	100%	Marketing & Technical	Denmark
Future Electronics OU	100%	Marketing & Technical	Estonia
Future Electronics Oy	100%	Marketing & Technical	Finland
Future Electronics S.A.	100%	Marketing & Technical	France
Future Electronics Deutschland GmbH	100%	Local Distributor	Germany
Future Electronics Kft.	100%	Marketing & Technical	Hungary
Future Electronics (Ireland) Limited	100%	Local Distributor	Ireland
Future Electronics Distribution (Israel) Limited	100%	Marketing & Technical	Israel
Future Electronics S.r.L	100%	Marketing & Technical	Italy
Future Electronics UAB	100%	Marketing & Technical	Lithuania
Future Electronics B.V.	100%	Marketing & Technical	Netherlands
Future Electronics AS.	100%	Local Distributor	Norway
Future Electronics Polska S.P.Z.o.o.	100%	Marketing & Technical	Poland
Future Electronics Portugal Unipessoal LDA	100%	Marketing & Technical	Portugal
Future Electronics SRL	100%	Marketing & Technical	Romania
Future Electronics Rus LLC	100%	Marketing & Technical	Russia
Future Electronics d.o.o.	100%	Marketing & Technical	Slovenia
FE Trading PTY Limited	100%	Local Distributor	South Africa
Future Electronics Distribution (Spain) S.L.	100%	Marketing & Technical	Spain
FAI Electronics AB	100%	Marketing & Technical	Sweden
Future Electronics Schweiz GmbH	100%	Local Distributor	Switzerland
Future Electronics Turkey Ltd	100%	Local Distributor	Turkey
Future Electronics Tunisia	100%	Marketing & Technical	Tunisia

Notes to the financial statements

at 31 December 2021

11. Investments (continued)

The registered addresses for these Investments are:

Future Electronics Austria GmbH – Scheringgasse 2, 1140 Wien, Austria
 Future Electronics NV – Bedrijvencentrum Regio Aalst, Industrielaan 4 Erembodegem-Aalst 9320 Belgium
 Future Electronics s.r.o. – 4th Floor, East Building, Antala Staska 510/38, Prague, 140 00, Czech Republic
 Future Electronics A/S – Skomagervej 130, Vejle, 7100, Denmark
 Future Electronics OU – Narva Rd. 13^a, Tallinn; 10151. Estonia
 Future Electronics Oy – Teknobulevardi 7, 01530 Vantaa. Finland
 Future Electronics S.A. – Le Crystalys, 6 Avenue Morane-Saulnier 78140, Velizy-Villacoublay. France
 Future Electronics Deutschland GmbH – Maz-Planck-Str. 3, 85609 Aschheim - Domach. Germany.
 Future Electronics Kft. – H-1113 Budapest, Nagyszollos uca 1-153.em. Hungary
 Future Electronics (Ireland) Ltd – Block B, The Crescent Building, Northwood Crescent. Northwood, Santry, Dublin 9, D09C6X8. Ireland
 Future Electronics Distribution (Israel) Limited – 2 Maskit Street, Herzliya Pituach 4673302. Israel
 Future Electronics S.r.l. – Via Victor Hugo n.4, Milano, Italy
 Future Electronics UAB – Taikos av. 151, Kaunas, Republic of Lithuania
 Future Electronics BV – 4823 AA Breda, Tinststraat 3. Netherlands
 Future Electronics AS – Tevlingvelen 23, 1018 Oslo, 0301 Oslo. Norway
 Future Electronics Polska Sp. Z.o.o. – Klopotoskiego 22, Warsaw, 03-717. Poland
 F.E. Portugal Unipessoal LDA – Rua Rodrigo Da Fonesca 82, 1250-193, Lisboa. Portugal
 Future Electronics S.R.L. – Bulevardul Eroilor 16, Cluj-Napoca 400000. Romania
 Future Electronics Rus LLC – 7 Dolgorukovskaya Street, 127006, Moscow. Russia
 Future Electronics d.o.o. – Leskova cesta 2, 1000 Ljubljana. Slovenia
 FE Trading PTY Limited – 89 Welsh Road Estcourt 3310. South Africa
 Future Electronics Distribution (Spain) SL – AV. Partenon, 28042, Madrid. Spain
 Future Electronics AB – Kista Science Tower and Farogatan 33, 164 51. Sweden
 Future Electronics Schweiz GmbH – Grabenwisstrasse 1, 8604 Volketswill. Switzerland
 Future Electronics Turkey – Koyzatagi Mah. S.M.Gaith Ongul Sk.No:3 Bagdatlioglu Plaza K:9 Kadikoy. Istanbul. Turkey
 Future Electronics Tunisia – 81 Avenue Habib Bourguiba, B3.4, Ariana, 2080, Tunisia

12. Stocks

	2021	2020
	£000	£000
Finished goods and goods for resale	228,045	187,958

Included within finished goods is £5.4m (2020 – £5.4m) of stock held on consignment.

Stocks recognised as an expense in the period were £789.0m (2020 – £634.2m).

Notes to the financial statements

at 31 December 2021

13. Debtors

	2021 £000	2020 £000
Trade debtors	221,529	155,344
Amounts owed by group undertakings	76,483	33,155
Taxation	-	1,928
Other debtors	7,730	6,621
Other taxes and social security costs	9,027	5,914
Prepayments	1,957	1,402
	<u>316,726</u>	<u>204,364</u>

Amounts owed by group undertakings are for the most part trading balances which are repayable on normal commercial terms (repayable between 30-365 days) and are non-interest bearing.

Provision for doubtful debts for the year was £117,000 (2020 – £141,000). A proactive approach to the identification and control of bad and doubtful debts is operated as well as a group insurance policy against uncollectable receivables. Provision for doubtful debts is the gross amount before any insurance claims.

Other debtors includes £140,000 relating to LTIPs, which are receivables falling due in excess of one year.

14. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade payables	75,017	43,301
Amounts owed to group undertakings	168,222	12,311
Taxation	1,180	-
Bank overdraft	-	1,214
Other creditors	38	-
Accruals	31,697	27,398
	<u>276,154</u>	<u>84,224</u>

Amounts owed to group undertakings includes the intercompany loan stock of £75.5m from FE II (Luxfinco) Services Sarl. It was unsecured and repayable on 31 December 2022. Interest is payable at 2.29% per annum (2020 – 2.29%). On 27 June 2022, this loan of £75.5m was fully repaid. The remaining balance represents for the most part trading balances which are repayable on normal commercial terms and are non-interest bearing. For those elements which remain outstanding for longer periods and assume the substance of financing, interest is charged at an arm's length rate, being 50 basis points above 12 month LIBOR for UK companies, 12 month Euribor for Eurozone companies and 12 month Applicable Federal Rate for other companies.

Notes to the financial statements

at 31 December 2021

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

	2021 £000	2020 £000
Loan – owed to group company	–	75,500
Cumulative rent incentive	2,373	–
	<u>2,373</u>	<u>75,500</u>

The intercompany loan stock of £75.5m is from FE Luxfinco Services Sarl. It is unsecured and repayable on 31 December 2022. Interest is payable at 2.29% per annum (2020 – 2.29%). A reclass of the cumulative rent incentive of £2,373k from current to non-current creditors took place in 2021 (2020 – £1,780k in Accruals)

16. Provisions for liabilities

	<i>Dilapidations</i> £000
At 1 January 2021	1,616
Additions to the income statement	–
Additions to fixed assets	–
Amounts utilised against the provision	–
At 31 December 2021	<u>1,616</u>

A provision of £1,616k, based on a surveyor's estimate, has been recognised for dilapidation costs associated with the Egham office building, due at the end of the lease in December 2027.

17. Issued share capital

		2021 £000		2020 £000
<i>Allotted, called up and fully paid</i>	<i>No.</i>		<i>No.</i>	
Ordinary shares of £1 each	169,788,984	<u>169,789</u>	169,788,984	<u>169,789</u>

Share Premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and Loss account

The retained earnings reserve holds the retained earnings for the group, after the deduction of any dividends paid in the period.

Notes to the financial statements

at 31 December 2021

18. Other financial commitments

The Company had the following future minimum annual lease payments under non-cancellable operating leases for each of the following periods:

	2021	2020
	£000	£000
Not later than one year	1,950	1,103
Later than one year and not greater than five years	8,150	8,066
Later than five years	2,120	4,068
	<u>12,220</u>	<u>13,237</u>

During the year, the Company and its fellow subsidiaries provided a financial guarantee of up to \$50m (£36m); (2020 – \$200m (£148.7m)) 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 £222m and £228m respectively at 31 December 2021 (2020 – £155m and £188m). As at 31 December 2021, the amount utilised under the loan facility of its ultimate parent undertaking subject to the guarantee above was \$3.2m (£2.3m) (2020 – \$2.4m (£1.7m)) exclusively for standby letters of credit.

19. Cash generated/(used in) operations

	2021	2020
	£000	£000
<i>Profit before tax</i>	44,140	12,891
Adjustments for:		
Depreciation	419	356
Interest income	(51)	(374)
Interest expense	1,836	2,592
Dividends received	(7,253)	(12,187)
Increase in provision for long term liabilities	2,373	-
Changes in working capital:		
(Increase)/decrease in inventories	(40,087)	8,222
(Increase) in trade and other receivables	(70,962)	(9,709)
(Increase) in amounts owed by group companies	(43,328)	(10,356)
Increase/(decrease) in amounts owed to group companies	80,411	(3,948)
Increase in trade and other payables	36,053	10,753
Cash generated/(used in) operations	<u>3,551</u>	<u>(1,760)</u>

Notes to the financial statements

at 31 December 2021

20. Financial instruments

The entity's financial instruments are listed by category below:

	2021	2020
	£000	£000
<i>Financial assets measured at transaction price</i>		
Debtors (excluding taxes & prepayments)	314,769	201,034
<i>Financial assets that are equity instruments measured at cost less impairment</i>		
Investments	28,197	28,194
<i>Financial liabilities measured at amortised cost</i>		
Loan stock	(75,500)	(75,500)
<i>Financial liabilities measured at transaction price</i>		
Trade creditors (excluding taxes)	(199,474)	(84,224)

21. Controlling parties

The Company is a wholly-owned subsidiary of Future Electronics Management Services Limited, a company registered in England and Wales. Alonim Investments Inc. is regarded by the directors as being the entity's ultimate parent entity and is incorporated in Canada.

The smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Future Electronics Inc. with a registered address of 237 Hymus Blvd., Pointe-Claire, Quebec, H9R 5C7, Canada. Copies of its group financial statements are available from this address.

The largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Alonim Investments Inc. This company is regarded by the directors as being the entity's ultimate parent entity and is incorporated in Canada.

In the opinion of the directors, Mr Robert Miller, who controls 100% of the shares of Future Electronics Inc. through his interest in Alonim Investments Inc., is the Company's controlling party.

22. Related party transactions

During the year, the Company entered into the following related party transactions, in the ordinary course of business. Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2021, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2020 – nil).

Notes to the financial statements

at 31 December 2021

22. Related party transactions (continued)

Sales to related parties

<i>Related party</i>	<i>Country of operation</i>	<i>2021 £000</i>	<i>2020 £000</i>
Future Electronics Deutschland GmbH	Germany	187,365	133,115
Future Electronics Inc. (Distribution) PTE Limited	Singapore	48,199	41,597
Future Electronics (Distribution) Israel Limited	Israel	37,966	25,765
Future Electronics Corporation	USA	11,448	12,122
Future Electronics Austria GmbH	Austria	25,686	18,441
Future Electronics (Schweiz) GmbH	Switzerland	14,529	16,846
Future Electronics Turkey Ltd	Turkey	10,188	7,677
Paris Nord Electronics S.A.	France	2,599	1,550
Future Electronics A.S.	Norway	5,812	3,810
FE Trading PTY Limited	South Africa	2,970	2,212
Velocity Electronics BV	Netherlands	167	43
Rena Electronica BV	Netherlands	1,045	1,078
Future Electronics Inc.	Canada	492	65
		<u>348,466</u>	<u>264,321</u>

Purchases from related parties

<i>Related party</i>	<i>Country of operation</i>	<i>2021 £000</i>	<i>2020 £000</i>
Future Electronics Inc.	Canada	10	1,030
Future Electronics Inc. (Distribution) PTE Limited	Singapore	18,859	26,382
Velocity Electronics BV	Netherlands	1,026	97
Rena Electronica BV	Netherlands	1,805	1,810
Future Electronics Corporation	USA	33,754	27,615
		<u>55,454</u>	<u>56,934</u>

Management charges from related parties

<i>Related party</i>	<i>Country of operation</i>	<i>2021 £000</i>	<i>2020 £000</i>
Future Electronics Management Services Ltd	UK	<u>605</u>	<u>448</u>

Loan interest paid and payable to related parties

<i>Related party</i>	<i>Country of operation</i>	<i>2021 £000</i>	<i>2020 £000</i>
FE Luxfinco Services SARL	Luxembourg	1,729	2,077
Future Electronics Corporation	USA	74	228
		<u>1,803</u>	<u>2,305</u>

Notes to the financial statements

at 31 December 2021

22. Related party transactions (continued)

Sales commission paid and payable to related parties		2021	2020
<i>Related party</i>	<i>Country of operation</i>	£000	£000
Future Electronics S.r.L	Italy	9,011	7,313
Future Electronics S.A.	France	9,869	8,212
FAI Electronics AB	Sweden	3,196	2,995
Future Electronics Distribution (Spain) S.L.	Spain	4,095	3,624
Future Electronics Polska Sp.Z.o.o.	Poland	2,743	1,963
Future Electronics Oy	Finland	1,813	1,661
Future Electronics A/S	Denmark	1,640	1,553
Future Electronics B.V.	Netherlands	1,854	1,524
Future Electronics Kft.	Hungary	1,292	794
Future Electronics s.r.o	Czech Rep	1,570	1,118
Future Electronics (Ireland) Limited	Ireland	1,321	1,023
Future Electronics UAB	Lithuania	1,446	976
Future Electronics NV	Belgium	998	858
Future Electronics SRL	Romania	1,327	804
Future Electronics OU	Estonia	549	515
Future Electronics d.o.o.	Slovenia	460	276
Future Electronics Portugal Unipessoal LDA	Portugal	245	195
Future Electronics Tunisia	Tunisia	87	-
Future Electronics Rus LLC	Russia	608	628
		<u>44,124</u>	<u>36,032</u>

Amounts due from related parties		2021	2020
<i>Related party</i>	<i>Country of operation</i>	£000	£000
Future Electronics Management Services Ltd	UK	6,686	7,270
Future Electronics Deutschland GmbH	Germany	27,396	8,227
Future Electronics Distribution (Israel) Limited	Israel	15,479	7,528
Future Electronics Inc. (Distribution) PTE	Singapore	11,498	1,944
Future Electronics Austria GmbH	Austria	4,762	3,015
FE Trading PTY Limited	South Africa	1,301	1,000
Future Electronics Schweiz GmbH	Switzerland	2,652	789
Paris Nord Electronics S.A.	France	384	173
Future Electronics A.S.	Norway	1,895	512
Velocity Electronics BV	Netherlands	3	4
Rena Electronica BV	Netherlands	200	135
Future Electronics B.V.	Netherlands	-	40
Future Electronics Turkey Ltd.	Turkey	4,392	2,630
Future Electronics Distribution (Spain) S.L.	Spain	-	22
Future Electronics OY	Finland	-	5
Future Electronics Tunisia	Tunisia	38	-
		<u>76,686</u>	<u>33,294</u>

Notes to the financial statements

at 31 December 2021

22. Related party transactions (continued)

Amounts due to related parties		2021	2020
Related party	Country of operation	£000	£000
Future Electronics Corporation	USA	8,358	1,502
Future Electronics S.r.L	Italy	2,813	-466
Future Electronics Portugal Unipessoal LDA	Portugal	83	-
Future Electronics S.A.	France	4,082	1,122
Future Electronics Inc.	Canada	62,468	6,794
Future Electronics Distribution (Spain) S.L.	Spain	1,135	-
Future Electronics B.V.	Netherlands	480	-
FE Luxfinco Services Sarl	Luxembourg	75,500	75,500
Future Electronics EDC Services GmbH	Germany	5,021	1,259
Future Electronics Polska Sp. Z.o.o.	Poland	1,936	345
Future Electronics Oy	Finland	758	-
Future Electronics (Ireland) Limited	Ireland	298	50
Future Electronics A/S	Denmark	504	250
Future Electronics Kft.	Hungary	537	1
Future Electronics UAB	Lithuania	809	169
Future Electronics SRL	Romania	635	44
Future Electronics s.r.o	Czech Rep	683	113
FAI Electronics AB	Sweden	1,418	29
Future Electronics Rus LLC	Russia	34	43
Future Electronics d.o.o.	Slovenia	178	12
Future Electronics NV	Belgium	260	49
Future Electronics OU	Estonia	232	63
Future Electronics Turkey Ltd	Turkey	-	-
		<u>168,222</u>	<u>87,811</u>

The £75.5m (2020 – £75.5m) loan is owed to FE Luxfinco Services Sarl. It is unsecured and repayable on 31 December 2022. Interest is payable at 2.29% per annum (2020 – 2.29%).

Key Management Personnel

Certain senior employees who have authority and responsibility for planning, directing, and controlling the activities of the Company are considered to be key management personnel. Total remuneration in respect of these individuals is £411k (2020 - £352k).

23. Subsequent Events

On 27 June 2022, the Company received £80,380,286 from Future Electronics Management Services Limited in the form of a contribution. In return management intend to issue 100 ordinary shares to Group company Future Electronics Management Services Ltd. Thereafter, the Company repaid it's unsecured loan of £75,500,000 in full to F.E. II (Luxfinco) Services S.a.r.l.