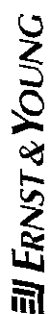


2087867

Future Electronics Limited

Report and Financial Statements

31 December 2003

 **ERNST & YOUNG**



Future Electronics Limited

Registered No: 2087867

Directors

D G Casey
T G McGrory
J A J Rourke

Secretary

W R Wingad

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
Poyle Road
Colnbrook
Slough
Berkshire
SL3 OAA

Directors' report

The directors present their report and financial statements for the year ended 31 December 2003.

Results and dividends

The profit for the year, after taxation, amounted to £1,723,443. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the year was to be the distribution of electronic components. Turnover has increased by 13.6% to £243,470,711 during the year.

Future developments

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

Events since the balance sheet date

There were no significant events affecting the company since the date of the balance sheet.

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. *Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is received.*

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

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

D G Casey
T G McGrory
J A J Rourke

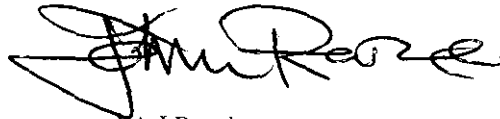
There are no directors' interests requiring disclosure under the Companies Act 1985.

Directors' report

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



J A J Rourke

Director

June 3rd, 2004

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Future Electronics Limited

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

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

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

Independent auditors' report

to the members of Future Electronics Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young UK

Ernst & Young LLP
Registered Auditor

11 June 2004

Profit and loss account

for the year ended 31 December 2003

| | Notes | 2003 £ | 2002 £ |
|---|-------|-------------|-------------|
| Turnover | 2 | 243,470,711 | 214,414,812 |
| Cost of sales | | 196,911,543 | 177,990,948 |
| Gross profit | | 46,559,168 | 36,423,864 |
| Distribution costs | | 26,807,680 | 23,326,859 |
| Administrative expenses | | 17,363,815 | 15,348,486 |
| Other operating expenses/(income) | | 16,034 | (64,382) |
| Operating profit/(loss) | 3 | 2,371,639 | (2,187,099) |
| Interest receivable and similar income | 6 | 485,375 | 193,731 |
| Interest payable | 7 | (306,543) | (53,810) |
| | | 178,832 | 139,921 |
| Profit/(loss) on ordinary activities before taxation | | 2,550,471 | (2,047,178) |
| Tax on profit/(loss) on ordinary activities | 8 | 827,028 | (627,311) |
| Profit retained/(loss) for the financial year | | 1,723,443 | (1,419,867) |

Statement of total recognised gains and losses

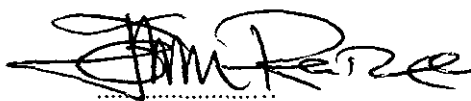
There are no recognised gains or losses other than the profit of £1,723,443 attributable to the shareholders for the year ended 31 December 2003 (2002 - loss of £1,419,867).

Balance sheet

at 31 December 2003

| | Notes | 2003 £ | 2002 £ |
|--|-------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 9 | 3,286,740 | 4,294,624 |
| Investments | 10 | 4,439,195 | 4,463,464 |
| | | <u>7,725,935</u> | <u>8,758,088</u> |
| Current assets | | | |
| Stocks | 11 | 58,490,630 | 54,903,052 |
| Debtors | 12 | 55,272,474 | 40,475,724 |
| Cash at bank and in hand | | 10,931,876 | 8,395,055 |
| | | <u>124,694,980</u> | <u>103,773,831</u> |
| Creditors: amounts falling due within one year | 13 | 41,552,859 | 23,359,640 |
| | | <u>83,142,121</u> | <u>80,414,191</u> |
| Net current assets | | | |
| | | <u>90,868,056</u> | <u>89,172,279</u> |
| Total assets less current liabilities | | | |
| | | <u>90,868,056</u> | <u>89,172,279</u> |
| Creditors: amounts falling due after more than one year | 14 | 166,000 | 193,666 |
| | | <u>90,702,056</u> | <u>88,978,613</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 88,069,083 | 88,069,083 |
| Share premium account | 18 | 875,938 | 875,938 |
| Profit and loss account | 18 | 1,757,035 | 33,592 |
| Equity shareholders' funds | 18 | <u>90,702,056</u> | <u>88,978,613</u> |

ERNST & YOUNG



J A J Rourke
Director

June 3rd 2004

Statement of cash flows for the year ended 31 December 2003

| | Notes | 2003 £ | 2002 £ |
|--|-------|------------------|------------------|
| Net cash inflow from operating activities | 19(a) | 2,256,779 | 6,489,000 |
| Returns on investments and servicing of finance | 19(b) | 178,832 | 139,921 |
| Taxation | 19(c) | 603,468 | (1,175,861) |
| Capital expenditure and financial investment | 19(d) | (475,094) | (485,432) |
| Acquisitions and disposals | 19(e) | 24,269 | (105,361) |
| Financing | 19(f) | (27,666) | (734,097) |
| Increase in cash | | <u>2,560,588</u> | <u>4,128,170</u> |

Reconciliation of net cash flow to movement in net funds

| | | 2003 £ | 2002 £ |
|--|-------|-------------------|------------------|
| Increase in cash | | 2,560,588 | 4,128,170 |
| Net cash outflow from decrease in long-term accruals | | <u>27,666</u> | <u>734,097</u> |
| | | <u>2,588,254</u> | <u>4,862,267</u> |
| Change in net funds | 19(g) | 2,588,254 | 4,862,267 |
| Net funds at 1 January | 19(g) | <u>8,177,622</u> | <u>3,509,021</u> |
| Net funds at 31 December | 19(g) | <u>10,765,876</u> | <u>8,371,288</u> |

Notes to the financial statements

at 31 December 2003

1. Accounting policies

Basis of preparation

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

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

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

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

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

Stocks

Stocks are stated at the lower of 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.

Deferred taxation

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

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

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

Pension

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

Notes to the financial statements

at 31 December 2003

1. Accounting policies (continued)

Foreign currencies

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

Operating lease rentals

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

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

3. Operating profit/(loss)

This is stated after charging/(crediting):

| | 2003 £ | 2002 £ |
|--|----------------|----------------|
| Auditors' remuneration - audit services | 35,000 | 33,000 |
| - non-audit services | 47,882 | 86,073 |
| | <u>82,882</u> | <u>119,073</u> |
| Depreciation of owned fixed assets | 1,482,978 | 1,571,756 |
| Loss on disposal of fixed assets | - | 47,087 |
| Operating lease rentals - land and buildings | 1,476,983 | 1,503,656 |
| - plant and machinery | 45,579 | 41,967 |
| Net loss on foreign currency translation | <u>321,820</u> | <u>499,858</u> |

4. Staff costs

| | 2003 £ | 2002 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 13,117,636 | 11,533,705 |
| Social security costs | 1,520,199 | 1,241,768 |
| | <u>14,637,835</u> | <u>12,775,473</u> |

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

| | 2003 No. | 2002 No. |
|--------------------------|-------------|-------------|
| Warehouse | 139 | 120 |
| Sales and administration | 326 | 321 |
| | <u>465</u> | <u>441</u> |

Notes to the financial statements

at 31 December 2003

5. Directors' emoluments

| | 2003 £ | 2002 £ |
|------------|----------------|----------------|
| Emoluments | <u>801,845</u> | <u>239,049</u> |

The amounts in respect of the highest paid director are as follows:

| | 2003 £ | 2002 £ |
|------------|----------------|----------------|
| Emoluments | <u>656,057</u> | <u>136,479</u> |

The directors of the company are also directors of fellow subsidiaries. The directors received total remuneration for the year of £801,845 (2002: £239,049), all of which was paid by Future Electronics 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 (2002: nil).

6. Interest receivable

| | 2003 £ | 2002 £ |
|-------------------------------|----------------|----------------|
| Bank interest receivable | 166,210 | 101,011 |
| Interest from group companies | 319,165 | 92,720 |
| | <u>485,375</u> | <u>193,731</u> |

7. Interest payable

| | 2003 £ | 2002 £ |
|--|----------------|---------------|
| Bank interest payable | 4,955 | 15,173 |
| Interest payable to group undertakings | 301,588 | 38,637 |
| | <u>306,543</u> | <u>53,810</u> |

8. Tax

(a) Tax on profit/(loss) on ordinary activities
The tax charge/(credit) is made up as follows:

| | 2003 £ | 2002 £ |
|-------------------------------------|----------------|------------------|
| <i>Current tax:</i> | | |
| UK corporation tax | 827,028 | (592,355) |
| Tax over provided in previous years | — | (34,956) |
| Total current tax (note 8(b)) | <u>827,028</u> | <u>(627,311)</u> |

Notes to the financial statements

at 31 December 2003

8. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are reconciled below:

| | 2003 £ | 2002 £ |
|--|-----------|-------------|
| Profit/(loss) on ordinary activities before taxation | 2,550,471 | (2,047,178) |
| Profit/(loss) on ordinary activities by rate of tax | 765,141 | (614,153) |
| Disallowed expenses and non-taxable income | 98,989 | 86,909 |
| Depreciation in excess of capital allowances | 99,846 | 50,985 |
| Other timing differences | (136,948) | (116,096) |
| Adjustments in respect of previous periods | — | (34,956) |
| Total current tax (note 8(a)) | 827,028 | (627,311) |

(c) Deferred tax

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

| | 2003 £ | 2002 £ |
|---|-----------|-----------|
| Capital allowances in advance of depreciation | (64,796) | (164,642) |
| Other timing differences | 287,426 | 424,374 |
| | 222,630 | 259,732 |

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

Notes to the financial statements

at 31 December 2003

9. Tangible fixed assets

| | <i>Short leasehold improvements</i> £ | <i>Equipment and fixtures</i> £ | <i>Computer Equipment</i> £ | <i>Total</i> £ |
|--------------------------|--|--|------------------------------------|-------------------|
| Cost: | | | | |
| At 1 January 2003 | 1,629,298 | 3,582,242 | 2,525,109 | 7,736,649 |
| Additions | 170,468 | 165,406 | 139,220 | 475,094 |
| Written off | (622,260) | (183,356) | (583,187) | (1,388,803) |
| At 31 December 2003 | <u>1,177,506</u> | <u>3,564,292</u> | <u>2,081,142</u> | <u>6,822,940</u> |
| Depreciation: | | | | |
| At 1 January 2003 | 1,016,737 | 1,168,925 | 1,256,363 | 3,442,025 |
| Provided during the year | 304,405 | 523,631 | 654,942 | 1,482,978 |
| Written off | (622,260) | (183,356) | (583,187) | (1,388,803) |
| At 31 December 2003 | <u>698,882</u> | <u>1,509,200</u> | <u>1,328,118</u> | <u>3,536,200</u> |
| Net book value: | | | | |
| At 31 December 2003 | <u>478,624</u> | <u>2,055,092</u> | <u>753,024</u> | <u>3,286,740</u> |
| At 31 December 2002 | <u>612,561</u> | <u>2,413,317</u> | <u>1,268,746</u> | <u>4,294,624</u> |

10. Investments

| | <i>Shares in group companies</i> £ |
|---------------------|---|
| Cost: | |
| At 1 January 2003 | 4,463,464 |
| Disposal | (24,269) |
| At 31 December 2003 | <u>4,439,195</u> |

The company holds 100% of the preferred share capital of FE Future Holding BV, a holding company for the European subsidiary undertakings, incorporated in The Netherlands. The company also holds 50% of the voting rights in FE Future Holding BV. The remaining 50% of the voting rights are held by Future Electronics Inc., the ultimate parent company. Control of FE Future Holding BV is exercised by Future Electronics Inc. Since Future Electronics Limited does not exercise significant influence over FE Future Holding BV, the company does not equity account for its investment.

Notes to the financial statements

at 31 December 2003

11. Stocks

| | 2003 £ | 2002 £ |
|----------------|------------|------------|
| Finished goods | 58,490,630 | 54,903,052 |

Included within finished goods is £nil (2002: £2,191,719) of stock held on consignment.

12. Debtors

| | 2003 £ | 2002 £ |
|------------------------------------|-------------------|-------------------|
| Trade debtors | 42,344,095 | 30,737,501 |
| Amounts owed by group undertakings | 9,293,773 | 5,289,390 |
| Corporation tax repayable | — | 865,355 |
| Other debtors | 1,742,459 | 2,169,691 |
| Prepayments and accrued income | 1,892,147 | 1,413,787 |
| | <u>55,272,474</u> | <u>40,475,724</u> |

13. Creditors: amounts falling due within one year

| | 2003 £ | 2002 £ |
|------------------------------------|-------------------|-------------------|
| Bank overdrafts | — | 23,767 |
| Trade creditors | 15,939,047 | 8,311,008 |
| Amounts owed to group undertakings | 19,991,704 | 9,579,814 |
| Corporation tax | 565,141 | — |
| Other taxation and social security | 393,872 | 360,968 |
| Other creditors | 10,716 | 8,729 |
| Accruals and deferred income | 4,652,379 | 5,075,354 |
| | <u>41,552,859</u> | <u>23,359,640</u> |

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

| | 2003 £ | 2002 £ |
|------------------------------|-----------|-----------|
| Accruals and deferred income | 166,000 | 193,666 |

Accruals and deferred income contain reverse premiums, of which £27,667 (2002: £55,333) will be released after five years.

Notes to the financial statements

at 31 December 2003

15. Commitments under operating leases

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

| | 2003 | | 2002 | |
|--------------------------------|-------------------------------|---------------|-------------------------------|---------------|
| | <i>Land and buildings</i> | <i>Other</i> | <i>Land and buildings</i> | <i>Other</i> |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within one year | - | 8,448 | 14,693 | 26,422 |
| In two to five years | 324,020 | 54,270 | 14,000 | 62,720 |
| In over five years | 1,133,982 | - | 1,419,669 | - |
| | <u>1,458,002</u> | <u>62,718</u> | <u>1,448,362</u> | <u>89,142</u> |

16. Related party transaction

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

| | Country of operation | 2003 £ | 2002 £ |
|---|-------------------------|-------------------|-------------------|
| Sales to related parties | | | |
| <i>Related party</i> | | | |
| Future Electronics Corporation | USA | 12,905,306 | 14,141,621 |
| Future Electronics Inc. (Distribution) | | | |
| PTE Limited | Singapore | 3,496,781 | 3,033,127 |
| Future Electronics A.S. | Norway | 6,848,836 | 5,985,213 |
| Future Electronics Sp. Z.o.o | Poland | 4,605,126 | 3,358,621 |
| Future Electronics Deutschland GmbH | Germany | 28,924,459 | 23,659,519 |
| Future Electronics (Distribution) Israel Limited | Israel | 16,228,527 | 14,469,587 |
| Future Electronics Kft. | Hungary | 3,035,003 | 101,485 |
| Future Electronics Austria GmbH | Austria | 1,608,208 | 75,547 |
| | | <u>77,652,246</u> | <u>64,824,720</u> |
| Purchases from related parties | | | |
| <i>Related party</i> | | | |
| Future Electronics Corporation | USA | 60,850,927 | 53,884,727 |
| Future Electronics Inc. (Distribution) | | | |
| PTE Limited | Singapore | 2,621,462 | 1,738,386 |
| | | <u>63,472,389</u> | <u>55,623,113</u> |

Notes to the financial statements

at 31 December 2003

16. Related party transactions (continued)

Loan interest paid/payable to related parties

Related party

| | | | |
|---|-------------|----------------|---------------|
| Future Electronics Corporation | USA | 65,946 | 38,637 |
| Future Electronics Austria GmbH | Austria | 710 | - |
| Future Electronics NV | Belgium | 455 | - |
| Future Electronics Deutschland GmbH | Germany | 98,392 | - |
| Future Electronics A/S | Denmark | 4,505 | - |
| Future Electronics Oy | Finland | 2,620 | - |
| Future Electronics S.A. | France | (24,462) | - |
| Future Electronics S.A. | France | 52,421 | - |
| Future Electronics (Ireland) Ltd | Ireland | 43,174 | - |
| Future Electronics SRL | Italy | 23,603 | - |
| Future Electronics B.V. | Netherlands | 17,100 | - |
| Future Electronics Distribution (Spain) | Spain | 5,436 | - |
| Future Electronics AB | Sweden | 11,688 | - |
| | | <u>301,588</u> | <u>38,637</u> |

Loan interest received/receivable from related parties

Related party

| | | | |
|--|---------|----------------|---------------|
| Future Electronics Corporation | USA | 4,953 | 92,720 |
| Future Electronics Austria GmbH | Austria | 4,604 | - |
| Future Electronics NV | Belgium | 744 | - |
| Future Electronics Oy | Finland | 470 | - |
| Future Electronics Kft | Hungary | 30,627 | - |
| Future Electronics Distribution (Israel) Ltd | Israel | 230,540 | - |
| Future Electronics AS | Norway | 12,430 | - |
| Future Electronics Polska Sp. Z o.o. | Poland | 34,792 | - |
| Future Electronics AB | Sweden | 5 | - |
| | | <u>319,165</u> | <u>92,720</u> |

Sales commission paid and payable to related parties

Related party

| | | | |
|--|-------------|-------------------|-------------------|
| Future Electronics S.A. | France | 4,079,701 | 4,232,964 |
| Future Electronics S.r.L. | Italy | 2,689,835 | 2,230,374 |
| Future Electronics (Ireland) Limited | Ireland | 701,338 | 650,418 |
| Future Electronics A/S | Denmark | 969,025 | 933,933 |
| Future Electronics B.V. | Netherlands | 497,369 | 466,241 |
| Future Electronics Oy | Finland | 980,719 | 842,884 |
| FAI Electronics AB | Sweden | 1,751,916 | 1,357,203 |
| Future Electronics Kft. | Hungary | 401,197 | 431,183 |
| Future Electronics Distribution (Spain) S.L. | Spain | 931,295 | 797,459 |
| Future Electronics NV | Belgium | 696,521 | 442,417 |
| | | <u>13,698,916</u> | <u>12,385,076</u> |

Notes to the financial statements

at 31 December 2003

16. Related party transactions (continued)

Amounts due from related parties

Related party

| | | | |
|--|-------------|------------------|------------------|
| Future Electronics A.S. | Norway | 663,151 | 186,768 |
| Future Electronics Sp. Z.o.o. | Poland | 911,532 | 646,359 |
| Future Electronics Distribution (Israel) Limited | Israel | 5,744,096 | 4,360,498 |
| Future Electronics Kft | Hungary | 1,878,252 | – |
| F.E. Future Holding B.V. | Netherlands | 96,742 | 95,765 |
| | | <u>9,293,773</u> | <u>5,289,390</u> |

Amounts due to related parties

Related party

| | | | |
|--|-------------|-------------------|------------------|
| Future Electronics NV | Belgium | 59,765 | 59,951 |
| Future Electronics S.A. | France | 435,549 | 739,136 |
| Future Electronics (Ireland) Limited | Ireland | 1,355,376 | 1,229,127 |
| Future Electronics A/S | Denmark | 68,290 | 81,652 |
| Future Electronics Deutschland GmbH | Germany | 4,634,379 | 2,804,222 |
| Future Electronics Kft. | Hungary | – | 108,886 |
| Future Electronics Distribution (Spain) S.L. | Spain | 117,470 | 98,745 |
| Future Electronics S.r.L | Italy | 334,189 | 211,493 |
| Future Electronics Oy | Finland | 35,752 | 22,035 |
| FAI Electronics AB | Sweden | 516,717 | 456,559 |
| F.E. Future Holding B.V. | Netherlands | 570,684 | 401,775 |
| Future Electronics Inc. | Canada | 290,964 | 354,444 |
| Future Electronics Inc. (Distribution) PTE Limited | Singapore | 803,732 | 292,678 |
| Future Electronics Austria GmbH | Austria | 178,729 | 43,199 |
| Future Electronics Corporation | USA | 10,590,108 | 2,675,910 |
| | | <u>19,991,704</u> | <u>9,579,812</u> |

17. Share capital

| | | 2003 | | Authorised 2002 | |
|----------------------------|------------|------------------------------------|------------|--------------------|------------|
| | | £ | | £ | |
| Ordinary shares of £1 each | | 100,000,000 | | 100,000,000 | |
| | | | | | |
| | | Allotted, called up and fully paid | | | |
| | | 2003 | | 2002 | |
| | No. | £ | | No. | £ |
| Ordinary shares of £1 each | 88,069,083 | 88,069,083 | 88,069,083 | 88,069,083 | 88,069,083 |

Notes to the financial statements

at 31 December 2003

18. Reconciliation of shareholders' funds and movement on reserves

| | Share capital £ | Share premium account £ | Profit and loss account £ | Total share- holders' funds £ |
|---------------------|--------------------|-------------------------------|---------------------------------|-------------------------------------|
| At 1 January 2002 | 88,069,083 | 875,938 | 1,453,459 | 90,398,480 |
| Loss for the year | — | — | (1,419,867) | (1,419,867) |
| At 31 December 2002 | 88,069,083 | 875,938 | 33,592 | 88,978,613 |
| Profit for the year | — | — | 1,723,443 | 1,723,443 |
| At 31 December 2003 | 88,069,083 | 875,938 | 1,757,035 | 90,702,056 |

19. Notes to the statement of cash flows

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

| | 2003 £ | 2002 £ |
|---|--------------|-------------|
| Operating profit/(loss) | 2,371,639 | (2,187,099) |
| Depreciation | 1,482,978 | 1,571,756 |
| Loss on disposal of fixed assets | — | 47,087 |
| Increase in stocks | (3,587,578) | (3,994,377) |
| (Increase)/decrease in debtors | (15,662,105) | 3,323,571 |
| Increase in creditors | 17,651,845 | 7,755,728 |
| Decrease in other creditors | — | (27,666) |
| Net cash inflow from operating activities | 2,256,779 | 6,489,000 |

(b) Returns on investments and servicing of finance

| | 2003 £ | 2002 £ |
|-------------------|-----------|-----------|
| Interest received | 485,375 | 193,731 |
| Interest paid | (306,543) | (53,810) |
| | 178,832 | 139,921 |

(c) Taxation

| | 2003 £ | 2002 £ |
|---------------------------------|-----------|-------------|
| Corporation tax received/(paid) | 603,468 | (1,175,861) |

Notes to the financial statements

at 31 December 2003

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

(d) Capital expenditure

| | 2003 £ | 2002 £ |
|--|------------------|------------------|
| Payments to acquire tangible fixed assets | (475,094) | (535,432) |
| Receipts from sales of tangible fixed assets | - | 50,000 |
| | <u>(475,094)</u> | <u>(485,432)</u> |

(e) Acquisitions and disposals

| | 2003 £ | 2002 £ |
|--|---------------|------------------|
| Acquisition of shares in group companies | - | (105,361) |
| Disposal of shares in group companies | 24,269 | - |
| | <u>24,269</u> | <u>(105,361)</u> |

(f) Financing

| | 2003 £ | 2002 £ |
|---|-----------------|------------------|
| Decrease in amounts owed to Future Electronics Inc. | - | (734,097) |
| Net outflow from long-term accruals | (27,666) | - |
| | <u>(27,666)</u> | <u>(734,097)</u> |

(g) Analysis of changes in net funds

| | At 1 January 2003 £ | Cash flows £ | At 31 December 2003 £ |
|--------------------------|------------------------------|------------------|--------------------------------|
| Cash at bank and in hand | 8,395,055 | 2,536,821 | 10,931,876 |
| Overdrafts | (23,767) | 23,767 | - |
| Debt due after one year | (193,666) | 27,666 | (166,000) |
| | <u>8,177,622</u> | <u>2,588,254</u> | <u>10,765,876</u> |

20. Ultimate parent company

The company is a wholly owned subsidiary of Future Electronics Inc., which is incorporated in Canada. Future Electronics Inc. is also, in the opinion of the directors, the ultimate parent undertaking. The consolidated financial statements of Future Electronics Inc. are not available to the public.

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.