

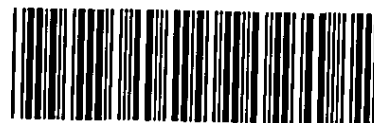
Service Source Europe Limited

**Directors' report and financial
statements**

Registered Number 2026808

31 August 2006

TUESDAY



AMJ01RPW

A28

31/07/2007

133

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Service Source Europe Limited	4
Profit and loss account	6
Balance sheet	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2006

Principal activities

The principal activities of the company during the year were the supply of computer parts and the provision of logistic services

Business review

Objectives

The company's overall aim is to increase its turnover and profitability by continuing the rapid growth of its warranty parts supply and reverse logistics business, both through the development of its existing customer base but more importantly by expanding the range of customers using this unique service. In addition the Multi Vendor business market development will be continued as in previous years by further expansion into Europe.

Risks

The principal business risk facing the company relates to the loss of a major customer.

Performance

The results for the year are shown on page 6

The business performed well during the period with continued growth in all areas of its business, turnover grew by 65% to £56,262,259 and profit before tax increased to £1,457,475 a 17% rise.

This growth in activity has resulted in a 37% increase in working capital which has largely been financed by funds provided by group companies. A large proportion of the increase in working capital relates to an investment in inventory in preparation for the significant increases in volumes expected in early Financial Year 2007 on a new contract for Hewlett Packard.

Review of developments and future prospects

The directors are monitoring the company's trading prospects and are satisfied with the progress made to date. Continuing efforts will be made to expand on our current service base and explore opportunities for growth in the forthcoming year.

Dividends and transfer to reserves

The profit for the year of £990,294 (2005 £1,237,656) has been transferred to reserves.

The directors do not recommend the payment of a dividend (2005 £626,747 paid dividends). In accordance with FRS 21 the profit and loss account only includes dividends paid in the year and dividends proposed in the year are no longer accrued. The comparative figure has been restated to reflect this – see note 23 to the accounts.

Fixed assets

Movements in fixed assets are shown in note 9 to the financial statements.

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows

Mrs K Fairburn
Mr GA Buchan
Mr JR Dalton
Mr J Bruce
Mr MJ Hesketh
Mr W Liggan
Mr P Hayes

Political and charitable contributions

Charitable donations in the period amounted to £nil (2005 £665) No political donations were made (2005 £nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

M Hesketh
Director

Stretton Green Distribution Centre
Langford Way
Appleton
Warrington
WA4 4TQ

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditors' report to the members of Service Source Europe Limited

We have audited the financial statements of Service Source Europe Limited for the year ended 31 August 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page number 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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 Service Source Europe Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

VPMG_{ue}.

31 July 2007

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 August 2006

	<i>Note</i>	2006 £	14 months ended 31 August 2005 £
Turnover	<i>1,2</i>	56,262,259	34,044,209
Cost of sales		(44,672,131)	(24,554,571)
		<hr/>	<hr/>
Gross profit		11,590,128	9,489,638
Distribution expenses		(425,892)	(303,129)
Administrative expenses		(9,485,987)	(7,893,575)
		<hr/>	<hr/>
Operating profit	<i>3</i>	1,678,249	1,292,934
Interest payable and similar charges	<i>6</i>	(220,774)	(51,428)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,457,475	1,241,506
Tax on profit on ordinary activities	<i>7</i>	(467,181)	(3,850)
		<hr/>	<hr/>
Profit for the financial period		990,294	1,237,656
		<hr/>	<hr/>

There were no acquisitions or discontinued activities in the current or previous financial period. Consequently, all results arise from continuing operations.

There are no recognised gains or losses other than the profit for the period and the previous year. Accordingly, a statement of total recognised gains and losses has not been prepared.

Balance sheet
at 31 August 2006

	Note	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	9		418,279		414,204
Current assets					
Stocks	10	16,026,967		4,308,913	
Debtors	11	23,376,637		6,919,173	
Cash in bank and hand		1,362,910		2,298,366	
		40,766,514		13,526,452	
Creditors: amounts falling due within one year					
Trade creditors		(6,169,810)		(3,454,580)	
Other creditors	12	(30,926,785)		(7,385,229)	
Net current assets			3,669,919		2,686,643
Total assets less current liabilities			4,088,198		3,100,847
Creditors amounts falling due after more than one year	13		-		(2,943)
Net assets			4,088,198		3,097,904
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account	17		4,088,098		3,097,804
Shareholders' funds	16		4,088,198		3,097,904

These financial statements were approved by the board of directors on 30/8/07
behalf by

and were signed on its

M Hesketh
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date'
- The presentation requirements of FRS 25 'Financial instruments, presentation and disclosure' and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. The adoption of FRS 25 has had no material effect on the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and with the requirements of the Companies Act 1985, under the historical cost accounting rules

Under Financial Reporting Standard 1 the group is exempt from the requirement to prepare a cashflow statement on the grounds that its ultimate parent undertaking, Solelectron Corporation, includes the company in its own consolidated financial statements

Tangible fixed assets

Depreciation is provided over the estimated useful lives of the assets on a straight line basis. The rates of depreciation are as follows

Leasehold improvements	-	33%
Fixtures, fittings and equipment	-	25%
Motor vehicles	-	25%

Stocks

Stocks are stated at the lower of purchase cost and net realisable value

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Notes (continued)

1 Accounting policies (continued)

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account as incurred.

Turnover

Turnover represents the income receivable in the ordinary course of business for goods and services provided and excludes VAT. Turnover is recognised upon raising of invoices, which corresponds with despatch of goods or provision of services.

Pension costs

The company operates a defined contribution money purchase scheme for eligible employees. Contributions made by the company are charged to the profit and loss account as incurred.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Financial Reporting Standard 8

In accordance with the exemptions conferred by Financial Reporting Standard 8, "Related Party Disclosures", details of transactions with entities 90 per cent or more of whose voting rights are controlled within the same group have not been disclosed.

Dividends on share presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. There are no unpaid dividends at the current balance sheet date.

2 Turnover by destination

	2006	14 months ended 31 August 2005
	£	£
France	20,432,258	11,517,154
Netherlands	7,677,693	765,201
Other European countries	7,059,823	1,804,869
Rest of the world	1,279,996	497,666
United Kingdom	19,812,489	19,459,319
	<u>56,262,259</u>	<u>34,044,209</u>

Notes (continued)

3 Notes to the profit and loss account

	2006	14 months ended 31 August 2005
	£	£
<i>The profit on ordinary activities before taxation is stated after charging:</i>		
Loss on disposal of tangible fixed assets	9,263	2,710
Depreciation of tangible fixed assets		
Owned	305,636	260,090
Leased	6,763	8,852
Auditors' remuneration		
Audit of these financial statements	19,500	19,000
Operating lease rentals		
Plant and machinery	20,293	46,011
Other	378,146	200,824
	<u> </u>	<u> </u>

4 Remuneration of directors

	2006	14 months ended 31 August 2005
	£	£
Directors' emoluments	477,242	623,304
	<u> </u>	<u> </u>
Contributions to money purchase pension schemes	54,892	46,283
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £118,561 (2005 £130,304) and contributions to the money purchase pension scheme were £4,993 (2005 £6,160)

During the period three directors (2005 three) have benefits accruing under the company defined contribution money purchase pension scheme

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2006	14 months ended 31 August 2005
Engineering and distribution	141	98
Sales and customer service	63	57
Management and administration	74	46
	<hr/> 278 <hr/>	<hr/> 201 <hr/>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	5,241,500	4,722,659
Social security costs	510,363	452,375
Pension costs	117,858	95,029
	<hr/> 5,869,721 <hr/>	<hr/> 5,270,063 <hr/>

6 Interest payable and similar charges

	2006	14 months ended 31 August 2005
	£	£
Bank loans and overdrafts	220,039	49,981
Finance charges – finance leases and hire purchase contracts	735	1,447
	<hr/> 220,774 <hr/>	<hr/> 51,428 <hr/>

Notes (continued)

7 Taxation

Analysis of charge in the period

	2006 £	14 months ended 31 August 2005 £
Current tax		
United Kingdom corporation tax at 30% (2005 30%) based on the profit for the year	551,785	-
Adjustment in respect of prior years	-	(32,760)
Total current tax	<u>551,785</u>	<u>(32,760)</u>
Deferred tax		
Origination and reversal of timing differences	(87,782)	(21,918)
Adjustment in respect of prior years	3,178	58,528
Total deferred tax	<u>(84,604)</u>	<u>36,610</u>
Tax on profit on ordinary activities	<u>467,181</u>	<u>3,850</u>

The current tax charge for the period is higher (2005 lower) than the standard rate of corporation tax in the UK of 30% (2005 30%). The differences are explained below

	2006 £	14 months ended 31 August 2005 £
Profit on ordinary activities before taxation	1,457,475	1,241,506
Current tax at 30% (2005 30%)	437,243	372,452
Effects of		
Expenses not deductible for tax purposes	27,059	16,888
Capital allowances for period in excess of depreciation	33,551	22,227
Movement in short term timing differences	54,431	(307)
Schedule 23 deduction on exercise of share options	-	(411,260)
Profit on disposal of non-eligible asset	(499)	-
Adjusted in respect of prior years	-	(32,760)
	<u>551,785</u>	<u>(32,760)</u>

Notes (continued)

8 Dividends

	2006 £	14 months ended 31 August 2005 £
Final dividend proposed paid in respect of prior year but not recognised as liabilities in that year	-	412,332
2005 dividends	-	214,415
	<u>-</u>	<u>626,747</u>

9 Tangible fixed assets

	Leasehold improvements £	Fixtures Fittings and Equipment £	Motor Vehicles £	Total £
Cost				
At beginning of period	125,415	1,262,167	56,811	1,444,393
Additions	34,938	399,168	16,890	450,996
Disposals	-	(235,381)	(39,655)	(275,036)
At end of period	<u>160,353</u>	<u>1,425,954</u>	<u>34,046</u>	<u>1,620,353</u>
Depreciation				
At beginning of period	112,164	894,423	23,602	1,030,189
Charge for period	42,104	260,749	9,547	312,400
Disposals	-	(123,320)	(17,195)	(140,515)
At end of period	<u>154,268</u>	<u>1,031,852</u>	<u>15,954</u>	<u>1,202,074</u>
Net book value				
At 31 August 2006	<u>6,085</u>	<u>394,102</u>	<u>18,092</u>	<u>418,279</u>
At 31 August 2005	<u>13,251</u>	<u>367,744</u>	<u>33,209</u>	<u>414,204</u>

Fixtures, fittings and equipment includes computer hardware and software with a cost of £429,806 (2005 £383,106) and a net book value of £240,993 (2005 £180,356)

The net book value of the company's fixed assets included £3,980 in respect of assets held under finance leases and hire purchase contracts (2005 £10,716)

10 Stocks

	2006 £	2005 £
Goods for resale	<u>16,026,967</u>	<u>4,308,913</u>

Notes (continued)

11 Debtors

	2006 £	2005 £
Trade debtors	18,287,944	4,134,755
Other debtors	3,355,536	1,463,918
Prepayments and accrued income	1,632,209	1,155,644
Deferred tax assets (see note 20)	100,948	16,344
Taxation and social security	-	148,512
	<u>23,376,637</u>	<u>6,919,173</u>

12 Other creditors

	2006 £	2005 £
Bank overdrafts	4,994,096	2,307,280
Amounts owed to group undertakings	14,936,861	3,207,124
Obligations under finance leases and hire purchase contracts	2,943	5,687
Taxation and social security	1,455,288	104,979
Accruals	9,369,754	1,662,038
Other creditors	167,843	98,121
	<u>30,926,785</u>	<u>7,385,229</u>

13 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Obligations under finance leases and hire purchase contracts	-	2,943
	<u>-</u>	<u>2,943</u>

14 Borrowings

	2006 £	2005 £
Overdrafts	4,994,096	2,307,280
Loan from group companys	14,936,861	3,207,124
Obligations under finance leases and hire purchase contracts	2,943	8,630
	<u>19,933,900</u>	<u>5,523,034</u>
Due within one year	19,933,900	5,520,091
Due after more than one year	-	2,943
	<u>19,933,900</u>	<u>5,523,034</u>

Notes (continued)

14 Borrowings (continued)

	2006	2005
	£	£
<i>Analysis of repayments</i>		
Bank overdrafts within one year or on demand	4,994,096	2,307,280
Loan from parent company within one year or on demand	14,936,861	3,207,124
Obligations under finance leases and hire purchase contracts		
Within one year	2,943	5,687
Between one and two years	-	2,943
	<u>19,933,900</u>	<u>5,523,034</u>

The overdrafts are secured by a fixed and floating charge over the company's assets

15 Called up share capital

	2006	2005
	£	£
<i>Authorised, allotted and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

16 Reconciliation of movement in shareholders' funds

	2006	2005
	£	£
Profit for the financial period	990,294	1,237,656
Dividends	-	(626,747)
Retained profit for the financial period	<u>990,294</u>	<u>610,909</u>
Opening shareholders funds		
- as previously stated	3,097,904	2,074,663
- prior year adjustment (note 23)	-	412,332
Opening shareholders funds restated	<u>3,097,904</u>	<u>2,486,995</u>
Closing shareholders funds	<u>4,088,198</u>	<u>3,097,904</u>

17 Profit and loss reserve

	Profit and loss account
	£
At beginning of period	3,097,804
Profit for period	990,294
At end of period	<u>4,088,098</u>

Notes (continued)

18 Contingent liabilities

The company has no contingent liabilities at 31 August 2006 (2005 nil)

19 Commitments

(i) There are no capital commitments at the end of the financial year for which provision has not been made

(ii) Annual commitments under non-cancellable operating leases are as follows

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within one year	13,945	-	-	11,852
In the second to fifth years inclusive	-	70,760	167,336	-
	<u>13,945</u>	<u>70,760</u>	<u>167,336</u>	<u>11,852</u>

20 Deferred tax

The amounts of deferred tax assets provided in the financial statements are as follows

	2006 £	2005 £
Capital allowances in excess of depreciation	43,840	11,808
Other timing differences	57,108	4,536
Deferred tax asset (see note 11)	<u>100,948</u>	<u>16,344</u>

Movement in provision for deferred tax

	£
At 1 September 2005	16,344
Credited to profit and loss account	84,604
At 31 August 2006	<u>100,948</u>

21 Pension costs

The company makes contributions to a defined contribution pension scheme for eligible employees excluding directors. During the period contributions of £117,858 (2005 £95,029) were made. At the end of the year £7,974 (2005 £Nil) was outstanding.

Notes (continued)

22 Ultimate parent company

The Company is a wholly owned subsidiary of Marplace (Number 382) Limited incorporated in the UK which is in turn a wholly owned subsidiary of Solectron Corporation

Marplace (Number 382) Limited has taken advantage of the exemption from preparing consolidated financial statements provided by S248 (1) of the Companies Act 1985 as it qualifies as a medium-sized group. Copies of the accounts of Marplace (Number 382) Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ

Solectron Corporation is the ultimate parent undertaking and the largest group which consolidates these accounts. Copies of the accounts of Solectron Corporation are available from Solectron Corporation, 847 Gibraltar Drive, Building 5, Milpitas, California 95035, USA

23 Prior year adjustment

Adoption of FRS 21 'Events after the balance sheet date' has resulted in a prior year adjustment in 2005 of £412,332. The dividends proposed at 31 December 2004 of £412,332 have been recognised in 2005 and the comparative restated to reflect that this was not a liability at that time.

24 Post balance sheet events

The business suffered a fire at its Stretton Headquarters on 30th November 2006. The fire caused significant damage to property but disruption to our customers was restricted. The company's liability for this incident is considered to be limited to its insurance policy excess of \$650,000.

On 29th September 2006 the company entered into two operating leases in relation to their business premises. The annual commitments due, in respect of these leases, total £325,000. Both agreements end on 28th September 2010.

Subsequent to the year end, it has been announced that the UK corporation tax rate will decrease from 30% to 28%, effective from 1 April 2008. This will reduce the deferred tax asset available in future periods.