

Flextronics Global Services (Manchester) Limited

**Directors' report and financial
statements**

Registered Number 2026808
7 month period ended 31 March 2009

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Directors' report

The directors present their annual report and the audited financial statements for the 7 month period ended 31 March 2009.

Principal activities

The principal activities of the company during the period 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 development of its existing customer base but more importantly by expanding the range of customers using this unique service.

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

Performance

The results for the period are shown on page 6.

The companies KPI's are turnover, gross margin and earnings before tax. The gross margin grew from 17% to 21%. The profit before tax for the period was £389,319 (2008: £3,249,597 loss).

Current Liabilities exceeded Current Assets at the period end by £2,840,214. As set out in note 1 the Parent Company will continue to provide financial support for Flextronics Global Services (Manchester) Limited.

Review of developments and future prospects

The Directors are monitoring the company's trading prospects and are focused on a return to profitability. Continuing efforts will be made to expand our current service offering to existing customers and new customers, together with improving net working capital and profitability.

Dividends and transfer to reserves

The profit for the period of £340,288 (2008: Loss £3,051,430) has been transferred to reserves.

The directors do not recommend the payment of a dividend (2008: *Nil*).

Fixed assets

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

Directors

The directors who held office during the year were as follows:

Mr E Johnson
Mr R Foskin
Mr F McKay

Directors' report *(continued)*

Political and charitable contributions

No political or charitable donations were made in this or the prior period.

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Richard Foskin
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).

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 its financial statements comply with the Companies Act 2006. 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 Flextronics Global Services (Manchester) Limited

We have audited the financial statements of Flextronics Global Services (Manchester) Limited for the period ended 31 March 2009 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 sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities on page 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, have been properly prepared in accordance with UK Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. 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 adequate accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of directors' remuneration specified by law are not made.

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, except that the scope of our work was limited as explained below.

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 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.

However, in respect of the opening balance sheet of the prior financial period audit evidence was limited as a result of a fire in late 2006, a significant change in personnel following the change in ownership of the company and certain accounting records not being retained. Accordingly, as at 31 August 2007:

Independent Auditors' Report To The Members Of Flextronics Global Services (Manchester) Limited
(continued)

- no stock listing was available to support the quantities and value of stock appearing in the balance sheet at £35,515,007
- no support was available for £5,528,731 of accrued costs included within accruals appearing in the notes to the balance sheet at £8,395,391
- no support was available for £1,830,930 of accrued income included within prepayments and accrued income appearing in the notes to the balance sheet at £7,025,442
- insufficient information was available to support additions of £495,625 included within fixed assets appearing in the balance sheet at £1,710,993.

As a consequence, we were unable to carry out audit procedures necessary to obtain sufficient appropriate audit evidence regarding the above matters. Any adjustments would have a consequential effect on the company's net assets at 31 August 2007 and on its profit for the years ended 31 August 2007 and 31 August 2008. We qualified our audit report on the financial statements for the years ended 31 August 2007 and 31 August 2008 with regard to this same limitation.

In addition, the evidence available to us for the year ended 31 August 2008 was limited in respect of stocks of £19,653,783 due to non-performance of year end stock counts or perpetual inventory counts for the whole period. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures. Any adjustments would have a consequential effect on the company's net assets at 31 August 2008 and on its profit for the year ended 31 August 2008 and the period ended 31 March 2009. We qualified our audit report on the financial statements for the year ended 31 August 2008 with regard to this same limitation.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitations of scope

Except for the financial effect solely on the comparative information for the year ended 31 August 2008 of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical stock quantities as at 31 August 2008, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2009.

Except for the financial effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the items listed above as at 31 August 2007 and physical stock quantities as at 31 August 2008, in our opinion the financial statements:

- give a true and fair view of the company's profit for the period ended 31 March 2009;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

In respect solely of the limitation on our work relating to physical stock quantities as at 31 August 2008:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been maintained.

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



Ian Goalen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade, Liverpool, L3 1QH

16 November 2009

Registered Number 2026808 / 7 month period ended 31 March 2009

Profit and loss account

for the 7 month period ended 31 March 2009

	<i>Note</i>	7 month period ended 31 March 2009 £	Year ended 31 August 2008 £
Turnover	2	80,536,842	128,819,664
Cost of sales		(63,617,726)	(106,863,536)
Gross profit		16,919,116	21,956,128
Distribution expenses		(820,784)	(1,486,283)
Administrative expenses		(14,695,814)	(20,751,470)
Operating profit/(loss)	3	1,402,518	(281,625)
Interest receivable and similar income	6	62,672	31,875
Interest payable and similar charges	7	(1,075,871)	(2,999,847)
Profit/(loss) on ordinary activities before taxation		389,319	(3,249,597)
Tax on profit/(loss) on ordinary activities	8	(49,031)	198,167
Profit/(loss) for the financial period		340,288	(3,051,430)


All results arise from continuing operations.

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

Balance sheet
 at 31 March 2009

	Note	31 March 2009 £	31 March 2009 £	31 August 2008 £	31 August 2008 £
Fixed assets					
Tangible assets	9		612,794		1,029,309
Current assets					
Stocks	10	17,658,160		19,653,783	
Debtors	11	47,120,772		50,899,687	
Cash in bank and hand		403,457		423,408	
			<u>65,182,389</u>		<u>70,976,878</u>
Creditors: amounts falling due within one year	12	<u>(68,022,603)</u>		<u>(74,573,895)</u>	
Net current liabilities			<u>(2,840,214)</u>		<u>(3,597,017)</u>
Net liabilities			<u>(2,227,420)</u>		<u>(2,567,708)</u>
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		<u>(2,227,520)</u>		<u>(2,567,808)</u>
Shareholders' funds	15		<u>(2,227,420)</u>		<u>(2,567,708)</u>

These financial statements were approved by the board of directors on 6 Nov 2009 and were signed on its behalf by:


 Richard Foskin
 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.

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.

As 100% of the Company's voting rights are controlled within the Group headed by Flextronics International Limited at the year end, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Flextronics International Limited, within which this Company is included, can be obtained from the address given in note 19.

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.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £2,227,420, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Flextronics, the company's ultimate parent. Flextronics has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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% - 33%
Motor vehicles	-	33%

Stocks

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

Notes (continued)

1 Accounting policies (continued)

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.

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. In the main turnover comprises transaction fees for handling warranty exchange parts.

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.

Dividends on shares 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

	7 month period ended 31 March 2009 £	Year ended 31 August 2008 £
France	44,403,766	60,448,184
Netherlands	26,725,075	42,854,244
Other European countries	4,483,795	11,038,000
Rest of the world	2,726,911	3,985,539
United Kingdom	2,197,295	10,493,697
	<u>80,536,842</u>	<u>128,819,664</u>

Notes (continued)

3 Notes to the profit and loss account

	7 month period ended 31 March 2009	Year ended 31 August 2008
	£	£
<i>The profit/(loss) on ordinary activities before taxation is stated after charging:</i>		
Loss on disposal of tangible fixed assets	-	42,040
Depreciation of tangible fixed assets:		
Owned	449,718	655,144
Leased	-	-
Auditors' remuneration:		
Audit of these financial statements	26,000	35,000
Operating lease rentals:		
Plant and machinery	31,160	31,925
Other	414,000	428,000
Foreign exchange losses	2,817,982	2,618,035
	<u> </u>	<u> </u>

4 Remuneration of directors

	7 month period ended 31 March 2009	Year ended 31 August 2008
	£	£
Directors' emoluments	-	46,212
	<u> </u>	<u> </u>
Contributions to money purchase pension schemes	-	3,500
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £nil (2008: £46,212) and contributions to the money purchase pension scheme were £nil (2008: £3,500).

During the period no directors (2008: 1) have benefits accruing under the company defined contribution money purchase pension scheme.

Directors emoluments are borne by other group companies. It is not practical to identify Directors' emoluments relating to this company.

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	7 month period ended 31 March 2009	Year ended 31 August 2008
Engineering and distribution	134	147
Sales and customer service	83	118
Management and administration	66	66
	<u>283</u>	<u>331</u>

	7 month period ended 31 March 2009	Year ended 31 August 2008
	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	3,746,359	7,745,915
Social security costs	360,036	760,372
Pension costs	39,120	84,146
	<u>4,145,515</u>	<u>8,590,433</u>

6 Interest receivable and similar income

	7 month period ended 31 March 2009	Year ended 31 August 2008
	£	£
Bank interest	2,917	31,875
Other interest	59,755	-
	<u>62,672</u>	<u>31,875</u>

7 Interest payable and similar charges

	7 month period ended 31 March 2009	Year ended 31 August 2008
	£	£
Interest payable on loans from group undertakings	1,075,871	2,999,847
	<u>1,075,871</u>	<u>2,999,847</u>

Notes (continued)

8 Taxation

Analysis of charge in the period:

	7 month period ended 31 March 2009 £	Year ended 31 August 2008 £
Current tax		
United Kingdom corporation tax at 28% (2008: 29.2%) based on the profit for the year	17,461	-
Adjustment in respect of prior years	31,570	(198,167)
Total current tax	49,031	(198,167)
Deferred tax		
Adjustment in respect of prior years	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	49,031	(198,167)

The current tax charge for the period is lower (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 29.2%). The differences are explained below:

	7 month period ended 31 March 2009 £	Year ended 31 August 2008 £
Profit/(loss) on ordinary activities before taxation	389,319	(3,051,430)
Current tax at 28% (2008: 29.2%)	109,009	(884,915)
Effects of:		
Expenses not deductible for tax purposes	85,055	45,783
Depreciation for period in excess of capital allowances	1,990	129,685
Movement in short term timing differences	9,804	(394)
Losses (utilised)/carried forward	(188,397)	709,841
Adjustment in respect of prior years	31,570	(198,167)
Total current tax	49,031	(198,167)

Factors that may affect the current and total tax charges

The company has an unrecognised deferred tax asset of £1,830,000 relating principally to carried forward trading losses. This asset has not been recognised as recovery is not sufficiently certain. It will be recoverable if the company makes sufficient suitable taxable profits in future.

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements	Fixtures Fittings and Equipment	Motor Vehicles	Total
	£	£	£	£
Cost				
At beginning of period	1,262,627	1,711,896	34,046	3,008,569
Additions	14,830	18,373	-	33,203
Disposals	-	-	-	-
At end of period	1,277,457	1,730,269	34,046	3,041,772
Depreciation				
At beginning of period	493,969	1,454,531	30,760	1,979,260
Charge for period	250,637	195,795	3,286	449,718
Disposals	-	-	-	-
At end of period	744,606	1,650,326	34,046	2,428,978
Net book value				
At 31 March 2009	532,851	79,943	-	612,794
At 31 August 2008	768,658	257,365	3,286	1,029,309

Fixtures, fittings and equipment includes computer hardware and software with a cost of £1,211,748 (2008: £1,207,358) and a net book value of £24,940 (2008: £203,411).

The net book value of the company's fixed assets included £nil in respect of assets held under finance leases and hire purchase contracts (2008: £nil).

10 Stocks

	31 March 2009 £	31 August 2008 £
Goods for resale	17,658,160	19,653,783

11 Debtors

	31 March 2009 £	31 August 2008 £
Trade debtors	21,031,309	34,323,618
Amounts owed from group undertakings	5,938,485	146,012
Other debtors	4,227,874	5,575,504
Prepayments and accrued income	9,158,799	6,613,282
Corporation tax receivable	-	585,640
Taxation and social security	6,764,305	3,655,631
	47,120,772	50,899,687

Notes (continued)

12 Creditors

	31 March 2009 £	31 August 2008 £
Bank loans and overdrafts	-	-
Trade creditors	25,056,715	5,494,666
Amounts owed to group undertakings	36,793,653	64,303,697
Taxation and social security	184,862	179,396
Accruals	5,773,436	4,242,884
Other creditors	213,937	353,252
	<u>68,022,603</u>	<u>74,573,895</u>

Included in Amounts owed to group undertakings are loans of £24,870,489 (2008: £44,015,195).

13 Called up share capital

	31 March 2009 £	31 August 2008 £
<i>Authorised, allotted and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

14 Profit and loss reserve

	Profit and loss account £
At beginning of period	(2,567,808)
Profit for period	340,288
At 31 March 2009	<u>(2,227,520)</u>

15 Reconciliation of movement in shareholders' funds

	7 month period ended 31 March 2009 £	Year ended 31 August 2008 £
Opening shareholders funds	(2,567,708)	483,722
Profit/(loss)/ for the financial period	340,288	(3,051,430)
Closing shareholders' funds	<u>(2,227,420)</u>	<u>(2,567,708)</u>

16 Contingent liabilities

The company has no contingent liabilities at 31 March 2009 (2008: nil).

Notes (continued)

17 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:

	31 March 2009		31 August 2008	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	41,000	-	82,000	17,652
In the second to fifth years inclusive	346,000	13,507	346,000	13,508
	<u>387,000</u>	<u>13,507</u>	<u>428,000</u>	<u>31,160</u>

18 Pension costs

The company makes contributions to a defined contribution pension scheme for eligible employees excluding directors. During the period contributions of £39,120 (2008: £84,146) were made. At 31 March 2009 £9,406 (2008: £10,580) was outstanding.

19 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 Flextronics International Ltd.

Marplace (Number 382) Limited has taken advantage of the exemption from preparing consolidated financial statements provided by S401 of the Companies Act 2006 as the ultimate parent company accounts meet the equivalence rules. Copies of the accounts of Marplace (Number 382) Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.

At the year end, Flextronics International Ltd is the ultimate parent undertaking and the largest group which consolidates these accounts. Copies of the accounts of Flextronics International Ltd are available from Flextronics International Ltd, One Marina Boulevard, #28-00, Singapore 018989.