

**Flextronics Global Services (Manchester)  
Limited**

**Annual report and financial statements**

**Registered Number 02026808**

**For the year ended 31 March 2017**



**Issued December 2017**

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## **Officers and professional advisers**

### **DIRECTORS**

Mr R Foskin

Miss S Shaw

Mr M Meades

### **SECRETARY**

Mr D Stewart

### **REGISTERED OFFICE**

Eversheds House

70 Great Bridgewater Street

Manchester

M1 5ES

### **BANKERS**

Citi Bank London

3 Hanover Square

London

W1S 1HD

### **SOLICITORS**

CMS Cameron McKenna LLP

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EN

### **AUDITOR**

Deloitte LLP

Statutory Auditor

2 Hardman Street

Manchester

United Kingdom

M3 3HF

## Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### Review of the business

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

The company's overall aim is to increase its turnover and profitability through the growth of its warranty parts supply and reverse logistics business, both developments of its existing customer base but more importantly by expanding the range of customers using this unique service.

The company received notification in February 2014 from Sony of their decision to exit the PC segment globally. Sony represents 3.5% of the total turnover of Flextronics UK during 2017 and 0.5% of the total forecasted turnover for FY 2018.

Sony have now exited the business as anticipated in September 2017

### Key performance indicators

The results for the year are shown on page 10.

The company's KPI's are turnover, gross margin, earnings before tax and customer satisfaction. The turnover decreased by 10% (2016: decreased by 27%) to \$60,296,516 (2016: \$67,206,624) and gross margin decreased to 23.8% (2016: 29%). Turnover has reduced due to Sony exiting the marketplace and a year on year decrease in the demand for in warranty spare parts. Administrative expenses have reduced by \$4,261,023 as a result of lower intercompany corporate allocations, recharges and royalty charges in 2017. The profit before tax for the year was \$3,253,138 (2016: profit of \$3,682,062). Customer satisfaction is measured on a quarterly basis where all customers are surveyed. The average score for the site throughout the year remained above average for all customers at 4.6 out of 5.

### Principal risks and uncertainties

The principal business risk facing the company relates to the loss of a major customer as the majority of our trade is with one main customer the current contract with this customer is for 3 years and includes a 6-month disengagement clause.

### Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

#### Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to hedge these exposures.

#### Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

## Strategic report

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

## Future developments

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

Approved by the board of Directors and Signed on behalf of the board



Miss S Shaw  
*Director*

18 December 2017

Stretton Green Distribution Centre  
Langford Way  
Appleton  
Warrington  
Cheshire  
WA4 4TQ

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2017. Under section 414C (11) of the Companies Act 2006 the directors have opted to disclose information regarding principle risks and uncertainties, financial risk management objectives and policies and future developments in the Strategic Report.

### **Principal activities**

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

### **Employee policy**

Our employment strategies are linked to business needs and have been designed to deliver the growth and development of the company and our people. Our employment policies are designed to provide equal opportunities irrespective of age, disability, ethnicity, gender, gender reassignment, marital status and civil partnership, nationality, pregnancy and maternity, race, religion and belief and sexual orientation. All employees, whether part-time or full-time, temporary or permanent, are treated fairly and equally. We select employees for employment, promotion, training or other matters affecting their employment on the basis of aptitude and ability. All employees are assisted and encouraged to develop to their full potential so that their combined talents and resources of the team are fully utilised to maximise the efficiency of the organisation.

### **Employee consultation**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### **Dividends and transfer to reserves**

The profit for the year of \$3,289,278 (2016: profit of \$3,251,957) has been transferred to reserves.

The directors do not recommend the payment of a dividend (2016: same). There are no Directors indemnity provisions in place.

### **Directors**

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

Mr R Foskin

Miss S Shaw

Mr M Meades

## Directors' report (continued)

### Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. Further information is contained in note 1 to the accounts.

### Political and charitable contributions

Charitable donations of \$2,443 were made in the current year (2016: \$5,266). No political donations were made in either year.

### Research and Development

There have been no research and developments costs incurred within 2017 (2016: Same)

### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Approved by the board of Directors and Signed on behalf of the board



Miss S Shaw  
Director

18 December 2017

Stretton Green Distribution Centre  
Langford Way  
Appleton  
Warrington  
Cheshire  
WA4 4TQ

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgements and accounting 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **Flextronics Global Services (Manchester) Limited**

### **Independent auditor's report to the members of Flextronics Global Services (Manchester) Limited**

We have audited the financial statements of Flextronics Global Services (Manchester) Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

## **Flextronics Global Services (Manchester) Limited**

### **Independent auditor's report to the members of Flextronics Global Services (Manchester) Limited (continued)**

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 any material misstatements in the Strategic Report and the Directors' Report.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Carl Acton*

Carl Acton BA ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

19<sup>th</sup> December 2017

## Profit and Loss Account

### For the year ended 31 March 2017

	Note	2017 \$	2016 \$
<b>Turnover</b>	3	60,296,516	67,206,624
Cost of sales		(45,952,571)	(47,550,413)
<b>Gross profit</b>		14,343,945	19,656,211
Distribution costs		(701,000)	(981,682)
Administrative expenses		(11,485,093)	(15,746,116)
<b>Operating profit</b>		2,157,852	2,928,413
Financial Income (Net)	4	1,095,286	753,649
<b>Profit on ordinary activities before taxation</b>	5	3,253,138	3,682,062
Tax on profit on ordinary activities	9	36,140	(430,105)
<b>Profit for the financial year attributable to the equity shareholders of the Company</b>		<u>3,289,278</u>	<u>3,251,957</u>

All results arise from continuing operations.

There are no items of comprehensive income in the current year or previous year other than those stated above in the profit and loss account. Accordingly, no separate statement of comprehensive income has not been presented.

**Balance sheet**  
**At 31 March 2017**

	Note	2017 \$	2016 \$
<b>Fixed assets</b>			
Tangible assets	10	161,997	175,517
Investments	11	-	44,088
		<u>161,996</u>	<u>219,605</u>
<b>Current assets</b>			
Stocks	12	13,015,069	11,711,281
Debtors	13	64,839,915	63,452,310
Cash at bank and in hand		1,501,504	970,368
		<u>79,356,488</u>	<u>76,133,959</u>
<b>Creditors: amounts falling due within one year</b>	14	(23,592,807)	(23,717,165)
<b>Net current assets</b>		<u>55,763,681</u>	<u>52,416,794</u>
<b>Net assets</b>		<u>55,925,677</u>	<u>52,636,399</u>
<b>Capital and reserves</b>			
Called-up share capital	16	151	151
Profit and loss account		<u>55,925,526</u>	<u>52,636,248</u>
<b>Shareholders' funds</b>		<u>55,925,677</u>	<u>52,636,399</u>

These financial statements were approved by the board of directors on 18 December 2017 and were signed on its behalf by:



Miss S Shaw

Director

Registered number: 02026808

**Statement of changes in equity**  
**For the year ended 31 March 2017**

	<b>Called-up share capital \$</b>	<b>Profit and loss account \$</b>	<b>Total \$</b>
<b>At 1 April 2015 as restated</b>	151	49,384,291	49,384,442
Profit for the financial year		3,251,957	3,251,957
<b>At 31 March 2016</b>	151	52,636,248	52,636,399
Profit for the financial year	-	3,289,278	3,289,278
<b>At 31 March 2017</b>	151	55,925,526	55,925,677

No final proposed dividend has been declared.

The accompanying notes form an integral part of the financial statements.

## Notes to the financial statements

### For the year ended 31 March 2017

#### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

##### *a. General information and basis of accounting*

Flextronics Global Services (Manchester) Limited is a private company limited by shares incorporated in the United Kingdom (England) under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the strategic report on page 4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Flextronics Global Services (Manchester) limited is considered to be USD Dollars because that is the currency of the primary economic environment in which the Company operates.

Flextronics Global Services (Manchester) limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Flextronics Global Services (Manchester) limited is consolidated in the financial statements of its parent, Flextronics International Ltd, which may be obtained at [www.flextronics.com](http://www.flextronics.com). Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

##### *b. Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors believe that the company has sufficient financial resources and is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### *c. Related party transactions*

As the company is a wholly-owned subsidiary of the Company headed by Flextronics International Ltd, the company has taken advantage of the exemption contained in Section 33 of FRS 102 not to disclose transactions or balances with other wholly-owned subsidiaries which form part of the Company.

During the year, no transactions were entered into with related parties other than with other wholly owned subsidiary companies of Flextronics International Ltd in the normal course of business.

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 1. Accounting policies (continued)

##### d. *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

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

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Depreciation is classified in the Profit & Loss within Administration expenses.

##### e. *Financial instruments*

The Company transacts business in various foreign countries and is therefore, exposed to foreign currency exchange rate risk inherent in forecasted sales, cost of sales, and monetary assets and liabilities denominated in non-functional currencies. The Company has established risk management programs to protect against volatility in the value of non-functional currency denominated monetary assets and liabilities, and of future cash flows caused by changes in foreign currency exchange rates.

The Company tries to maintain a partial or fully hedged position for certain transaction exposures, which are primarily, but not limited to, revenues, customer and vendor payments and inter-company balances in currencies other than the functional currency unit of the operating entity.

The Company enters into short-term foreign currency forward and swap contracts to hedge only those currency exposures associated with certain assets and liabilities, primarily accounts receivable and accounts payable, and cash flows denominated in non-functional currencies. Gains and losses on the Company's forward and swap contracts are designed to offset losses and gains on the assets, liabilities and transactions hedged, and accordingly, generally do not subject the Company to risk of significant accounting losses. The Company hedges committed exposures and does not engage in speculative transactions. The credit risk of these forward and swap contracts is minimized since the contracts are with large financial institutions and accordingly, fair value adjustments related to the credit risk of the counterparty financial institution were not material.

##### (i) *Financial assets and liabilities*

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability. The accounting guidance for fair value establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1—Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. The Company has deferred compensation plans for its officers and certain other employees. Amounts deferred under the plans are invested in hypothetical investments selected by the participant or the participant's investment manager. The Company's deferred compensation plan assets are included in other noncurrent assets on the consolidated balance sheets and include investments in equity securities that are valued using active market prices.

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 1. Accounting policies (continued)

##### e. *Financial instruments (continued)*

Level 2—Applies to assets or liabilities for which there are inputs other than quoted prices included within level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets) such as cash and cash equivalents and money market funds; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

The Company values foreign exchange forward contracts using level 2 observable inputs which primarily consist of an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount. The Company's cash equivalents are comprised of bank deposits and money market funds, which are valued using level 2 inputs, such as interest rates and maturity periods. Due to their short-term nature, their carrying amount approximates fair value.

##### (ii) *Investments*

Investments in subsidiaries held as fixed assets are stated at cost less provision for impairment in value. Income from investments in subsidiary companies is recognised when it is declared or paid by the subsidiary.

The company has taken advantage of the exemption from preparing and delivering consolidated financial statements under Section 400 of the Companies Act 2006 because it is itself a subsidiary undertaking of Express Cargo Forwarding Limited, which has prepared consolidated financial statements.

##### (iii) *Derivative financial instruments*

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

##### (iv) *Fair value measurement*

As of March 31 2017 and 2016 the fair value of the Company's short-term foreign currency contracts was included in other current assets or other current liabilities, as applicable, in the consolidated balance sheets.

Certain of these contracts are designed to economically hedge the Company's exposure to monetary assets and liabilities denominated in non-functional currencies and are not accounted for as hedges under the accounting standards.

Accordingly, changes in fair value of these instruments are recognized in earnings during the period of change as a component of interest and other, net in the consolidated statements of operations.

The gains and losses recognized in earnings due to hedge ineffectiveness were not material for all fiscal years presented and are included as a component of interest and other, net in the consolidated statements of operations.

##### f. *Stocks*

Stocks are stated at the lower of purchase cost and net realisable value. The directors consider this value to approximate replacement cost.

Cost is calculated using the Moving Average Cost method.

Provision is made for obsolete, slow-moving or defective items where appropriate.



## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 1. Accounting policies (continued)

##### g. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### *Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### h. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date.

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

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 1. Accounting policies (continued)

##### i. 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 and spare part sales net of defective returns. Turnover relating to direct pass through charges are netted against these charges.

##### j. Finance Income

Interest income is recognised in the profit and loss account using the effective interest method.

##### k. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

##### l. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above); and
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

##### m. Leases

###### *The Company as lessee*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term, even where the payments are not made on the same basis

##### n. Dividends on shares presented within shareholder's 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.

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Critical judgements in applying the Company's accounting policies*

The directors consider there are no critical judgements, apart from those involving estimations (which are dealt with separately below), that they have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### *Key source of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### *Stock valuation and provisioning*

Judgement is required on the adequacy of stock valuation and provisioning. The assessment of estimated selling price can fluctuate as a result of market factors. Furthermore, estimation uncertainty exists from provision requirements for slow-moving inventory. The stock provision at 31 March 2017 is £3,453,346, (2016: £3,573,960)

#### 3. Turnover and revenue

The turnover and profit on ordinary activities before taxation is wholly attributable to the principal activities of the company.

	2017	2016
	\$	\$
<b>Turnover:</b>	60,296,516	67,206,624
	<u>60,296,516</u>	<u>67,206,624</u>

An analysis of the Company's turnover by geographical market is set out below:

	2017	2016
	\$	\$
<b>Turnover:</b>		
France	3,663,994	23,658,552
Belgium	2,181,398	8,582,555
Switzerland	36,412,209	17,903,752
Netherlands	5,266,575	5,537,971
United Kingdom	5,833,519	3,951,381
Other European countries	5,429,183	5,295,750
Rest of the world	1,509,638	2,276,663
	<u>60,296,516</u>	<u>67,206,624</u>

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 3. Turnover and revenue (continued)

An analysis of the Company's turnover is as follows:

	2017 \$	2016 \$
Rendering of services	60,296,516	67,206,624
	<u>60,296,516</u>	<u>67,206,624</u>

#### 4. Finance income (net)

	2017 \$	2016 \$
Interest receivable and similar charges	1,095,286	753,649
	<u>1,095,286</u>	<u>753,649</u>

#### 5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2017 \$	2016 \$
Depreciation of tangible fixed assets (note 10)	98,448	202,973
<i>Remuneration</i>		
Audit of these Financial statements	34,450	38,097
<i>Operating lease rentals</i>		
Plant and Machinery	-	3,197
Other	502,148	494,851
Cost of stock recognised as an expense	28,803,067	29,338,604
Foreign exchange (gain)/loss	(61,116)	10,956
	<u></u>	<u></u>

#### 6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were \$34,450 (2016: \$38,097).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis. The IXBRL tagging fee is included within this fee.

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2017 Number	2016 Number
Engineering and Distribution	63	59
Sales and Customer Service	89	94
Management and Administration	81	83
	<u>233</u>	<u>236</u>

Their aggregate remuneration comprised:

	2017 \$	2016 \$
Wages and salaries	11,272,543	12,218,315
Social security costs	1,166,781	1,231,070
Other pension costs (see note 18)	469,413	516,905
	<u>12,908,737</u>	<u>13,966,290</u>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

#### 8. Directors' remuneration and transactions

	2017 \$	2016 \$
Directors' emoluments	188,200	218,972
	<u>188,200</u>	<u>218,972</u>
	No.	No.
Number of directors accruing benefits under money purchase pension schemes	1	1

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 9. Tax on profit on ordinary activities

The tax charge comprises:

	2017 \$	2016 \$
<b>Current tax on profit on ordinary activities</b>		
UK corporation tax @ 20% 2017 (20% 2016)	0	327,171
Adjustments in respect of prior years		
UK corporation tax	(2,323)	23,995
<b>Total current tax</b>	<b>(2,323)</b>	<b>351,166</b>
<b>Deferred tax</b>		
Adjustment in respect of prior years	0	1,018
Origination and reversal of timing differences	(54,659)	52,634
Movement due to reduction in tax rate	20,842	25,287
<b>Total deferred tax (see note 15)</b>	<b>(33,814)</b>	<b>78,939</b>
<b>Total tax (credit)/charge on profit on ordinary activities</b>	<b>(36,140)</b>	<b>430,105</b>

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017 \$	2016 \$
<b>Profit on ordinary activities before tax</b>	<b>3,253,138</b>	<b>3,682,062</b>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	650,627	725,691
Effects of:		
- Expenses not deductible for tax purposes	27,384	30,731
- Group Relief not paid for	(732,670)	(376,617)
- Impact of changes in tax rates	20,842	25,287
- Adjustment in respect of prior years	(2,323)	25,013
<b>Total tax (credit)/charge for period</b>	<b>(36,140)</b>	<b>430,105</b>

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 9. Tax on profit on ordinary activities (continued)

##### *Factors that may affect the current and total tax charges*

The standard rate of tax applied to reported profit on ordinary activities is 20% (2016: 20%). The applicable tax rate has remained static this year. Further reductions in the tax rate to 19% from 1 April 2017 and a further reduction to 17% from April 2020 were enacted in Finance Act 2016. Deferred tax has been provided at 17%.

There is no expiry date on timing differences, unused tax losses or tax credits.

##### *Deferred tax*

The Deferred Tax Asset is provided as follows:

	2017 £	2016 £
Accelerated Depreciation	249,097	220,370
Other timing differences	12,300	7,210
<b>Provision for deferred tax</b>	<b>261,397</b>	<b>227,580</b>
		2017 £
At 1 April 2016		227,370
Charged to profit and loss account		33,817
<b>At 31 March 2017</b>		<b>261,397</b>

The company has a deferred tax asset of £239,077 in respect of losses carried forward that has not been recognised. This asset will be recoverable if suitable profits are made against which the loss can be set off against.

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**10. Tangible fixed assets**

	<b>Leasehold Improvements</b>	<b>Fixtures, Fittings and Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
At 1 April 2016	2,282,919	1,160,425	3,443,344
Additions	14,734	70,194	84,928
At 31 March 2017	<u>2,297,653</u>	<u>1,230,619</u>	<u>3,528,272</u>
<b>Depreciation</b>			
At 1 April 2016	2,282,919	984,908	3,267,827
Charge for the year	1,841	96,607	98,448
Disposals	-	-	-
At 31 March 2017	<u>2,284,760</u>	<u>1,081,515</u>	<u>3,366,275</u>
<b>Net book value</b>			
At 31 March 2017	<u>12,893</u>	<u>149,104</u>	<u>161,997</u>
At 31 March 2016	<u>-</u>	<u>175,517</u>	<u>175,517</u>



## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 11. Fixed asset investments

	2017	2016
	\$	\$
Subsidiary undertakings	-	44,088
Total	-	44,088

#### Investments

The Company has investments in the following subsidiary undertakings, associates and other significant investments.

Investments represent a 100% holding in all share classes of Flextronics Service UA Incorporated in Ukraine, address - Berehivska-bichna str. 4, Mukachevo, Ukraine, 89600. Its principal activity during the period was the provision of manufacturing services.

#### Subsidiary undertakings

	\$
<b>Cost</b>	
At 1 April 2017	44,088
As at 31 March 2016	44,088
<b>Provisions for impairment</b>	
At 1 April 2016	
Impairment	44,088
At 31 March 2017	44,088
<b>Carrying value</b>	-

Investments in subsidiaries held as fixed assets are stated at cost less provision for impairment in value. Income from investments in subsidiary companies is recognised when it is declared or paid by the subsidiary.

The asset has been impaired this year to nil due to the net asset value of the subsidiary of which sits at a negative value for the previous 2 financial years.

The company has taken advantage of the exemption from preparing and delivering consolidated financial statements under Section 400 of the Companies Act 2006 because it is itself a subsidiary undertaking of Express Cargo Forwarding Limited, which has prepared consolidated financial statements available upon request. From its registered address, Stretton Green Distribution Centre, Langford Way, Cheshire, Warrington, WA4 4TQ.

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 12. Stocks

	2017	2016
	\$	\$
Finished goods and goods for resale	13,015,069	11,711,281
	<u>13,015,069</u>	<u>11,711,281</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

#### 13. Debtors

	2017	2016
	\$	\$
Amounts falling due within one year:		
Trade debtors	11,577,587	9,677,035
Amounts owed from group undertaking	44,873,089	47,445,859
Other debtors	1,129,433	508,873
Prepayments and accrued income	6,571,552	5,325,080
Taxation and Social Security	288,488	267,883
Deferred Tax	261,395	227,580
Derivative Financial assets	37,638	-
Corporation Tax	100,732	-
	<u>64,839,915</u>	<u>63,452,310</u>

All debtors are due within one year.

All amounts owed from group undertakings are repayable on demand.

#### 14. Creditors: amounts falling due within one year

	2017	2016
	\$	\$
Trade creditors	13,293,452	9,312,799
Amounts owed to group undertaking	2,878,240	7,553,171
Other taxation and social security	282,926	379,912
Accruals and deferred income	6,412,251	5,001,813
Other creditors	725,939	837,729
Derivative financial instruments	-	103,198
Corporation tax	-	528,543
	<u>23,592,807</u>	<u>23,717,165</u>

All Creditors are due within one year.

All loans are repayable on demand.

## Notes to the financial statements (continued)

### For the year ended 31 March 2017

#### 15. Called-up share capital and reserves

	2017 \$	2016 \$
Allotted, called-up and fully-paid 100 ordinary shares of £1 each	151	151

The Company has one class of ordinary shares which carry no right to fixed income.

#### 16. Financial commitments

Capital commitments are as follows:

	2017 \$	2016 \$
Contracted for but not provided for		
- Operating leases entered into	1,443,928	1,856,476
- other	-	499
	<u>1,443,928</u>	<u>1,856,975</u>

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings \$	Other \$	Land and buildings \$	Other \$
- within one year	412,551	-	412,551	499
- between one and five years	1,031,377	-	1,443,925	-
- after five years	-	-	-	-
	<u>1,443,928</u>	<u>-</u>	<u>1,856,476</u>	<u>499</u>

#### 17. Employee benefits

##### Defined contribution schemes

The company makes contributions to a defined contribution pension scheme for eligible employees excluding directors. During the year contributions of \$469,413 (2016: \$516,905) were made. At 31 March 2017 \$72,350 (2016: \$73,706) was outstanding.

#### 18. Related party transactions

The company has taken advantage of the exemption offered by section 33 of FRS 102 from disclosing related party transactions with other companies that are wholly owned within the group. During the year, no transactions were entered into with related parties other than with other wholly owned subsidiary companies of Flextronics International Ltd in the normal course of business.

**Notes to the financial statements (continued)**  
**For the year ended 31 March 2017**

**19. Controlling party**

The company is a wholly owned subsidiary of Express Cargo Forwarding Limited incorporated in the United Kingdom which is in turn a wholly owned subsidiary of Flextronics International Ltd.

Copies of the accounts of Express Cargo Forwarding Limited can be obtained from its registered address, Stretton Green Distribution Centre, Langford Way, Cheshire, Warrington, WA4 4TQ.

At the year end, Flextronics International Ltd, incorporated in Singapore.

The controlling company, Flextronics Singapore is the ultimate parent undertaking and the largest and smallest 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.